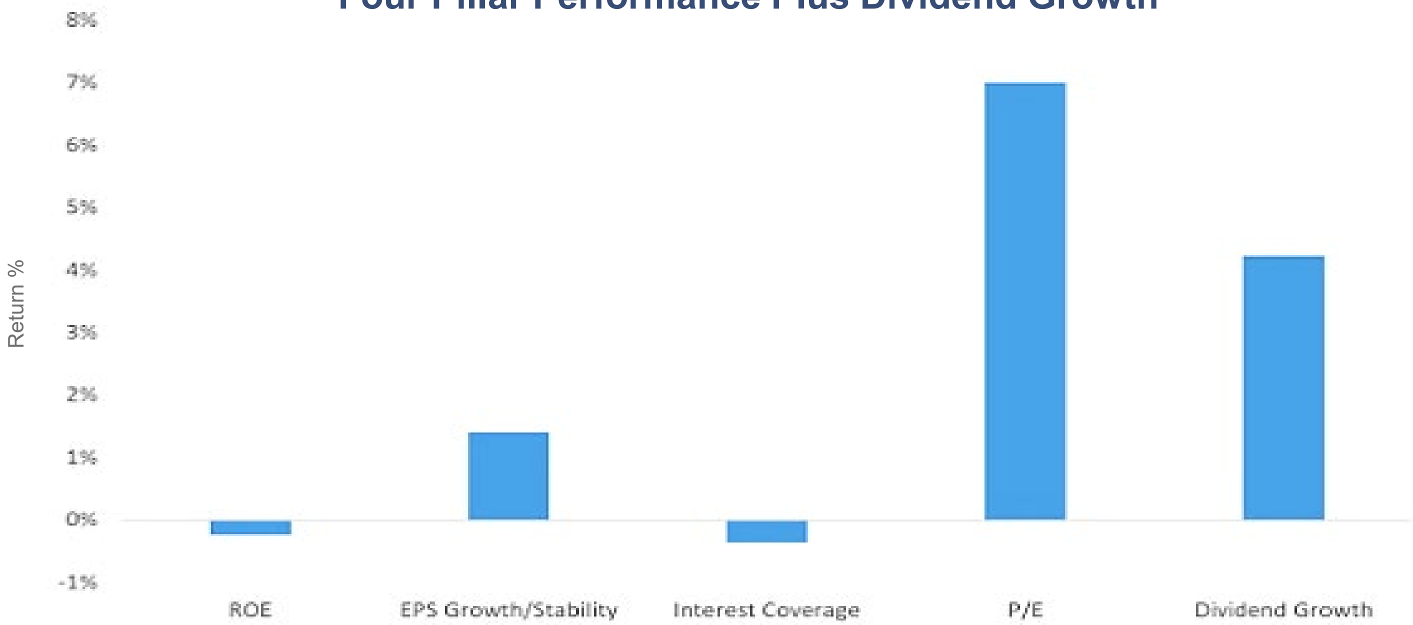
Beyond the Noise

The Lead | August 2026

Four Pillar Performance Plus Dividend Growth



ROE: Return on equity. EPS: Earnings per share. Interest Coverage: Operating earnings/interest expense. P/E: Price-to-earnings. Chart shows monthly NDR characteristic returns. Data is from 06.29.2026-07.24.2026. Source: Ned Davis Research (NDR).

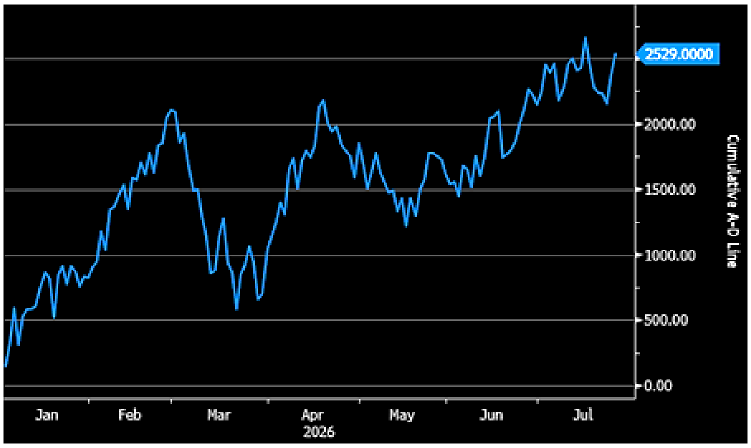
We recently had a discussion with the company management team of one of our portfolio holdings, during which they described the challenges of interpreting business and economic conditions amid broader market volatility. It reminded us that one of the primary purposes of this publication has always been to help investors better understand their investments, including the environments in which they may perform well and the circumstances that may create challenges amid changing market dynamics.

Over the past year, we have discussed at length how the powerful forces of risk and momentum, where rising prices often lead to further price appreciation, have appeared to influence which areas of the market have performed relatively well. In our opinion, investors with a long-term perspective should seek to understand the ebb and flow of these market movements while remaining anchored to investment philosophies that have stood the test of time.

As the calendar flipped in July, momentum, which was BofA Global's defining market characteristic during the first half of the year, gave way to value- and income-oriented stocks. The chart at the top of the page shows a similar shift using Ned Davis Research data, where low value stock (P/E) and dividend growth were among the stronger-performing characteristics amongst our four investment pillars and the inclusion of dividend growth.

This incremental improvement in the performance of value and income stocks, combined with the broadening of overall market performance, as seen in the chart below, reflects a trend we have also observed within our own strategies.

S&P 500 Cumulative Advance Decline Line



Advance Decline measures the cumulative number of stocks going up in price versus declining, and whether a market move is supported broadly or just a few stocks contributing to a trend.
Data is from 01.01.2026 to 07.28.2026. Source: Bloomberg L.P.

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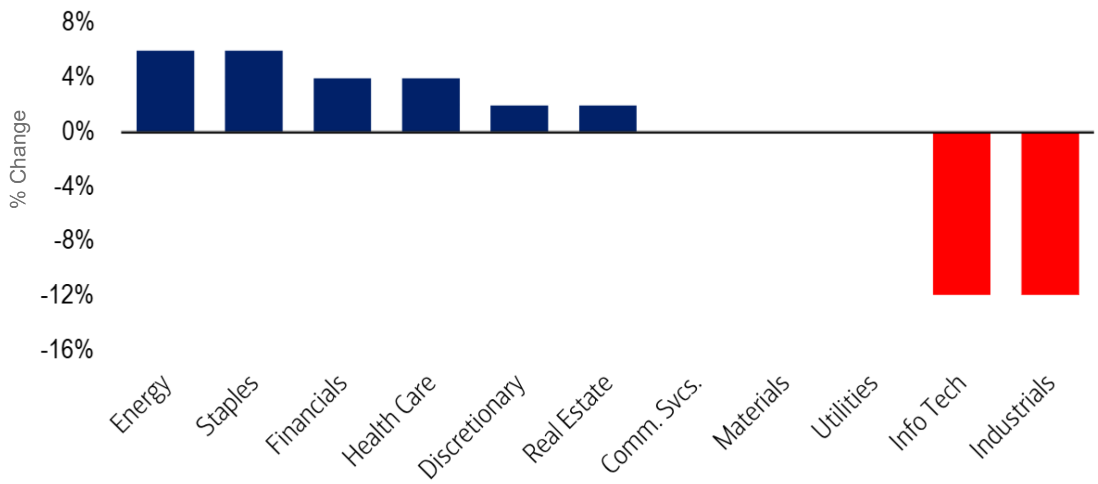
Momentum Leadership Becomes More Diversified

(3-month Momentum sector composition change as of 07.21.2026 vs. 06.30.2026)

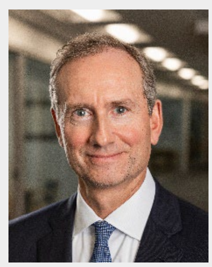


Momentum in finance is the tendency of rising asset prices to keep rising and falling prices to keep falling. It relies on price velocity and market psychology rather than a company's fundamental value. Sector composition means the percentage share or relative breakdown of different economic or market segments within a larger whole, such as an investment portfolio. It shows how much weight or importance each specific industry or economic area holds.
Data is as of 07.31.2026. Source: BofA U.S. Equity & U.S. Quant Strategy; FactSet.

Last month, we discussed how the narrow breadth of market performance was appearing to create opportunities for strategies that provide diversified sources of return. While recent market leadership trends appear to be more consistent with this approach, we remain focused on whether this trend will continue through the remainder of 2026.

As always thank you for your interest and trust managing your investments.

Charles J. Wittmann, CFA®, Executive Director, joined Sterling Capital Management in 2014 and has investment experience since 1995. Chip is Co-Portfolio Manager of the Equity Income strategy. Prior to joining Sterling, he worked for Thompson Siegel & Walmsley as a portfolio manager and (generalist) analyst. Prior to TS&W, he was a founding portfolio manager and analyst with Shockoe Capital, an equity long/short hedge fund. Chip received his B.A. in Economics from Davidson College and his M.B.A. from Duke University's Fuqua School of Business. He holds the Chartered Financial Analyst® designation and served as President of CFA Society Virginia from 2012-2013.



Important Information

Disclosures

Past performance is not indicative of future results. Any type of investing involves risk and there are no guarantees that these methods will be successful. Economic charts are provided for illustrative purposes only. The information provided herein is subject to market conditions and is therefore expected to fluctuate.

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The S&P 500® Index is a stock market index weighted by market capitalization that is made up of 500 of the largest public companies in the U.S.

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Technical Terms: **Return on equity (ROE)** is a measure of a company's ders' equity is equal to a company’s assets minus its financial performance. It is calculated by dividing net income by shareholders' equity. Because shareholders’ equity is equal to a company’s assets minus its debt, ROE is a way of showing a company's return on net assets. **Earnings per share (EPS)** is a measure of a company's profitability that indicates how much profit each outstanding share of common stock has earned. It's calculated by dividing the company's net income by the total number of outstanding shares. The **price-to-earnings (P/E) ratio** measures a company's share. (Technical definitions are sourced from Corporate Finance Institute and Investopedia.)

The **Chartered Financial Analyst® (CFA)** charter is a graduate-level investment credential awarded by CFA Institute — the largest global association of investment professionals. To earn the CFA charter, candidates must: 1) pass three sequential, six-hour examinations; 2) have at least four years of qualified professional investment experience; 3) join CFA Institute as members; and 4) commit to abide by, and annually reaffirm, their adherence to the CFA Institute Code of Ethics and Standards of Professional Conduct.

Since we began publishing The Lead in 2015, our primary purpose has been to communicate our investment philosophy and process as an investment advisor in the context of changing markets. In creating portfolios that differ from our benchmarks by focusing on characteristics that have a long-term history of attractive relative returns according to Ned Davis Research, the portfolios are different from the benchmarks and as a result there can be periods where results differ including below benchmark performance. Since strategies are oriented toward the long-term characteristics, if those characteristics are out of favor over a period of time, the given strategy’s performance could be challenged in terms of relative performance. While Sterling believes active professional investment management that employs a consistent process with a long-term orientation and aligned with client interests offers benefits, management fees to support the active approach can be higher than certain alternatives. When hiring an investment manager, we believe it is important to monitor the investment risks taken including sector concentrations, portfolio turnover, and the impacts of dividend policy changes.