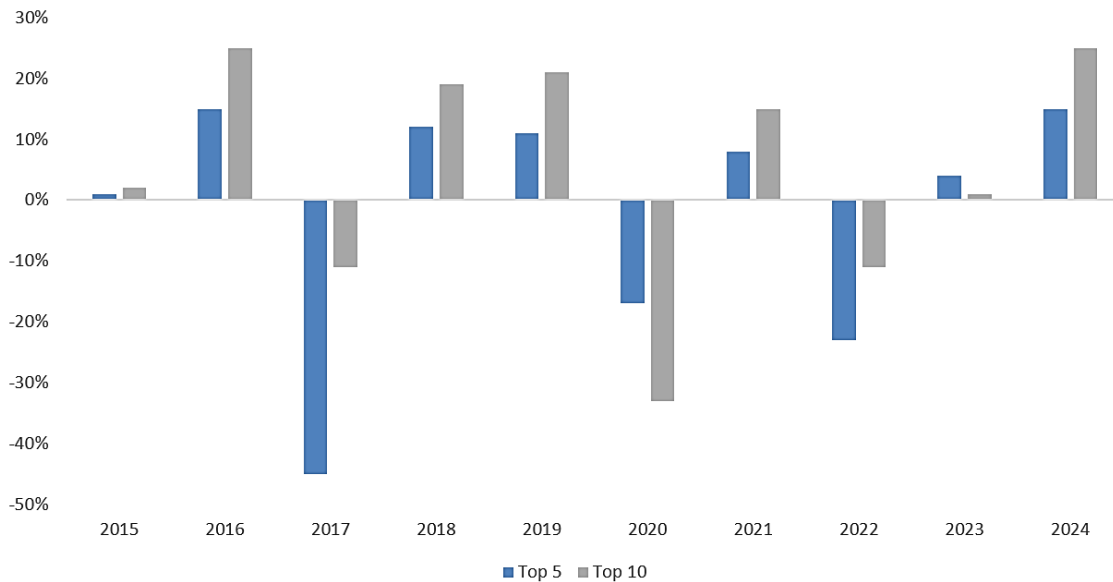


Top Valuations

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Contribution of Return of Top Weights in Russell 1000® Value Index

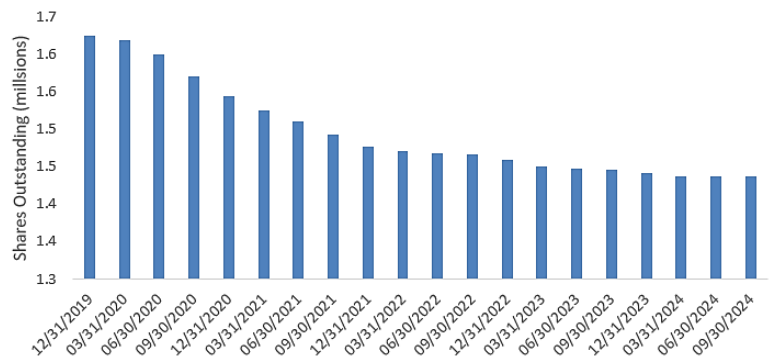


Source: Bloomberg L.P. Top weights are the largest position sizes due to market capitalization.

Over the past 12 months, our benchmark, the Russell 1000 Value Index, is up +29.5% as of November 30, 2024. If this year-over-year gain holds, it may be the best year for the Russell 1000 Value in over a decade. What is interesting to us is that the return thus far in 2024 has been concentrated in the largest holdings in the index. The chart above shows that the largest stocks in the index, whether one looks at the top five or top ten largest companies by market capitalization, have generated the largest contribution to return for the index since 2016.

We think it is interesting what the CEOs of some of these large companies have been saying and doing with their own stock. For example, the CEO of JP Morgan, Jamie Dimon, stated at their Investor Day in May that he is not going to buy back a lot of stock at the current price. Another top market capitalization company in the Russell 1000 Value is Berkshire Hathaway. In the second chart on this page, we show the trend in Berkshire's share repurchase program where reductions in outstanding shares have stopped this year after a steady reduction since the end of the last decade.

Berkshire Hathaway Shares Outstanding Class B



Source: Bloomberg L.P.

Where do we stand in terms of overall valuation for the index where these top companies reside? We know that valuations can continue to rise over time, but higher valuations can reduce the margin of safety for an investment. In the chart on the next page, we provide some context for current valuations. We have chosen the price-to-book ratio given our two examples could be considered financials.

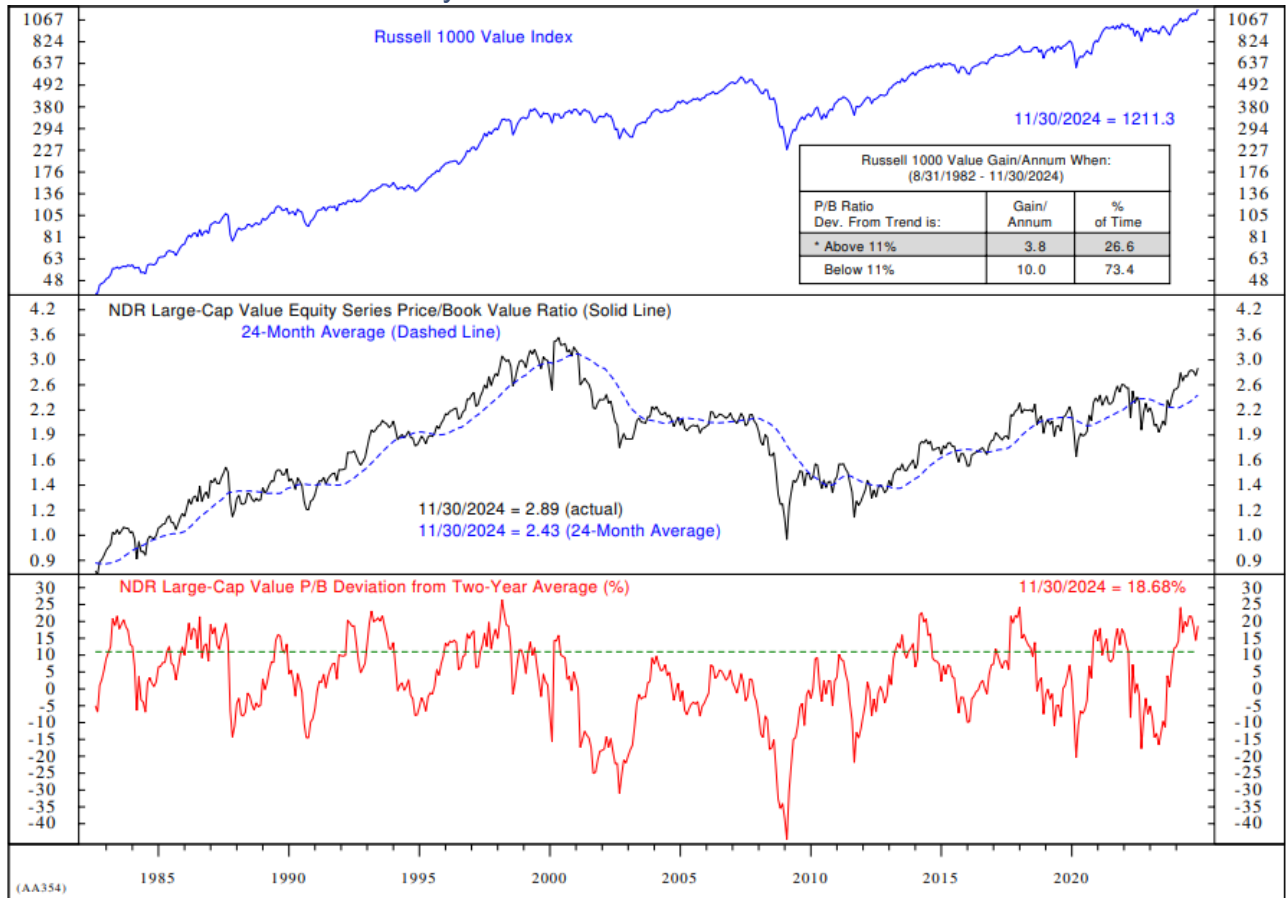
Past performance is not indicative of future results. Any type of investing involves risk and there are no guarantees that these methods will be successful. Charts are for illustrative purposes only.



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Russell 1000 Value Index versus NDR Large-Cap Value Equity Series Price/Book Value Ratio Monthly Data from 08.31.1982 – 11.30.2024



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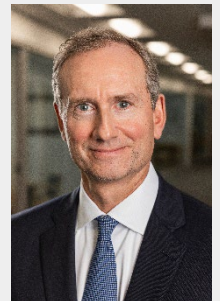
Source: Ned Davis Research.

We remain observant regarding current valuations. Within our strategies, we employ an eye toward valuation as one of our four investment pillars. A focus on valuation has demonstrated to be additive to long-term returns, according to Ned Davis Research,

and typically enhances downside capture by protecting capital.

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.



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Important Information

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The volatility of an index varies greatly. All indices are unmanaged and investments cannot be made directly in an index.

The Russell 1000[®] Value Index measures the performance of the large-cap value segment of the U.S. equity universe. It includes those Russell 1000[®] companies with lower price-to-book ratios and lower expected growth values. The Russell 1000[®] Value Index is constructed to provide a comprehensive and unbiased barometer for the large-cap value segment. The index is completely reconstituted annually to ensure new and growing equities are included and that the represented companies continue to reflect value characteristics.

Dividend-focused strategies may underperform strategies that do not limit their investment to dividend-paying stocks. Stocks held strategy may reduce or stop paying dividends, affecting the strategy's ability to generate income.

Technical Terms: **The price-to-book ratio (P/B ratio)** is used to compare a firm's market capitalization to its book value and locate undervalued companies. This ratio is calculated by dividing the company's current stock price per share by its book value per share (BVPS). (Technical definitions are sourced from Corporate Finance Institute and Investopedia.)

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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.