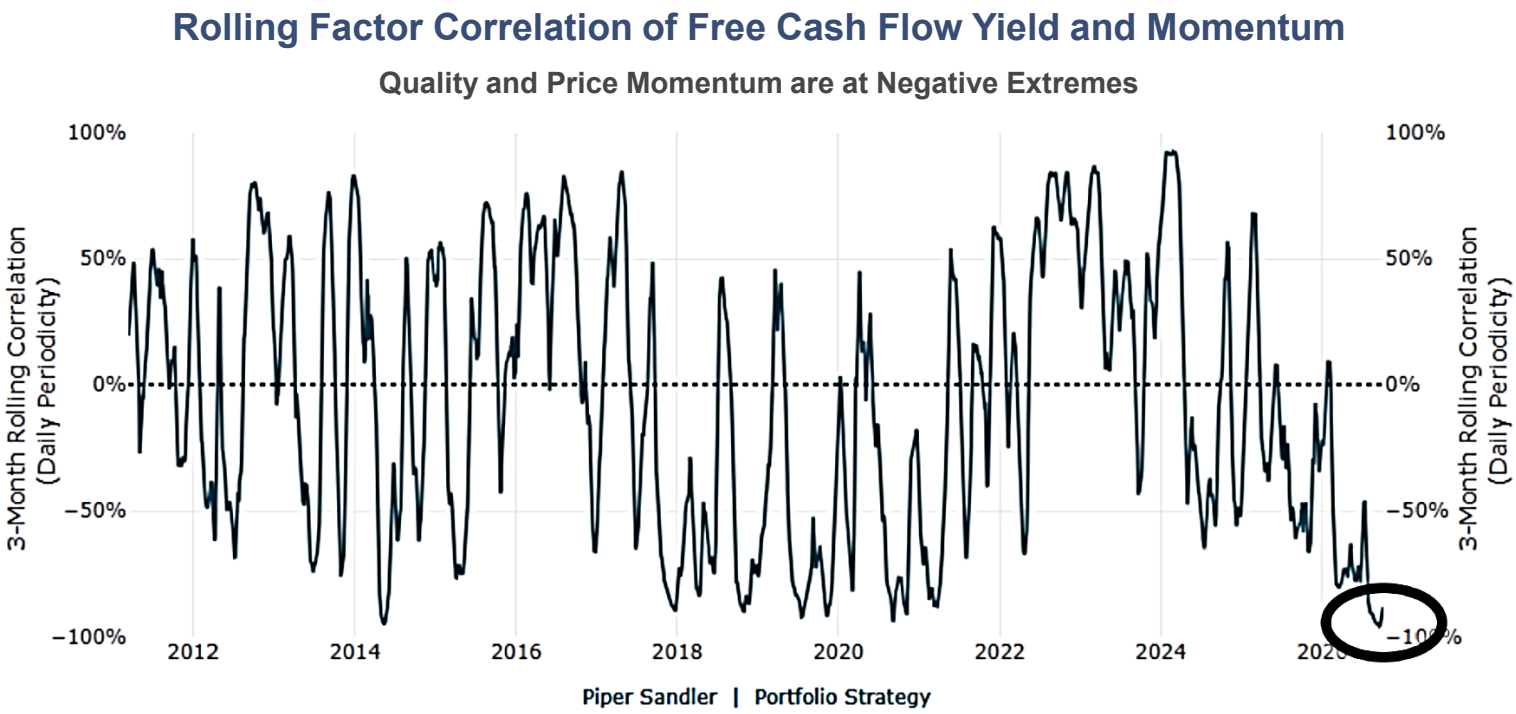
Tide to Turn?

The Lead | November 2026



Data is as of 10.09.2026. Sources: Piper Sandler; Russell 1000 Sector Neutral Beta (High to Low) vs Momentum (High to Low).

Over the past decade, we have sought to provide context for how and why clients' investments perform as they do amid changing market conditions. As a quality-oriented investment management team, our investment style's relative performance may ebb and flow during short periods of time, as certain characteristics of the market come in and out of favor.

One area of focus in recent years has been risk as defined by "beta," with our research suggesting that stocks exhibiting higher volatility often perform differently from quality stocks, which generally carry lower levels of market risk. We believe this is due to the greater stability and predictability in their sales, earnings and cash flow generation.

Over the past 15 months, we've seen a historic divergence in performance between quality and the flip side of quality, beta and momentum. The following charts show that recent performance of quality and beta have reached historic extremes in terms of their recent price performance.

As we've noted in the past, the definition of "quality" can take on different definitions when using third party sources to gain a perspective on this characteristic. In this measurement above, quality is defined as high amounts of unencumbered cash flow generated by the business, divided by a firm's value. It appears hard to argue that generating excess cash isn't positive. This attribute is combined with the traditional return-on-equity measure, where companies with higher returns are generally considered higher quality.

Companies with negative free cash flow (FCF) that are dependent on debt markets to fund their business may find themselves surprised at inopportune times when investors reassess the viability and risks of their business models.

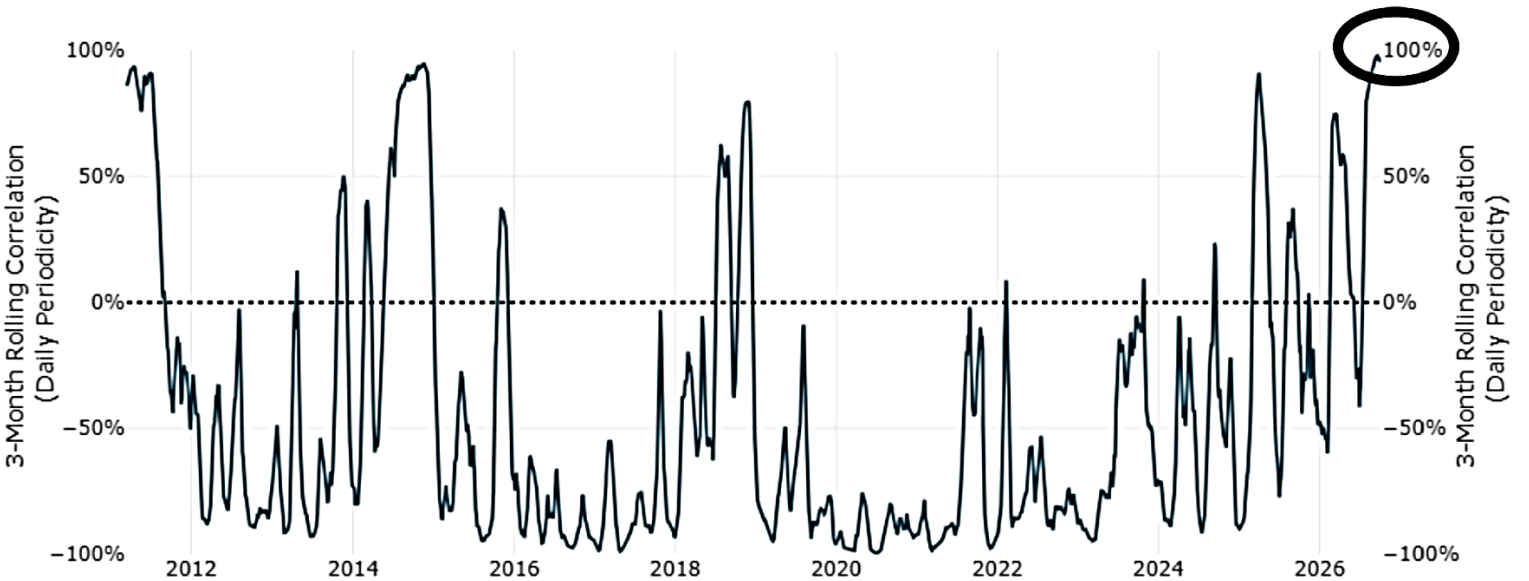
Past performance is not indicative of future results. Any type of investing involves risk and there are no guarantees that these methods will be successful. Charts are for illustrative purposes only.

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Rolling Factor Correlation of Beta and Momentum

Beta and Price Momentum are at Positive Extremes

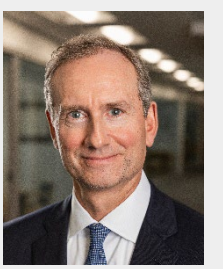


Data is as of 10.09.2026. Sources: Piper Sandler; Russell 1000 Sector Neutral Momentum (High to Low) vs Free Cash Flow Yield (High to Low).

We evaluate quality in the context of not one characteristic, but actively through multiple perspectives. On our investment team, we employ our four-pillar investment framework of high returns on capital combined with strong balance sheets, operating earnings growth and attractive valuations. Consistent with the definition of quality in Piper's work we also see value in high quality stocks as measured on free cash flow yield. Where Piper appears to see historic divergences of quality and beta, we see opportunity in quality.

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

Disclosures

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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 **S&P 500® Index** is a readily available, carefully constructed, market-value-weighted benchmark of common stock performance. Currently, the S&P 500 Composite includes 500 of the largest stocks (in terms of stock market value) in the United States and covers approximately 80% of available market capitalization.

The **Russell 1000 Sector Neutral Momentum Index** (or related Russell 1000 momentum/focused factor indexes) is a rules-based benchmark designed to capture the performance of large-capitalization U.S. equities with strong price momentum while neutralizing or matching the sector weights of the parent Russell 1000 Index.

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Technical Terms: **Quality stocks** are shares in financially healthy, best-in-class companies that feature strong balance sheets, consistent earnings, high profitability, and sustainable competitive advantages (often called an economic moat). **Beta** is a measure of a stock's price volatility and systematic risk in comparison to the overall market (typically benchmarked against an index like the S&P 500). A **momentum stock** is a share of a company whose price is moving strongly in one direction—usually upward—at a high speed and with heavy trading volume. **Free cash flow (FCF)** is the cash a company has left over after paying for its operating expenses and capital expenditures. Technical definitions are sourced from Corporate Finance Institute and Investopedia.

The **Chartered Financial Analyst® (CFA)** charter is a graduate-level investment credential awarded by the CFA Institute, the largest global association of investment professionals. To earn the CFA charter, candidates must: 1) pass three sequential exams; 2) have at least four thousand hours 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.