Fully Valued?

The Lead | September 2025

Assessment of Large Weight New Additions to 2025 Russell 1000® Value

	Forward Price to Earnings Ratio	Last 12 Month EPS Growth
Alphabet	20.0x	22.0%
Amazon	26.3x	33.0%
Meta	21.4x	38.0%
Russell 1000 Value	18.0x	3.9%

EPS: earnings per share. Data is as of 08.26.2025. Source: Bloomberg L.P.

Due to the large weight new additions of mega-cap stocks Alphabet, Amazon, and Meta in the Russell 1000 Value benchmark, we thought it would be helpful to provide our analysis. Some questions might revolve around the nature of these stocks and whether we planned to adjust our Sterling Capital Equity Income strategy holdings for the change. As we stated then, we were aware of the changes to the benchmark but did not anticipate the need to make any adjustments, reaffirming our commitment to the same process and mandate that has stood in place for decades. We believe our focus on valuation discipline was a foundational pillar of our process over that time period.

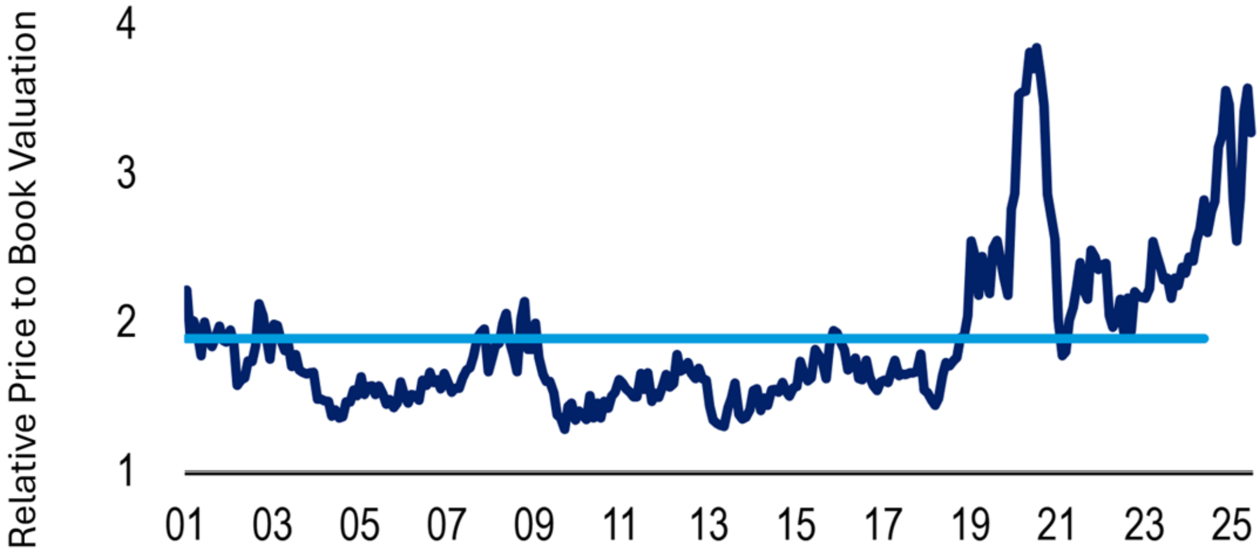
This month, we would contrast this value approach with the inclusion of these stocks into the specific "value" benchmark. In the past, the inclusion of the securities coincided with a decline in valuation and the stock price prior to reconstitution.

What's interesting to us is that in 2025, neither of these appear to be the case. As seen in the chart above, rather than entering the benchmark at a discount in 2025, each of these stocks are more expensive than the benchmark upon entry. Moreover, these stocks entered the "value" benchmark just below the highest prices they have ever traded at historically.

Fully Valued?

The Lead | September 2025

Growth versus Value Relative Price to Book Valuations



Source: BofA Global.

Why are these observations potentially important for relative performance? As seen in the chart above, stocks that have higher valuations than the Russell 1000 Value with growth characteristics enter the “value” benchmark when growth stocks trade at the greatest premium to value stocks ex-COVID-19. The dark blue line depicts the valuations of growth stocks relative to value trading at the high end of the historic range. The light blue line shows the average valuation for this time period.

Why add stocks that are also included in the growth benchmark to a value benchmark at premium multiples? Looking back to 2001, we see the potential in value characteristics, especially when adding holdings to a value-based strategy.

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.

The opinions contained in this presentation reflect those of Sterling Capital Management LLC (SCM), are for general information only, and are educational in nature. The opinions expressed are as of the date of publication and are subject to change without notice. These opinions are not meant to be predictions and do not constitute an offer of individual or personalized investment advice. They are not intended as an offer or solicitation with respect to the purchase or sale of any security. This information and these opinions are subject to change without notice. All opinions and information herein have been obtained or derived from sources believed to be reliable. SCM does not assume liability for any loss which may result from the reliance by any person upon such information or opinions.

Investment advisory services are available through SCM, an investment adviser registered with the U.S. Securities & Exchange Commission and an indirect, wholly-owned subsidiary of Guardian Capital Group Limited. SCM manages customized investment portfolios, provides asset allocation analysis, and offers other investment-related services to affluent individuals and businesses.

Sterling Capital does not provide tax or legal advice. You should consult with your individual tax or legal professional before taking any action that may have tax or legal implications.

The securities described are neither a recommendation nor a solicitation. Security information is being obtained from resources the firm believes to be accurate, but no warrant is made as to the accuracy or completeness of the information.

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: **Earnings per share (EPS)** is a commonly used measure of a company's profitability. It indicates how much profit each outstanding share of common stock has earned. **The price-to-book (P/B) ratio** is a financial metric that compares a company's market value to its book value, which is the value of all its assets minus its liabilities, helping investors identify undervalued stocks. **The price-to-earnings (P/E) ratio** measures a company's share price relative to its earnings per share (EPS). (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.

STERLING CAPITAL

PULSUS UT LIBERA