

# Small Cap Value SMA

06.30.2024



**STERLING**  
CAPITAL

## Relative Value Team

- Lead Portfolio Manager:
  - Gerald Van Horn, CFA®
- Associate Portfolio Managers
  - Andrew DiZio, CFA®

## Investment Philosophy

- We believe that undervalued stocks may provide appreciation potential with reduced volatility
- Focused on relative value: identifying stocks which are undervalued versus their peers
- Aim to add value primarily through positive stock selection across economic sectors
- Long-term perspective values companies with multi-year catalysts and produces low portfolio turnover

## Investment Process

- Disciplined "Relative Value" approach
- Quantitative Analysis: reduces the small-cap universe to a select group of undervalued stocks with favorable earnings and price momentum characteristics
- Qualitative Analysis: identify those undervalued stocks which possess a fundamental catalyst to drive earnings and valuation

## Portfolio Structure

- Small-cap relative value focus
- High active share portfolio with value added primarily through stock selection
- Consistent process since inception

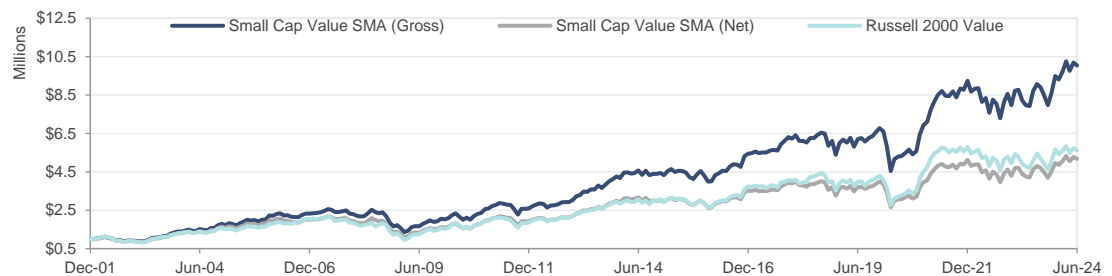
Top Ten Equity Holdings <sup>5</sup>	
Casey's General Stores, Inc.	4.43%
Moog Inc. Class A	4.19%
CACI International Inc Class A	4.08%
Crane Company	3.84%
BJ's Wholesale Club Holdings, Inc.	3.79%
United Rentals, Inc.	3.52%
MasTec, Inc.	3.30%
Belden Inc.	3.29%
Avient Corp.	3.29%
PTC Inc.	3.23%
<b>Total % of Portfolio</b>	<b>37.33%</b>

Performance	QTR	YTD	1Y	3Y	5Y	10Y	ITD <sup>1</sup>
Small Cap Value SMA (Gross)	-2.09%	5.89%	15.39%	5.88%	10.08%	8.17%	10.80%
Small Cap Value SMA (Net)	-2.81%	4.34%	12.05%	2.80%	6.89%	5.03%	7.59%
Russell 2000® Value	-3.64%	-0.85%	10.90%	-0.53%	7.07%	6.23%	7.98%

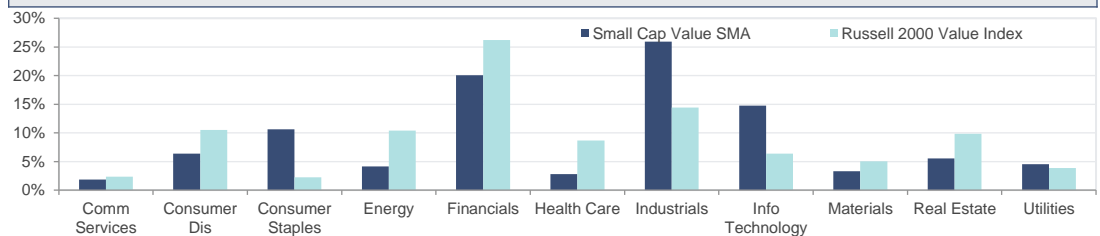
Portfolio Characteristics	Portfolio		Index	
	Portfolio	Index	Portfolio	Index
Wtd. Avg. Market Cap	\$9.6B	\$2.9B		
Wtd. Med. Market Cap	\$6.1B	\$2.6B		
Wtd. Med. P/E (FY1)	16.23x	12.05x		
Wtd. Med. P/B	3.18x	2.55x		
Wtd. Avg. Dividend Yield	1.47%	2.19%		
Number of Holdings	42	1402		
Active Share	95.18%	---		
Turnover <sup>2</sup>	2.61%	---		

Risk Statistics <sup>3</sup> vs. Russell 2000® Value Index	Gross		Net	
	Gross	Net	Gross	Net
Up Market Capture	93.40%	86.38%		
Down Market Capture	86.05%	90.09%		
Std. Deviation (Portfolio)	18.20%	18.20%		
Std. Deviation (Index)	20.02%	---		
Annualized Alpha	3.57%	0.55%		
Beta	0.87	0.87		
Tracking Error	6.01	6.01		
Rolling 3Y Batting Avg.	91.91%	31.06%		
Rolling 5Y Batting Avg.	97.63%	24.64%		
Outperforms in Down Periods	72.55%	65.69%		

## Growth of \$1 Million (Gross & Net of Fees, Since Inception)<sup>1,4</sup>



## Sector Allocation<sup>5</sup>



<sup>1</sup>The performance inception date is 12.31.2001. Performance results prior to 08.01.2015 are considered "predecessor performance" and were achieved by the Relative Value team when they were part of the Stratton Management Company. Performance is preliminary and is annualized for periods longer than one year. Net of fees performance returns are preliminary and are presented net of the investment management fees and trading expenses. Gross of fees performance returns reflect the deduction of trading costs: a client's return will be reduced by the management fees and other expenses it may incur. Investment management fees are described in SCM's Form ADV 2A. Performance reflects the reinvestment of interest income and dividends and realized capital gains. The performance presented represents past performance and is no guarantee of future results. Performance is compared to an index; however, the volatility of an index varies greatly and investments cannot be made directly in an index. Market conditions vary from year to year and can result in a decline in market value due to material market or economic conditions. Please refer to the attached GIPS Composite Report for additional disclosures. Net returns are calculated by deducting the highest applicable wrap fee of 3.00% annually from the gross composite return. The benchmark is the Russell 2000® Value Index. <sup>2</sup>Turnover is for the last 12 months. <sup>3</sup>Risk statistics are based on monthly returns since inception. Risk statistics are calculated using the gross and net performance of the strategy composite. <sup>4</sup>The Growth of \$1 Million chart depicts a hypothetical investment based upon actual returns of the composite since inception. <sup>5</sup>Specific securities identified and described do not represent all of the securities purchased, sold or recommended to clients. There are no assurances that securities identified will be profitable investments. The securities described are neither a recommendation nor a solicitation. The **Russell 2000® Value Index** measures the performance of small-cap value segment of the U.S. equity universe. It includes those Russell 2000® companies with lower price-to-book ratios and lower forecasted growth values. 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. Sources: Russell Investments; FactSet; Sterling Capital Management Analytics; eVestment Analytics.

## Sterling Capital Small Cap Value SMA

	Total Gross Return	Total Net Return	Benchmark Return	3Y Composite Std. Dev. (Gross)	3Y Benchmark Std. Dev.	Composite Dispersion	Number of Portfolios	Composite Assets (MM)	Total Firm Assets (MM)
2023	18.89%	15.46%	14.65%	20.39%	21.75%	Not Calculable	1	\$261	\$66,746
2022	-13.59%	-16.15%	-14.48%	25.44%	27.27%	Not Calculable	1	\$317	\$62,842
2021	33.29%	29.49%	28.27%	23.05%	25.00%	Not Calculable	1	\$523	\$75,309
2020	2.22%	-0.78%	4.63%	24.31%	26.12%	Not Calculable	1	\$490	\$70,108
2019	25.79%	22.18%	22.39%	14.98%	15.68%	Not Calculable	1	\$975	\$58,191
2018	-13.59%	-16.14%	-12.86%	14.99%	15.76%	Not Calculable	1	\$961	\$56,889
2017	14.37%	11.07%	7.84%	13.00%	13.97%	Not Calculable	1	\$1,184	\$55,908
2016	26.51%	22.88%	31.74%	14.08%	15.50%	Not Calculable	1	\$1,277	\$51,603
2015	-3.03%	-5.87%	-7.47%	12.58%	13.46%	Not Calculable	1	\$1,163	\$51,155
2014	4.24%	1.20%	4.22%	11.26%	12.79%	Not Calculable	1	\$1,419	\$2,984

Benchmark: Russell 2000® Value Index

Composite Creation Date: 09.26.2023

Inception Date: 01.01.2002

- Consists of all discretionary separately managed small capitalization equity portfolios managed in the Stratton relative value style. SCM's small capitalization equity accounts invest primarily in companies similar to the market capitalization of the Russell 2000® Index.
- Sterling Capital Management LLC claims compliance with the Global Investment Performance Standards (GIPS®) and has prepared and presented this report in compliance with the GIPS standards. Sterling Capital Management LLC has been independently verified for the periods 01/01/2001 to 12/31/2022. The verification report(s) is/are available upon request. A firm that claims compliance with the GIPS standards must establish policies and procedures for complying with all the applicable requirements of the GIPS standards. Verification provides assurance on whether the firm's policies and procedures related to composite and pooled fund maintenance, as well as the calculation, presentation, and distribution of performance, have been designed in compliance with the GIPS standards and have been implemented on a firm-wide basis. Verification does not provide assurance on the accuracy of any specific performance report. Benchmark returns are not covered by the report of the independent verifiers. GIPS® is a registered trademark of the CFA Institute. CFA Institute does not endorse or promote this organization, nor does it warrant the accuracy or quality of the content contained herein.
- Sterling Capital Management LLC (SCM) is a registered investment advisor with the U.S. Securities & Exchange Commission (SEC). Registration does not imply a certain level of skill or training. SCM manages a variety of equity, fixed income and multi-asset portfolios. Prior to January 2001, SCM was a wholly owned subsidiary of United Asset Management (UAM). In January 2001, SCM purchased all the assets and business of Sterling Capital Management Company from UAM to become an employee-owned firm. In April 2005, BB&T Corporation (BB&T) purchased a majority equity ownership stake in SCM. In October 2010, the management group of SCM entered into an agreement with BB&T that reduced and restructured management's interest in SCM. Additionally, BB&T Asset Management merged into SCM. In January 2013, CHOICE Asset Management merged into SCM. In August 2015, eight new employees joined SCM via Stratton Management Company following the close of BB&T's purchase of Susquehanna Bancshares. In December 2019, BB&T and SunTrustBanks, Inc. Holding Company merged as equals to form Truist Financial Corporation. SCM was then a wholly-owned subsidiary of Truist Financial Corporation. In August 2020, eight new employees joined SCM via the Investment Advisory Group of SunTrust Advisory Services. In July 2024, Guardian Capital LLC, a wholly-owned subsidiary of Guardian Capital Group Limited (Guardian), completed the acquisition of SCM from Truist.
- The performance presented represents past performance and is no guarantee of future results. Market and economic conditions vary from year to year and can result in a decline in market value due to material market or economic conditions. Please refer to the slide titled "Performance" for the one-, five-, and ten-year returns of the composite.
- A complete list of all of SCM's composites and SCM's broad distribution pooled funds and their descriptions is available upon request. Policies for valuing investments, calculating performance, and preparing GIPS Composite Reports are available upon request.
- Performance reflects reinvested interest income and dividends and realized and unrealized capital gains and losses. Valuations and performance are reported in U.S. dollars. Periodic time weighted returns are geometrically linked. Returns are not calculated net of non-reclaimable withholding taxes due to immaterial dollar amounts. Effective 1/1/22, composite returns are calculated by weighting the individual portfolio returns using beginning of period market values. From 8/1/15 to 1/1/22, composite returns were asset weighted using the average capital base method that reflects both beginning market value and cash flows and uses the aggregate method. Prior to 8/1/15 composite returns were calculated by weighting the individual portfolio returns using beginning of period market values. Performance results prior to August 1, 2015 are considered "predecessor performance" and were achieved by the Relative Value Team when they were part of the Stratton Management Company.
- Gross of fees returns are presented before management fees but after all trading costs. Net returns are calculated by deducting the highest applicable wrap fee of 3.00% annually from the gross composite return. Since 2016, the composite contains only the pooled vehicle account.
- The appropriate benchmark is the Russell 2000® Value Index which consists of stocks from the Russell 2000® Index with a less than average growth orientation and lower price-to-book ratios. It represents the universe of stocks from which value managers typically select. The index is reconstituted annually. Total return includes price appreciation/depreciation and income as a percent of original investment.
- The annual composite dispersion presented is measured by an asset-weighted standard deviation calculation method of all portfolios in the composite for the entire year, and is calculated using gross of fee returns. It is not meaningful when there have been less than six portfolios in composite for entire calendar year. The three year annualized standard deviation measures the variability of the composite and benchmark returns over the preceding 36-month period. The composite 3-year standard deviation is calculated using gross of fee returns. It is not required to be presented when a full three years of composite performance is not yet available.