

# Focus Equity SMA

06.30.2024



**STERLING**  
CAPITAL

## Equity Opportunities Team

- Portfolio Manager:
  - Colin R. Ducharme, CFA®
- Long-term experience
- Long-tenured investment team
- 19 years' average investment experience

## Investment Philosophy

Seeks positions featuring attractive and sustainable multi-year return profiles underpinned by businesses perceived to possess:

- Robust financial returns and visible reinvestment opportunities
- Talented management
- Attractive valuation

## Investment Process

- Qualitative and quantitative screens identify opportunities
- Emphasis on proprietary primary research and due diligence
- Candidates and holdings continuously vetted by investment team

## Portfolio Structure

- Conviction-weighted portfolio of 15-30 securities
- Tax-efficient low turnover typically less than 25%

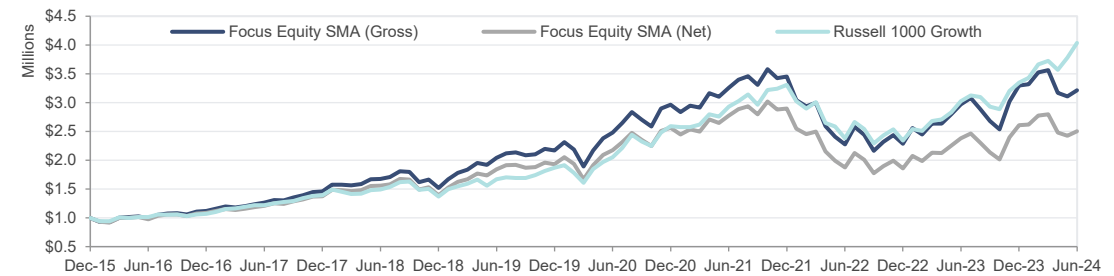
Top Ten Equity Holdings <sup>5</sup>	
Adyen N.V. Unsponsored ADR	13.65%
S&P Global, Inc.	8.03%
Microsoft Corp.	7.47%
IDEXX Laboratories, Inc.	6.05%
CoStar Group, Inc.	5.94%
Amazon.com, Inc.	5.57%
Alphabet Inc. Class C	5.37%
ServiceNow, Inc.	5.26%
Shopify, Inc. Class A	4.66%
HubSpot, Inc.	4.32%
<b>Total % of Portfolio</b>	<b>66.88%</b>

Performance	QTR	YTD	1Y	3Y	5Y	ITD <sup>1</sup>
Focus Equity SMA (Gross)	-9.83%	-2.48%	8.32%	-0.45%	9.51%	14.73%
Focus Equity SMA (Net)	-10.52%	-3.92%	5.17%	-3.37%	6.33%	11.41%
Russell 1000 <sup>®</sup> Growth	8.33%	20.70%	33.48%	11.28%	19.34%	17.85%

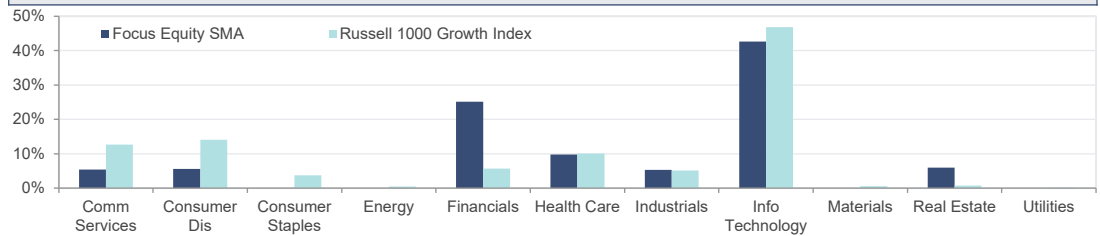
Portfolio Characteristics	Portfolio		Index	
	Portfolio	Index	Portfolio	Index
Wtd. Avg. Market Cap	\$536.0B	\$1511.6B		
Wtd. Med. Market Cap	\$46.1B	\$860.5B		
Wtd. Avg. Dividend Yield	0.17%	0.64%		
Med. Hist. 5Y DPS Growth	18.00%	9.54%		
Wtd. Harmonic Med. P/E (FY1)	39.30x	31.90x		
Med. Hist. 3Y EPS Growth	20.20%	14.50%		
Med. Est. 3-5Y EPS Growth	17.50%	12.30%		
Med. Net Debt/EBITDA	-0.57x	1.15x		
Med. Return on Equity	20.16%	22.49%		
Number of Holdings	20	440		
Active Share	81.51%	---		
Turnover <sup>2</sup>	22.55%	---		

Risk Statistics <sup>3</sup> vs. Russell 1000 <sup>®</sup> Growth Index	Gross		Net	
	Gross	Net	Gross	Net
Up Market Capture	99.64%	92.61%		
Down Market Capture	110.88%	115.02%		
Std. Deviation (Portfolio)	21.25%	21.25%		
Std. Deviation (Index)	17.89%	---		
Annualized Alpha	-3.62%	-6.44%		
Beta	1.09	1.09		
Tracking Error	8.64	8.64		
Rolling 3Y Batting Avg.	47.76%	37.31%		
Rolling 5Y Batting Avg.	27.91%	2.33%		
Outperforms in Down Periods	41.18%	38.24%		

## 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 12.31.2015. Effective 06.30.2023, the net of fee performance reflects the deduction of the maximum SMA bundled fee of 3.00% annually for all periods presented. Performance is preliminary and is annualized for periods longer than one year. Net of fees performance returns are presented net of the SMA bundled fee, which includes all charges for trading costs, advisory services, portfolio management, custody and other administrative fees. "Pure" Gross of fees performance returns do not reflect the deduction of any fees including 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. The benchmark is the Russell 1000<sup>®</sup> Growth 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 1000<sup>®</sup> Growth Index** measures the performance of the large-cap growth segment of the U.S. equity universe. It includes those Russell 1000<sup>®</sup> companies with higher price-to-book ratios and higher forecasted growth values. The **Chartered Financial Analyst<sup>®</sup>** (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; S&P; eVestment Analytics.

## Sterling Capital Focus Equity SMA

	Total "Pure" 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	44.12%	40.03%	42.68%	25.90%	20.51%	0.32%	80	\$27	\$66,746
2022	-33.73%	-35.74%	-29.14%	25.94%	23.47%	0.31%	104	\$25	\$62,842
2021	16.35%	12.99%	27.60%	20.02%	18.17%	0.36%	238	\$111	\$75,309
2020	36.48%	32.58%	38.49%	20.88%	19.64%	1.01%	251	\$104	\$70,108
2019	43.06%	39.00%	36.39%	13.72%	13.07%	0.67%	151	\$35	\$58,191
2018	4.19%	1.15%	-1.51%	13.77%	12.13%	Not Calculable	36	\$5	\$56,889
2017	29.91%	26.20%	30.21%	< 3 Years	< 3 Years	Not Calculable	5	\$1	\$55,908
2016	12.24%	8.99%	7.08%	< 3 Years	< 3 Years	Not Calculable	4	\$0	\$51,603

Benchmark: Russell 1000<sup>®</sup> Growth Index

Composite Creation Date: 08.03.2018

Inception Date: 01.01.2016

- Consists of all discretionary separately managed wrap Focus portfolios. SCM's Focus portfolio investments are flexible and may span growth and value, large- and small-capitalization companies, and various capital forms including equity, debt, and derivatives. The strategy seeks positions featuring sustainable, multi-year return profiles underpinned by businesses perceived to possess attractive financial returns, visible reinvestment opportunities, and talented management.
- Sterling Capital Management LLC claims compliance with the Global Investment Performance Standards (GIPS<sup>®</sup>) 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<sup>®</sup> 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. All portfolios utilize trade-date and accrued income accounting. 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 9/1/18 composite returns are asset weighted using the beginning market value and time weighted return of the portfolios. Prior to 9/1/18, composite returns were asset weighted using the aggregate method that reflects both beginning market value and cash flows.
- "Pure" gross of fees returns are presented as supplemental information and do not reflect the deduction of any fees including trading costs. Net returns are calculated by deducting the highest applicable wrap fee of 3.00% annually from the pure gross composite return. As of 6/30/23, the composite model fee was updated to 3.00% annually for all periods presented. Prior to this change, the net of fees returns reflected the maximum bundled external platform fee of 2.52%. From 9/1/18 through 12/31/20, the net of fees returns reflect actual SMA fee of the individual account. Prior to 8/31/18, gross of fees returns reflect the deduction of trading costs. Net returns were calculated by subtracting the applicable SMA fee (2.57% on an annual basis or 0.21% per month) on a monthly basis from the gross return. Effective 9/1/18, "pure" gross of fees returns do not reflect the deduction of any fees including trading costs. The SMA fee includes all charges for trading costs, portfolio management, custody, administrative fees, and foreign withholding taxes. The maximum SMA or bundled external platform fee is 2.52% annually and includes Sterling's actual management fee of 0.27%. Sterling's actual management fees are 27 basis points annually. From 12/31/15 to 8/31/18 the composite was comprised 100% of separate accounts. As of 9/1/18 the composite has been comprised 100% of wrap fee portfolios.
- Effective 1/1/22, portfolios are removed from the composite for flows 10% or greater of prior month portfolio market value. Portfolio remains out of the composite for the month of the flow and for one additional period. Prior to 1/1/22, portfolios were not removed from the composite for flows.
- Effective 3/31/20, the appropriate benchmark was changed retroactively to inception from the Russell 3000<sup>®</sup> Index to the Russell 1000<sup>®</sup> Growth Index. The Russell 1000<sup>®</sup> Growth Index measures the performance of the large cap growth segment of the U.S. equity universe. It includes those Russell 1000<sup>®</sup> companies with higher price-to-book ratios and higher forecasted growth values. 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.