The Sterling Capital SMID Opportunities portfolio seeks long-term capital appreciation by investing in a blend of under-appreciated value stocks and emerging growth stocks. The portfolio primarily invests in companies with a market capitalization within the range of market capitalizations of constituents of the Russell 2500 Index, at the time of purchase.

We pursue attractive opportunities within small and medium-sized companies, without limiting ourselves by sector or investing style. From a universe of 3,000+ publicly-traded companies, including ADRs, we build a concentrated portfolio that normally holds between 25 and 35 securities – blending relatively young growth stocks, characterized by above average revenue and earnings growth, with more established value stocks that are out of favor for reasons we believe to be only temporary. This balanced approach enables us to act upon our investment team's very best ideas and build a portfolio marked by diversification and high returns on capital and growth, with below average valuation and risk characteristics.

Performance

It took stocks just 18 days to fall 20% from mid-February highs, the fastest such decline on record. As abruptly as our 11-year bull market ended, a new one began. March 24 marked the beginning of a three day, 20%+ rally, resulting in the shortest bear market on record.

SMID Opportunities fell -27.7% (gross of fees) and -28.0% (net of fees), narrowly outperforming the Russell 2500's -29.7% loss during the worst-ever start to a year. Smaller companies fared worse, with the Russell 2000 declining -30.6%, its fourth worst quarter dating back to 1926. Stock correlations spiked toward a 45-year high. All 11 Russell 2500 sectors posted mid-teens declines or worse, with seven down more than 25%. The median constituent lost -34.2% and more than a quarter of constituents fell by half. There was no place to hide, as investors sold first and asked questions later. As a result, the dispersion of small cap stock valuations is near record highs. As we discuss in this note, we took advantage of indiscriminate selling and added several high quality businesses to the portfolio at discounted prices.

As pullbacks go, this one was an outlier for a variety of reasons. It wasn't caused by bad actors or economic excesses, but instead by a global healthcare crisis. Our pillars have historically delivered long-term outperformance while mitigating risk in downturns. This was not the case during the first quarter. Return on Equity (ROE) is typically a proxy for quality, yet companies with higher ROEs trailed those with lower ROEs. More stunning was the disparity in returns based on valuation, with the cheapest quintile of stocks falling -47% (the second cheapest quintile fell -37%), while the most expensive lost "just" -20%. Non-earners outperformed too, declining -25%. Illustrating the crazy turn of events, the market cap of video conferencing provider ZOOM rose to $35 billion, or 35x estimated revenues, while the country's leading hospital operator, HCA, which operates 180 hospitals and 1,800 other points of care, slumped nearly 40% to a market cap of $27 billion, or 0.5x expected revenues.

The pace of change, resulting from COVID-19, was also unprecedented. At the end of the first week of March, TSA passenger volumes were off slightly more than 10%, but just two weeks later, traffic was down 80%. Businesses that provide services and products that their customers can't operate without, and are therefore viewed as defensive, proved to be otherwise, as their customers were forced to temporarily shut their doors. March payrolls fell 700,000, in the same zip code as the worst month during the Global Financial Crisis, but job losses are expected to get far worse in the months ahead. Given these dynamics, we're balancing near-term demand impacts and stock weakness with long-term business sustainability, leading to several portfolio changes.

1Q20 Contributors and Detractors

Leading Contributors	GICS Sector	Contribution To Return
Ryman Hospitality Properties, Inc.	Real Estate	0.57
Akamai Technologies, Inc.	Info Technology	0.33
Black Knight, Inc.	Info Technology	0.03
Take-Two Interactive Software, Inc.	Comm Services	0.03
Broadridge Financial Solutions, Inc.	Info Technology	0.01

Leading Detractors	GICS Sector	Contribution To Return
Norwegian Cruise Line Holdings Ltd.	Consumer Dis	-2.83
Aramark	Consumer Dis	-2.60
Alaska Air Group, Inc.	Industrials	-2.09
CarMax, Inc.	Consumer Dis	-1.87
Genpact Limited	Info Technology	-1.62

Source: Sterling Capital, FactSet

Top contributors, based on impact to portfolio returns: Hotel operator, **Ryman Hospitality** was the largest contributor, despite falling 58%. We more than doubled the position near the intra-quarter low after confirming with management that the company had enough liquidity to survive 20 months without guests. At the time, the stock was trading as though it was going out of business and four insider purchases added to our confidence. **Akamai** was purchased on the last day of February, following a 15% pullback. Stay-at-home orders resulted in accelerating demands for Akamai's CDN (content delivery network), with peak network traffic doubling year-over-year, web page views per minute up 46% and online gaming traffic up 85% quarter-over-quarter. Mortgage servicing and loan origination software provider, **Black Knight** collects fees based on the number of mortgages outstanding and the number of originations. With rates hitting all-time lows, loan applications soared and we suspect Black Knight could be an outlier that experiences upward earnings revisions in 2020. Increased gaming also benefits content provider, **Take-Two Interactive**; and new addition **Broadridge** provides government mandated investor communications for nearly every broker, fund and public company in North America, i.e. a stable, recurring business.

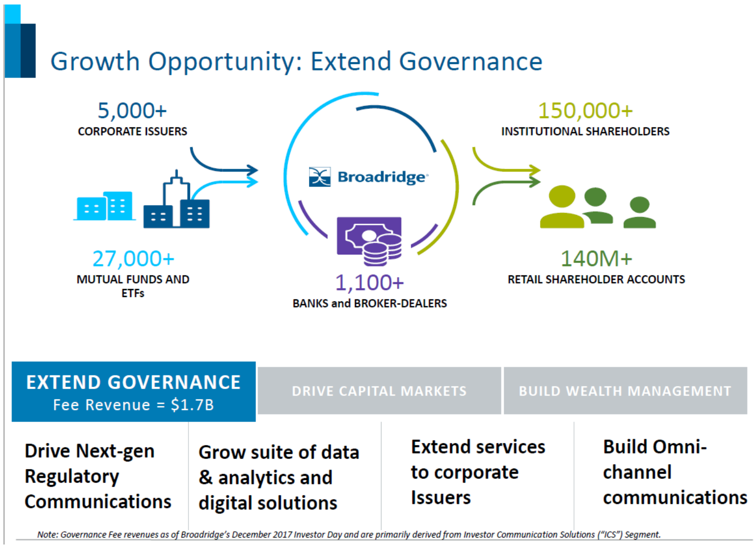
Top detractors, based on impact to portfolio returns: We exited **Norwegian Cruise Lines** after it reported record earnings and a record booked position at higher prices on February 20, only to announce a shutdown of its entire fleet 22 days later. Similarly, **Aramark's** food and supply service business experienced abrupt shutdowns of markets we previously viewed as defensive, including higher education, K-12 schools and sports verticals. The CEO and COO bought $1.6 million of stock into price weakness and we followed their lead. West coast-based airline, **Alaska Air** fell as travel ground to a halt. Airlines are capital intensive, but Alaska's 1.0x leverage is the second lowest in the industry – it has $2.1 billion of liquidity and 133 unencumbered aircraft worth $2.5 billion. Air travel is critical and the stock is trading well below replacement value. Nonetheless, we halved our exposure due to the uncertainty related to the depths and duration of social distancing impacts and we continue to evaluate our position. Used car dealer, **Carmax** fell amid cratering light vehicle demand. The company reported results on April 2, noting demand in the final weeks of March stemmed primarily from necessity, i.e. medical personnel traveling for work or a need to trade-down. Management said 60% of locations had omni-channel capabilities and, within a week or so, they planned to have limited contact curb-side pick-up available at all locations. **Genpact** fell, as investors suspected mandatory quarantines in the Philippines and India, which constitute nearly two-thirds of its workforce, would limit the company's ability to deliver services. Needham points out that Genpact focuses on "mission-critical operations management such as [Finance and Accounting] and regulatory/compliance work," which should be more resilient. Current events could ultimately create greater demand for Genpact's Digital Transformation services.

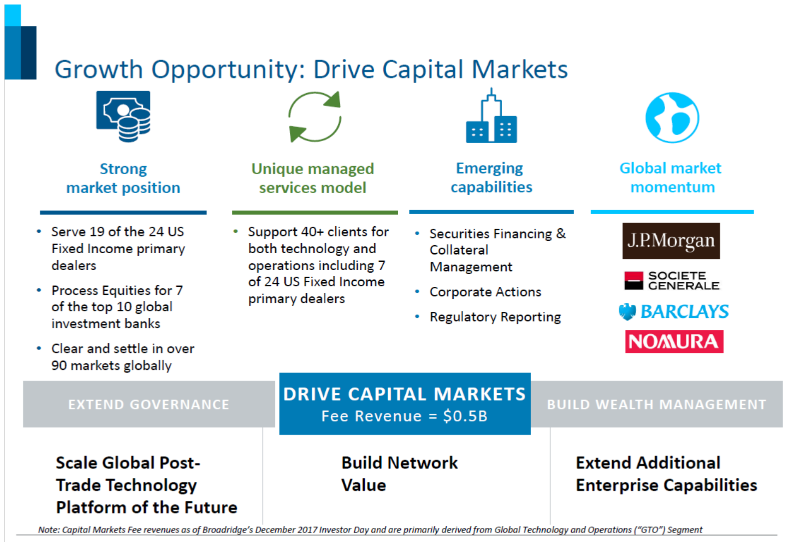
Portfolio Changes

Algorithmic trading and ETFs caused the proverbial baby to get thrown out with the bathwater, lowering prices on high quality businesses to attractive valuations. We seized this opportunity, adding three new holdings. At the same time, we acted as swiftly as possible to the changing environment and exited three holdings where we concluded the medium- to longer-term outlook deviated from our original thesis. We provide a brief summary of our changes below. For more detail, please refer to our individual company commentaries.

We added **Akamai Technologies (AKAM)**, a beneficiary of two secular trends: one, increasing web traffic due to streaming OTT content, gaming, social media and e-commerce transactions; and two, growing demand for cybersecurity software to protect enterprise applications in the cloud. Demand is increasing, as billions of devices connect to the internet, transmitting large amounts of data from offices, hospitals, manufacturing plants, power grids, roads, schools and homes. New streaming offerings from Disney, Apple, Comcast and a host of others provide a near-term catalyst and COVID-19 is helping accelerate adoption. Web traffic on Akamai's platform was up 50% more than average, March traffic grew 30% sequentially versus a typical 3% increase, and its peak traffic load in the first quarter doubled year-over-year. At the same time, security threats are growing exponentially and Akamai's cybersecurity business has risen to nearly a third of total revenues, grew 29% in the December quarter, and is on pace to generate $1 billion of revenue in 2020. The rapid transition to "work from home" is yet another accelerant for Akamai's services and we believe some consumer and employee habits will sustain. We're also attracted to its strong balance sheet, $2 billion of cash, low 40% EBITDA margins and mid-teens ROE.

We added **Broadridge (BR)**, which enables corporations and brokerage firms to digitize communications, reducing costs and improving compliance. BR processes 80% of shares in the U.S. and distributes more than 80% of broker required communications to individual account holders. Its dominant market position has led to 98% customer retention and a business model that generates more than 90% recurring revenues. BR's ability to leverage IT investments across a large number of customers adds to its scale advantage, which incrementally widens its competitive advantage versus in-house offerings, its primary competition. The company's 38% ROE and expected earnings growth in 2020 add to the company's uniqueness.





Source: Broadridge

We added **Black Knight (BKI)**, the leading provider of software to mortgage servicers, as well as loan origination software. More than 85% of revenues are contractual or recurring, solutions are mission critical for customers and increase compliance and reduce costs. That's led to 98% customer retention. Black Knight is the unquestioned leader in first lien mortgage servicing software with 70% market share. Second lien servicing share is only 17%, with a backlog of wins that increases the number to 30%. Management sees no reason it can't have similar share in both markets. Converting backlog shouldn't be a problem either, as management told us implementations have historically been half on site, half remote, but there's no reason it can't be 100% remote and they're moving in that direction. There's also plenty of runway in loan origination, where management has focused on cross-selling to existing clients. With mortgage rates hitting new lows, it's no surprise refinance applications have tripled. That's well above managements' expectations to start the year, which could uniquely position BKI to raise guidance for 2020. It's worth noting that BKI is one of five Russell 3000 Technology constituents expected to grow revenues over the next four quarters and generating EBITDA margins above 50%.

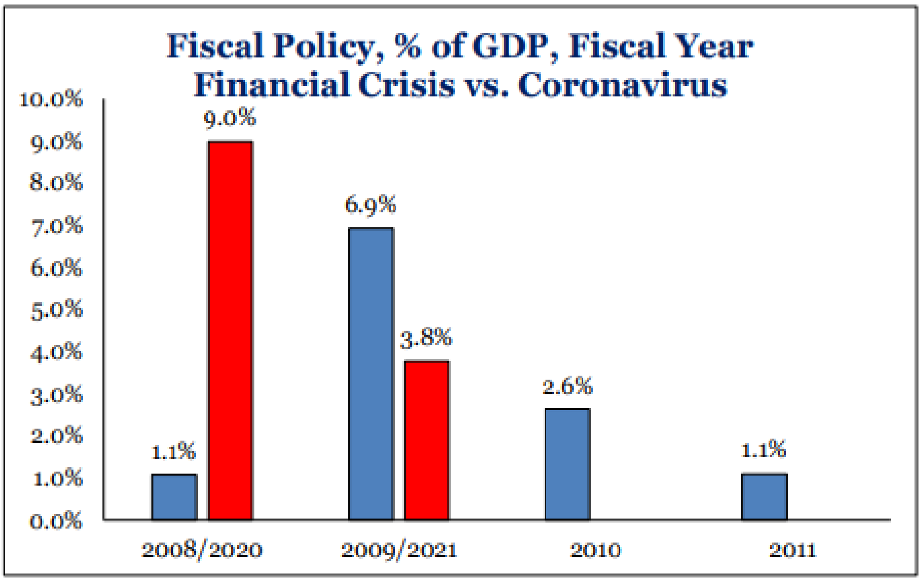
Source: Black Knight

We exited **Norwegian Cruise Lines (NCLH)**, even as its equity market value traded below replacement value, due to COVID-19 impacts altering our long-term outlook for the business. As the media focused on tragic events onboard two Carnival cruise ships (which, in our opinion, were mis-managed responses), it became increasingly apparent that demand may be structurally impaired. It's worth noting that 400+ cruise ships sail worldwide and (at the time of our sale) there were only two major incidents, both on Carnival's ships. Norwegian reported zero confirmed cases. However, the duration of social distancing is unknowable and the extent to which demand might return on the other side could create a liquidity situation for the company. Since Norwegian pay minimal taxes to the U.S. government and most of its employees are not U.S. citizens, we placed a lower probability on government support, particularly with regards to equity shareholders.

Similarly, our view on the banking industry changed as the Fed lowered its target rate twice in March, to zero, and the economic outlook weakened. As a result, we exited **Townebank (TOWN)** and **Webster Financial (WBS)**. We believe both banks have strong management teams, but lower rates pose problems to both businesses, as do potentially higher loan losses.

Conclusion

The pace and scope of the fiscal and monetary response has been extraordinary. During the 1930s, monetary policy was initially tightened, trade barriers were imposed and increased regulations were levied on banks. When the Global Financial Crisis hit in 2008, it took several years to deploy fiscal stimulus. In March, the Fed lowered rates twice and expanded its balance sheet to $5 trillion to stabilize fixed income markets, while Congress passed a $2 trillion relief package and is rumored to be discussing the next phase of stimulus.



Source: Strategas

In this volatile and uncertain environment it's natural to be fearful. The news is terrible, but mostly backward-looking. Rarely, if ever, do equities go on sale while economic data is positive and news flow is encouraging. In the weeks ahead we suspect the news will get worse, not better. Economists suggest second quarter GDP could fall by a quarter or even a third. During this period, investors will benefit from taking a longer-term view. We will get through this. American ingenuity and modern medicine will prevail. For what it's worth, corporate insiders appear to be optimistic with net purchasing the best since InsiderScore began keeping data 16 years ago; during the quarter, several directors and executives of our companies added to their holdings as stock prices fell.

"The stock market is a device for transferring money from the impatient to the patient. Time, not timing is what matters."

-Warren Buffett

We can't predict when stocks will bottom and fortunately history suggests we don't need to. The key to gaining confidence is extending time horizons. Dating back to 1926, there hasn't been a single 16-year period in which stocks delivered negative returns. That includes starting points at market peaks. After a 30% decline, long-term returns should be more attractive, not less. In fact, five-year returns, post the past five worst market declines, have resulted in at least a double each time. Smaller companies have outperformed coming out of nine of the last 10 recessions, with the average relative performance nearly 1,000 basis points. And, the valuation of small relative to large is the lowest since June 2001 and in the lowest decile of relative valuations since 1978. This sort of long-term thinking helps inform why members of our investment team added money to the strategy during the quarter.

Our transactions improved the portfolio's pillar metrics. New additions are expected to grow earnings 8% in 2020, while our exited positions' earnings could fall -21% or more (we should point out that analysts' estimates are changing rapidly, but directionally, we expect earnings from our new companies to be much more resilient). The average new holding generates an ROE of 19%, a 50% relative improvement, while leverage is less than half. Valuations are higher, but relative to growth, stability and our assessment of risk and reward, we believe these new holdings are much more attractive near- and longer-term.

Pillar Metrics: Growth, Valuation, Profitability & Balance Sheet Strength

	19y EPS Gr	20y EPS Gr	21y EPS Gr	'16-'21 EPS CAGR	20y P/E	21y P/E	ROE	Int Cov
SMID Median *	13%	7%	11%	14%	12.1	11.2	14.9	7.3
R2500 Median	3%	-3%	9%	5%	18.0	15.7	7.4	2.1
Above/Below Bench				162%	-32%	-29%	100%	248%

**Representative account. Source: Bloomberg*

As always, we thank you for your interest in the Sterling portfolios.

Josh Haggerty, CFA®
Portfolio Manager

Performance is preliminary and is annualized for periods longer than one year. Net of fees performance returns are presented net of the investment management fees and trading expenses. "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 Sterling'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. The Performance is considered Supplemental Information to the Composite Disclosure Presentation which is attached.

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, 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.*

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Sterling Capital Management - SMID Opportunities SMA Composite

June 30, 2011 – December 31, 2019

Description: *Consists of all discretionary separately managed wrap SMID Opportunities portfolios. Sterling's SMID Opportunities equity portfolios invest primarily in companies similar to the market capitalization of the Russell 2500 index.*

Year	Total Return "Pure" Gross of Fees	Total Return Net of Fees	No. of Portfolios	Composite Assets End of Period ($MM)	Percent of Firm Assets	Total Firm Assets ($MM)	Composite Dispersion (%)	Russell 2500 Index	Composite 3-yr St Dev (%)	Benchmark 3-yr St Dev (%)
2019	36.12	34.46	27	8	0.0	58,191	1.01	27.77	12.28	14.58
2018	-9.34	-10.41	28	6	0.0	56,889	0.35	-10.00	11.46	14.10
2017	13.93	12.62	30	8	0.0	55,908	0.41	16.81	9.14	12.13
2016	16.08	14.64	67	14	0.0	51,603	1.20	17.59	10.67	13.67
2015	-0.39	-1.64	31	8	0.0	51,155	0.73	-2.90	10.53	12.42
2014	13.30	11.94	32	6	0.0	47,540	0.40	7.07	10.58	11.67
2013	25.34	23.89	20	4	0.0	45,638	0.25	36.80		
2012	17.47	16.08	13	2	0.0	4,422	0.16	17.88		
2011 (Inception 6/30/11)	-10.17	-10.72	3	0	0.0	3,932		-9.78		
Annualized Since Inception	11.04	9.71						10.78		

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 01/01/01 to 12/31/18. The verification report(s) is/are available upon request. Verification assesses whether (1) the firm has complied with all the composite construction requirements of the GIPS standards on a firm-wide basis and (2) the firm's policies and procedures are designed to calculate and present performance in compliance with the GIPS standards. Verification does not ensure the accuracy of any specific composite presentation.

Notes:

1. Sterling Capital Management LLC (SCM) is a registered investment advisor with the SEC. Registration does not imply a certain level of skill or training. Sterling manages a variety of equity, fixed income and balanced assets. Prior to January 2001, Sterling was a wholly owned subsidiary of United Asset Management (UAM). In January 2001, Sterling Capital Management LLC 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 purchased a majority equity ownership stake in Sterling Capital Management LLC. In October 2010, the management group of Sterling Capital entered into an agreement with BB&T Corporation that reduced and restructured management's interest in Sterling Capital Management. Additionally, BB&T Asset Management merged into Sterling Capital Management. In January 2013, CHOICE Asset Management firm merged into Sterling Capital Management. "Percent of Firm Assets" and "Total Firm Assets" prior to 2013 are for CHOICE Asset Management. In August 2015, eight new employees joined Sterling Capital management via Stratton Management Company following the close of BB&T's purchase of Susquehanna Bancshares. In December 2019, BB&T Corporation and SunTrust Banks, Inc. Holding Company merged as equals to form Truist Financial Corporation. Sterling Capital Management LLC is a wholly owned subsidiary of Truist Financial Corporation.
2. Joshua L. Haggerty, CFA, has managed the portfolio since inception. No alterations of composites, as presented herein, have occurred due to changes in personnel or other reasons at any time.
3. Inception date of composite: June 30, 2011. Creation date: June 30, 2011. The appropriate index is the Russell 2500 Index which measures the performance of the smallest 2,500 companies in the Russell 3000. It represents the universe of stocks from which small- and mid-cap managers typically select. The index is reconstituted annually. Total return includes price appreciation/depreciation and income as a percent of the original investment. A complete list of all of SCM's composites and their descriptions is available upon request. Policies for valuing portfolios, calculating performance and preparing compliant presentations are available upon request.
4. Performance reflects reinvested interest income and dividends and realized and unrealized capital gains and losses. All portfolios are valued monthly as of calendar month-end and utilize trade-date and accrued income accounting. Valuations and performance are reported in US dollars. Portfolio returns are calculated monthly using the Modified Dietz method. Portfolios are revalued for cash flows greater than 10%. Composite returns are calculated by weighting the individual portfolio returns using beginning of period market value plus weighted cash flows. Periodic time weighted returns are geometrically linked. Returns are not calculated net of non-reclaimable withholding taxes due to immaterial dollar amounts.
5. "Pure" gross of fees returns do not reflect the deduction of any fees including trading costs. The net of fee return reflects the actual SMA fee of the individual account. The SMA fee includes all charges for trading costs, portfolio management, custody and other administrative fees. Sterling's actual management fees are 32 basis points annually.
6. 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. It is not meaningful when there are less than six portfolios in the composite for the entire year. The three year annualized standard deviation measures the variability of the composite and benchmark returns over the preceding 36 month period. It is not required to be presented for annual periods prior to 2011 or when a full three years of composite performance is not yet available.
7. The performance presented represents past performance and is no guarantee of future results. Stock market conditions vary from year to year and can result in a decline in market value due to material market or economic conditions.