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 whose market capitalization falls within the range of constituents of the Russell 2500™ Index at the time of purchase.

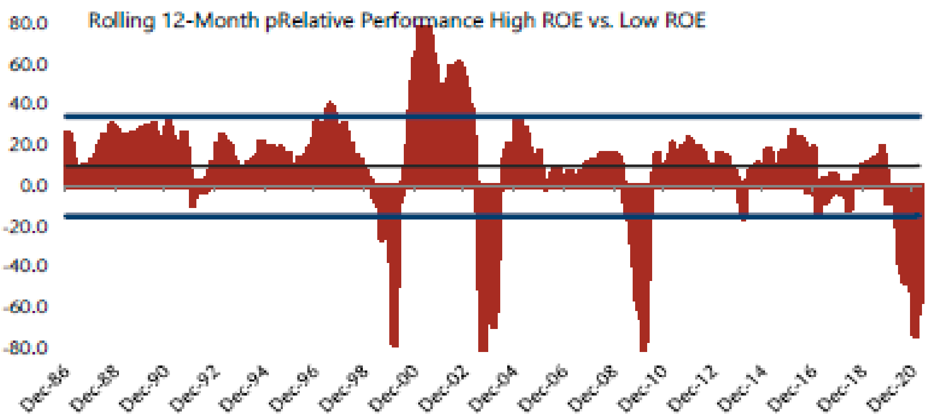
We pursue attractive opportunities within small and medium-sized companies, without limiting ourselves by sector or investing style. From a universe of 3,000+ publicly-traded companies, including ADRs, we build a concentrated portfolio that normally holds between 25 and 35 securities – blending relatively 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 Summary and Review

The SMID Opportunities portfolio rose 8.2% (gross of fees) and 8.0% (net of fees) in the first quarter, which trailed the Russell 2500 Index's 10.9% gain, and inline with the Russell Midcap® Index's 8.1% increase.

Value (Russell 2500™ Value Index +16.8%) beat Growth (Russell 2500™ Growth Index +2.5%) by 14.3%, the widest gap since the third quarter of 2001. Quality started to outperform late in the quarter, which we believe contributed to the portfolio's 4.0% outperformance in March. Jefferies' strategist noted, "Lowest ROE and Nonearners have rolled over in March," and we believe we may have reached an inflection between high- and low-quality stocks. "We are seeing a rotation back to Growth at a Reasonable price versus Growth at Any Price."

Chart 2 - Maybe inflection point between High & Low Quality



Source: FactSet, FTSE Russell, Jefferies

Healthcare was the only sector to post a decline during the quarter. Inflationary pressures, stimulus checks and rising interest rates contributed to the returns of leading sectors: Energy (+38%), Discretionary (+21%) and Financials (+19%). The speculative fever stoked by commentary on Reddit also contributed to returns, leading to a disconnect between better prices and fundamentals. Companies with high levels of short-term interest became targets of retail investors, symbolized by GameStop finishing the quarter as the top performer in the Russell 2500, gaining 916%. Similarly, the special purpose acquisition company (SPAC) universe gained 107% from November to mid-February.

1Q21 Contributors and Detractors

Top Contributors	GICS Sector	Contrib. to Return
Magnachip Semiconductor	Info Technology	2.80
SLM	Financials	2.30
F5 Networks	Info Technology	0.65
Rackspace Technology	Info Technology	0.61
PTC	Info Technology	0.41

Top Detractors	GICS Sector	Contrib. to Return
Ball	Materials	-0.45
Global Payments	Info Technology	-0.43
Black Knight	Info Technology	-0.25
TransUnion	Industrials	-0.22
Take-Two Interactive Software	Comm. Services	-0.21

Source: FactSet, Sterling Capital

Top contributors:

- **MagnaChip (+86%)** rallied early in the quarter, as CEO Young-Joon Kim said the maker of display drivers received more supply from external partners for organic light-emitting diodes (OLED), contributing to a sizable 4Q beat. CEO Kim added, "Demand [will] exceed industry supply for the foreseeable future." This strength was followed by a series of takeout rumors. On March 26, MagnaChip reached a definitive agreement to go private in an all-cash deal with Wise Road Capital, sending the stock to new highs.
- **SLM's (+45%)** fourth quarter earnings per share (EPS) beat consensus by 40%. The company's $1 billion tender offer only resulted in $470 million of repurchased shares at the top end of the range, $16.50/share. We conclude that the majority of shareholders, including us, believe the company is worth more than $16.50/share. A lower share count, incremental stimulus aiding borrowers' ability to pay, and vaccinations/re-openings leading to more normal school schedules this fall are driving up earnings estimates for 2021 and beyond. Therefore, despite the stock's solid performance, it still trades at less than 8x the 2021 EPS estimates.
- **F5 Networks (+19%)** pre-announced upside to 4Q results, raised mid- and long-term growth guidance, and announced the acquisition of Volterra for $500 million. Volterra provides a software-defined edge platform to deliver applications and security on any service, across all clouds and data centers. The acquisition adds to the rising mix of subscription revenues that should lead to a re-rating of the stock.
- **Rackspace (+24%)** was a well-timed new addition to the portfolio in January that is benefiting from a high demand for multi-cloud services. Our purchase rational is below.
- **PTC (+15%)** reported strong results, raised fiscal 2021 guidance and closed the acquisition of Arena. PTC's software as a service (SaaS) portfolio now includes Onshape for computer-aided design (CAD), Vurforia for virtual reality and Arena for product lifecycle management (PLM). Combined, these offerings represent 20% of PTC's bookings, with OnShape's booking up 150% and Vuforia's up 80% last quarter. Importantly, the CAD and PLM industry is 95% on-premise or managed services via private instances of software, so PTC's SaaS offerings are disrupting the industry, have a long runway for growth, and face little to no competitive offerings.

Top detractors:

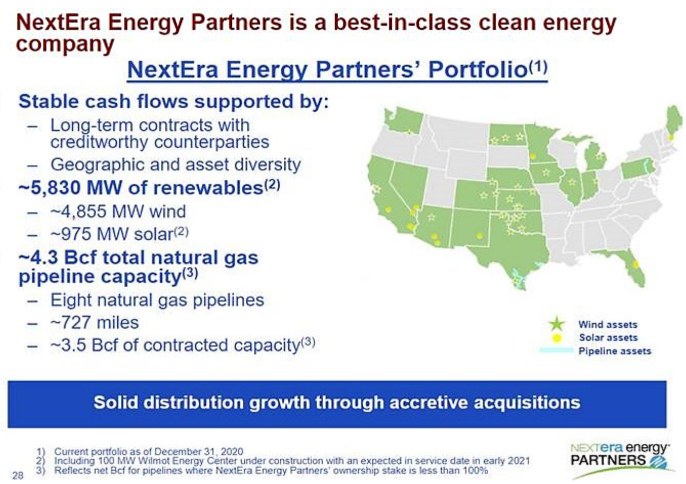
- While **Ball (-9%)** is viewed as a stay-at-home beneficiary as more beverages are consumed in cans off-premise, we believe the Street isn't recognizing the industry's inability to capitalize on the surge in demand given the shortage of supply. As long-term contracts are signed, Ball is bringing on 25% more capacity by 2023, but it takes time to construct a multi-billion unit facility. At the same time, Ball's innovative aluminum cup production is up-and-running, with an annual capacity of 450 million units. Management noted the cup is its most-profitable offering, and by our math on a per-unit basis, the cup generates 5-10x more revenue than a can, and 15-25x the gross profit dollars. We added to the position on weakness.
- **Global Payments (-6%)** results were strong, but continued to be held back by COVID-19-related lockdowns, limiting on-premise spending. While some industries and companies got a pass on such headwinds, with investors willing to look through to a re-opening, GPN was not in that group. Thus, we see upside potential, as results face easy comparisons and underlying trends accelerate throughout the year.
- **TransUnion (-9%)** lagged, in part due to difficult comparisons in mortgage origination (12% of revenues), overshadowing a myriad of segments that should benefit in a recovery, such as: fintech marketing and buy now, pay later; lead generation in indirect consumer channels; healthcare, as patient volumes normalize; emerging markets, where it's the lead player in faster-growing regions such as India; and collections. We view 2021 guidance as overly conservative, embedding the assumption that the rest of the year doesn't get any better. In late March, CEO Christopher Cartwright explained management didn't want to "speculate around the timing or the intensity or the shape of recovery." He went on to say, "I think a lot of the uncertainties that existed when we provided the guidance have resolved themselves and resolved themselves to the positive." Since year-end 2019, TRU shares are up just 5%, while estimated EPS and free cash flow (FCF) from 2019 to 2022 are expected to grow 33% and 23%, respectively.
- **Take-Two (-15%)** was the worst performer among the large three video game publishers. We believe this stems from relatively slower EPS growth this year, as no incremental titles are expected, but doesn't appear to contemplate significantly-faster relative growth next year. Additionally, we believe the launch of a standalone version of Grand Theft Auto Online in the second half of calendar year 2021 could prove to be a catalyst. Following the pullback, the stock trades in-line with the Russell 2500 on EV/EBITDA, despite higher returns, faster long-term growth and a debt-free balance sheet.
- **Black Knight's (-16%)** poor quarterly return was surprising, given the company's strong 4Q results (revenues up 14%, EBITDA +13%, EPS +11%), despite a six-point drag from the foreclosure moratorium. The 2021 guide calls for 6% organic growth, with 70% of new sales already signed and management isn't assuming a recovery in its foreclosure segment until 2022. Black Knight's steady growth is attributed to 90%+ recurring revenues, high customer retention, mission-critical software that facilitates the lifecycle of home ownership and 60% share of the first-lien market.

Portfolio Changes

We added three new holdings and sold one, adding exposure to: secular growth in public, private, and hybrid cloud; renewable energy, including wind, sun, storage and hydrogen; and the enhancement of crop yields, enabling farmers to feed a growing population with less arable land.

We added **Rackspace** (RXT), a cloud-focused managed service provider with over 120,000 customers. RXT partners with major cloud-service providers, including Amazon's AWS, Google Cloud Platform, and Microsoft's Azure, and helps customers develop a plan, migrate and manage the transition to public, private, hybrid and multi-cloud environments. Credit Suisse estimates the market for managed-cloud services will grow at a 14% compound annual growth rate (CAGR) through 2025, and Rackspace's advantages in scale, experience, service and technology should help it outgrow the market. Rackspace spent more than $1 billion on R&D to develop proprietary software. This helps the company to support and enable outsourced cloud information technology (IT) operations and optimization, informing its leading revenue-per-employee metric across the Software and IT Services industry. Adding to our attraction, 95% of the firms revenues are recurring. It's unusual to find a company with low capital intensity, highly-recurring revenues and exposure to a rapidly growing end market, such as the cloud, trading at 13x earnings.

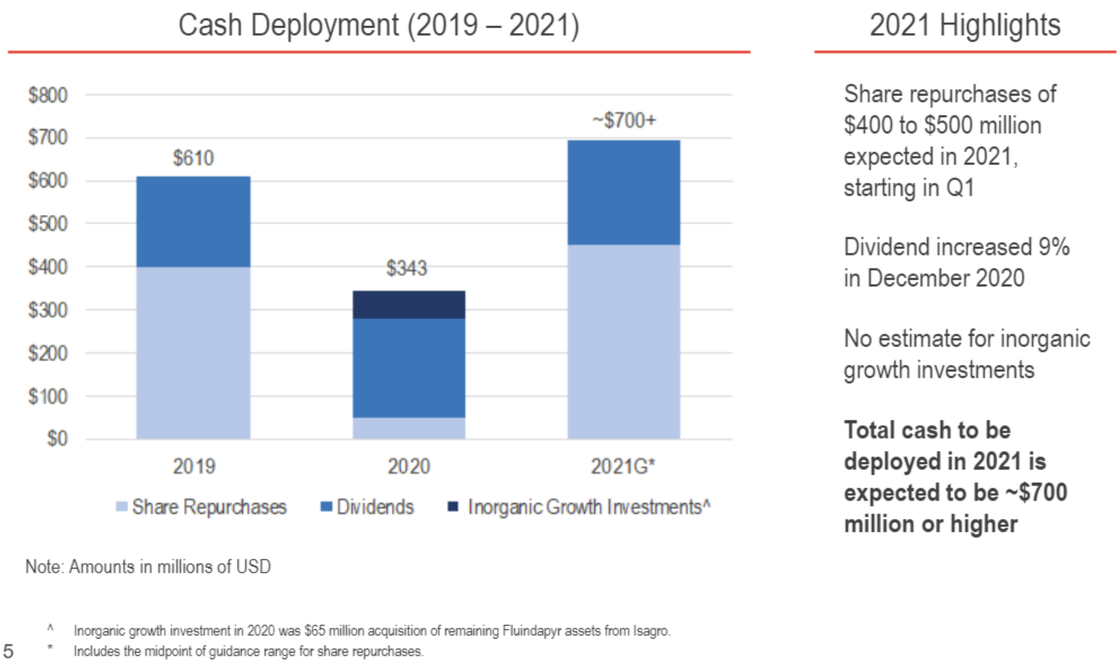
We also added **Nextera Energy Resources** (NEP), a pure-play renewable energy provider. NEP owns and manages contracted, clean energy projects with stable, long-term cash flows. The weighted average remaining contract term is 15 years, spread across 60 counterparties. Demand for renewable energy sources is rapidly growing, as consumers, corporations and regulators look to reduce carbon footprints. At the same time, increasing cost competitiveness created an opportunity for NEP to grow its clean energy generation capacity at attractive returns. NEP is a pure-play on wind, solar, storage and hydrogen (longer-term), positioned to "capitalize on what [management] believe[s] is the best renewables development environment in our history." NEP sports a 3.4% dividend yield, and we see copious capacity growth opportunities enabling management to deliver its unmatched distribution growth target of 12-15% per annum.



Source: Nextera Energy Partners

Finally, we added **FMC Corp** (FMC), a leading provider of crop protection solutions for growers around the world. Alone among the largest players in this space (who currently control ~75% of the market), FMC is a publicly-traded pure play. Increasing crop yields is of particular importance, as the world has more mouths to feed and less arable land. Science and innovation are key (FMC spends 7% of revenues on research and development), as resistance to older technologies increases, requiring new modes of action for sustainable farming. In addition, FMC is investing in a plant health program that includes biological crop protection products with excellent sustainability profiles.

FMC is diversified across product lines and geographies, minimizing volatility in select markets and commodities. Penetration in emerging markets is low, providing *fertile* ground for outsized growth opportunities – revenues in India grew 25% last quarter. Despite steady growth and one of the best management teams in the industry, the stock has trailed peers that benefit more from rising corn and soybean prices due to concentrated exposures. FMC was down in 1Q, resulting in the stock trading at less than 14x 2022 EPS estimates, while return on equity is an impressive 20%. That combination of valuation and return on equity (ROE) is shared by less than 4% of Russell 2500 constituents. The midpoint of 2021 EPS guidance is 13% growth, which doesn't embed management's planned $400-500 million in share repurchases. As famers seek to take advantage of high commodity prices, we see upside to volume guidance as well.



Source: FMC Corp

We sold **UniFirst** (UNF), the third-largest uniform rental provider, as the stock raced to an all-time high. From our purchase in April 2020, the stock gained more than 50%, yet current earnings and FCF estimates for 2021 are lower. As a result of the stock's appreciation and lower estimates, valuation has materially increased. At purchase, shares traded at an enterprise value (EV) to trailing FCF of 16.8x. At our sale, that metric rose to more than 25x. At the same time, FCF in fiscal 2021 and fiscal 2022 are expected to be lower than fiscal 2020, EPS in fiscal 2022 is expected to be 12% below fiscal 2019, and revenues are forecasted to fall in fiscal 2021 and rise just 1.7% in fiscal 2022. Equity investors look ahead, but in this case, we believe more than a full recovery is being discounted. While we appreciate the conservative operating approach, management's unwillingness to utilize its large net cash position to add scale and increase future earnings power (a key tenet to our original thesis) is a missed opportunity, in our opinion. As a result, we don't believe the business is in a stronger relative position coming out of the crisis, even though valuation suggests otherwise.

UNF Enterprise Value to Trailing 12-Month Free Cash Flow

Source: Bloomberg

Conclusion

"We have started to see lower ROE roll over and start to lag behind, which we think will continue. A steeper curve, better GDP growth, and the potential for higher inflation, not to mention sky-high valuations, will continue to drive the shift." – Steven DeSanctis, Jefferies' Market Strategist.

As we mark the one-year anniversary of the market's recovery, which included incredible gains led by the most beaten up, overlevered, unprofitable companies, we agree with Mr. DeSanctis that an inflection point may be near, if not already passed. As Howard Marks says, predicting changes in market cycles is difficult, but identifying where you are in a cycle can be just as powerful to future returns. We would suggest we're either in the late stage of early cycle or at the beginning of mid cycle. In either case, we believe the baton will get handed to companies with better business models, that have improved their competitive positioning, and/or delivered consistent results throughout the past couple years. Not only is your portfolio well-represented by such companies, but we're opportunistically adding, or adding to, companies that fit that description, while their stocks may lag business fundamentals. In such instances, their stocks not only became relatively cheaper versus the market, but discounted relative to their own historical valuations. We believe these companies generally offer better downside protection in the event that the economic recovery isn't as strong as forecasted, is delayed, or some other exogenous event occurs, given they haven't participated in the "re-opening" trade.

Our companies are consistently growing faster, trade at a discount, are more profitable and operate with more conservative balance sheets than the median Russell 2500 constituent. The fact that the median portfolio holding is expected to grow earnings in 2021 at a high-single-digit rate, and generate double-digit growth in 2021 and 2022, illustrates the resiliency and consistency of the businesses and provides greater confidence in our companies, regardless of the economic environment.

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

	Growth/Stablity					Valuation			Profitability		Balance Sheet	
	20y EPS Growth	21y EPS Growth	22y EPS Growth	'17-'22 EPS CAGR	'22 EPS vs '19	22y P/E	22y EV/ EBITDA	22y EV FCF Yld	ROE	EBITDA Mgn	Interest Coverage	Leverage
SMID Median*	7%	14%	13%	13%	36%	19.1	13.3	4.8%	15.2	23.1	5.0	2.0
R2500 Median	-13%	9%	10%	5%	9%	22.5	13.9	3.6%	4.1	10.2	1.0	2.1
vs Benchmark	20%	5%	3%	8%	28%	-15%	-4%	33%	270%	127%	374%	-7%

**Representative account. Source: Bloomberg*

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

Josh Haggerty, CFA®
Portfolio Manager

Performance Disclosure: *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 GIPS Composite Report which is attached.*

The Russell 2500™ Index *measures the performance of the small to midcap segment of the U.S. equity universe, commonly referred to as "SMID" cap. The Russell 2500™ Index is a subset of the Russell 3000® Index. It includes approximately 2500 of the smallest securities based on a combination of their market cap and current index membership. The Russell 2500™ Index is constructed to provide a comprehensive and unbiased barometer for the small to mid-cap segment. The index is completely reconstituted annually to ensure larger stocks do not distort the performance and characteristics of the true small to mid-cap opportunity set.*

The Russell Midcap® Index *measures the performance of the mid-cap segment of the U.S. equity universe. The Russell Midcap® Index is a subset of the Russell 1000® Index. It includes approximately 800 of the smallest securities based on a combination of their market cap and current index membership. The Russell Midcap® Index represents approximately 31% of the total market capitalization of the Russell 1000® companies. The Russell Midcap® Index is constructed to provide a comprehensive and unbiased barometer for the mid-cap segment. The index is completely reconstituted annually to ensure larger stocks do not distort the performance and characteristics of the true mid-cap opportunity set.*

The Russell 2500™ Value Index *measures the performance of the small to mid-cap value segment of the U.S. equity universe. It includes those Russell 2500™ companies that are considered more value oriented relative to the overall market as defined by Russell's leading style methodology. The Russell 2500™ Value Index is constructed to provide a comprehensive and unbiased barometer of the small to mid-cap growth market. The index is completely reconstituted annually to ensure larger stocks do not distort the performance and characteristics of the true small to mid-cap opportunity set and that the represented companies continue to reflect value characteristics.*

The Russell 2500™ Growth Index *measures the performance of the small to mid-cap growth segment of the US equity universe. It includes those Russell 2500™ companies with higher growth earning potential as defined by FTSE Russell's leading style methodology. The Russell 2500™ Growth Index is constructed to provide a comprehensive and unbiased barometer of the small to mid-cap growth market. The index is completely reconstituted annually to ensure larger stocks do not distort the performance and characteristics of the true small to mid-cap opportunity set and that the represented companies continue to reflect growth characteristics*

Technical Terms: ***Earnings Per Share (EPS)****: a key metric used to determine the common shareholder's portion of the company's profit. EPS measures each common share's profit allocation in relation to the company's total profit.* ***Free Cash Flow (FCF):*** *measures a company's financial performance. It shows the cash that a company can produce after deducting the purchase of assets such as property, equipment, and other major investments from its operating cash flow.* ***Return on Equity (ROE)****: the measure of a company's annual return (net income) divided by the value of its total shareholders' equity, expressed as a percentage.* ***Compound Annual Growth Rate (CAGR):*** *the measure of an investment's annual growth rate over time, with the effect of compounding taken into account. It is often used to measure and compare the past performance of investments, or to project their expected future returns.* ***Enterprise Value (EV)****: the measure of a company's total value. It looks at the entire market value rather than just the equity value, so all ownership interests and asset claims from both debt and equity are included.* ***EBITDA:*** *Earnings Before Interest, Taxes, Depreciation, and Amortization is a metric used to evaluate a company's operating performance. It can be seen as a proxy for cash flow from the entire company's operations. (Technical definitions are sourced from Corporate Finance Institute.)*

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 12/31/19. 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. In August 2020, new employees joined Sterling Capital Management via the Investment Advisory Group of SunTrust Advisory Services. This reorganization aligns all of the discretionary fixed income asset management activities within Truist under Sterling.
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.