The philosophy behind the Insight portfolio is that few investors should possess better insight into the future prospects of a company than its executives and Board members. Just as lower valuations generally tilt the odds of investing success in investors' favor, so too does insider buying. That thesis has been validated by academic studies from researchers at Harvard, Yale, Stanford, and the University of Michigan, which independently found that corporate insiders have achieved superior risk-adjusted returns. A peer-reviewed article published in the November 2011 edition of the International Review of Economics and Finance further validated those findings, concluding that "Insider actions have positive predictive power for future returns. Managers know more about their companies than any outsider, including Wall Street analysts, and as such investors could benefit from observing the behavior of insiders. Results are statistically significant."

The majority of the Insight portfolio is invested in companies in which there has been recent insider buying activity; we also retain the flexibility to own companies in which insiders own a substantial (5%+) stake of the company, whereby their incentives already are well-aligned with ours as shareholders, but where it would be less likely to expect insiders to take a further stake via additional purchases. Such flexibility also enables the portfolio to invest in overseas companies that trade on U.S. exchanges, where insider buying is not reported in real time.

Performance

For the second quarter, the Insight portfolio gained 14.2% (gross of fees) and 13.9% (net of fees), which compares to 20.5% for the S&P 500®, 21.8% for the Russell 1000®, and 24.1% for the S&P Midcap 400® indices. It was Insight's best absolute quarter and also its worst relative quarter since inception when compared to the Russell 1000 Index. All 11 S&P sectors experienced gains for the quarter, with all but two (Utilities and Consumer Staples) chalking up double-digit percentage gains. For the first half of the year, Insight was -11.1% (gross of fees) and -11.7% (net of fees), compared to -3.1% for the S&P 500, -2.8% for the Russell 1000 and -12.8% for the Midcap 400. The visual below shows the dramatic performance dispersion between large and small companies, and so-called growth and value companies.

YTD

	Value	Blend	Growth
Large	-16.3%	-3.1%	9.8%
Mid	-18.1%	-9.1%	4.2%
Small	-23.5%	-13.0%	-3.1%

Source: J.P. Morgan

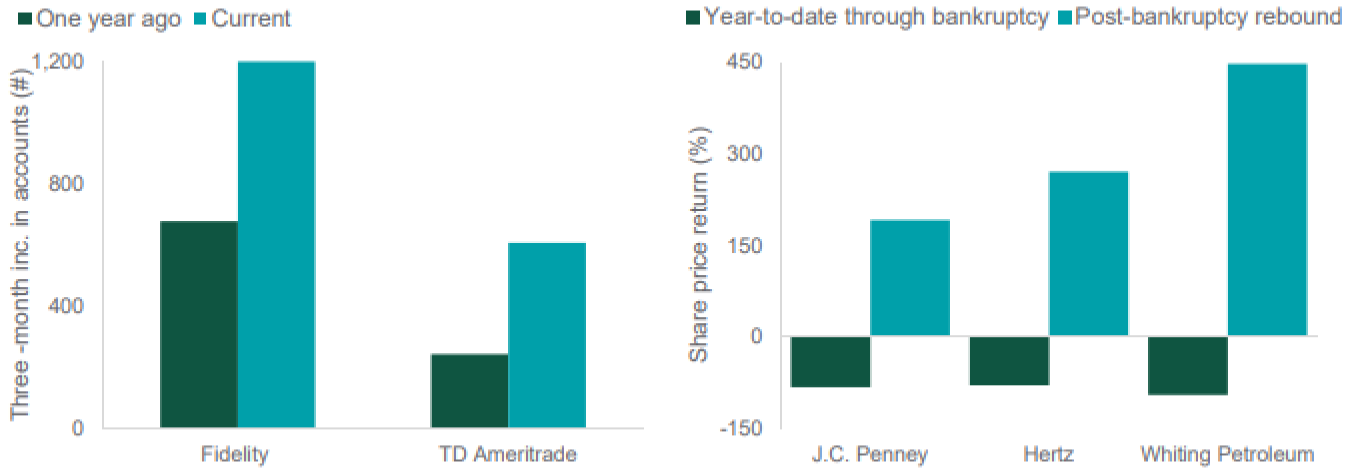
The second quarter was the S&P 500's best 90-day interval since 1998, and the fourth-best quarter for the S&P since 1950. It was a particularly remarkable quarterly result amid a global pandemic. We're not necessarily surprised that our portfolio lagged in such a white-hot period, though we're nonetheless disappointed.

Insight has a preference for "quality compounders," which by and large performed well in the quarter. But they were trounced by companies that were among the most negatively impacted by COVID-19, including restaurants and cruise lines, which rallied sharply, even though restaurants are operating at a fraction of capacity and cruise ships remain parked, with little visibility as to when they might resume carrying passengers. In fact, many ports, including those in Canada, remain closed to all cruise ships, while Europe remains closed to American tourists. Sticking with structurally impaired companies didn't seem prudent a quarter ago, and doesn't seem prudent now. In a similar head-scratching way, but even more curiously, companies that declared *bankruptcy* saw their stocks *surge* – Hertz, JC Penney, and Whiting Petroleum among them. We haven't considered investing our capital in bankrupt businesses, and notwithstanding the recent performance of those stocks, we don't plan to do so now or in the future.

Past performance is not indicative of future results.

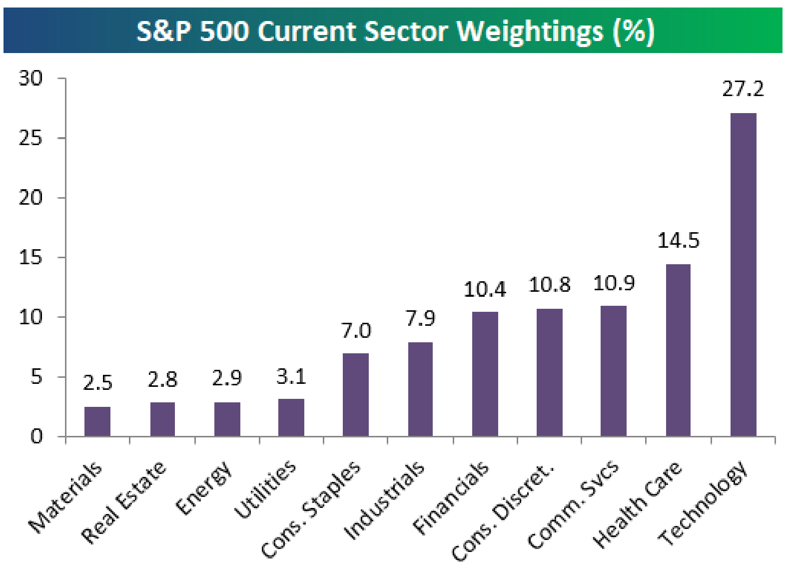
RETAIL OPTIMISM

Retail stock market activity has jumped, including speculating on bankrupt companies.



Source: Northern Trust Global Asset Allocation, Bloomberg, Wall Street Journal. Brokerage accounts shown in 1,000's; TD Ameritrade current brokerage accounts as of 3/31/2020, Fidelity current brokerage accounts as of 5/31/2020. Hertz, J.C. Penney, Whiting Petroleum bankruptcy declaration dates 5/22/2020, 5/15/2020 and 4/1/2020, respectively. Post bankruptcy rebound starts the day of the stock price trough after bankruptcy declaration date. Data through 6/11/2020.

Meanwhile, the very largest companies in the major U.S. indices have risen to record levels. One example: Apple and Microsoft have a combined market value greater than the entire German stock market. Another example: the five largest U.S. companies comprise 21% of the weight of the S&P 500 Index, a record high. It just so happens that four of the five are classified as Technology companies (with the fifth, Amazon, classified in the Consumer Discretionary sector). The Technology sector now comprises a greater percentage of the S&P 500 Index than all of the companies in the Industrials, Consumer Staples, Utilities, Energy, Real Estate, and Basic Materials sectors combined. We like Technology companies (the Insight portfolio owns six stocks in the sector, including one that we purchased during the quarter), but being underweight in that sector detracted from our portfolio's relative performance for the quarter. Technology was the only sector to produce a double-digit percentage gain in the first half of 2020 (and Consumer Discretionary, dominated by Amazon, was the only other sector in positive territory). Our overweight exposure to Healthcare, which underperformed in the June quarter, also detracted from relative performance.



Source: Bespoke

Past performance is not indicative of future results.

Best and Worst Performers

Our portfolio owned only five stocks that declined for the quarter, but given the market's strength, five was too many. New purchases **Huntington Ingalls** and **CooperCompanies**, which we describe in greater detail on the ensuing pages, slid (-9%) and (-4%), respectively. **Wabtec**, which we sold during the quarter, also slipped (-4%). Animal pharmaceutical company **Elanco** (-4%) got hit by a one-two punch of veterinary offices being closed or operating reduced hours, while at the same time protein processors closed or reduced their manufacturing facilities due to COVID-19. We view both as likely to snap back in due course. **Berkshire Hathaway** (-2%) was Insight's other quarterly decliner, and while we agree with those who are disappointed the company didn't put more capital to work during the downturn, we observe the company should be meaningfully more valuable than it was 90 days ago given the rally in its roughly $200 billion equity portfolio (of which Apple represented the largest position). To see social media cult personalities attacking CEO Warren Buffett as "washed up," and that "there's nobody who can argue Warren Buffett is better at the stock market than I am right now" strikes us as an incorrect assertion.

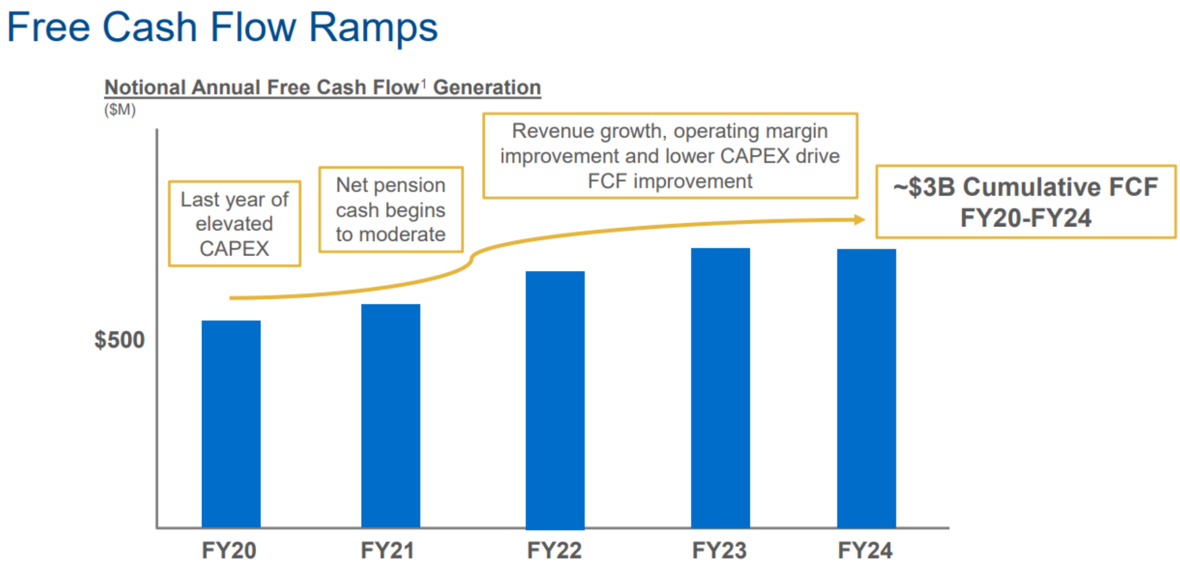
Insight's top gainers for the quarter were paced by auto products and technology supplier **Aptiv** (+67%), which we sold into strength after the company canceled its dividend and share buyback program and in fact raised capital during the quarter. Given the economic fallout from the pandemic, we're also concerned that new vehicle production and demand may remain depressed beyond the near term. **Home Depot** (+35%) benefited from being an "essential" business that was allowed to operate throughout the pandemic, and also benefited from consumers shifting their disposable income to one of the few places they were able to spend: their homes. Property management outsourcer **FirstService** (+31%) rebounded from a soggy first quarter. **Microsoft** (+29%) continued to put up eye-popping growth (especially for a company of its size), as cloud computing (Azure) and work-from-home collaboration (Teams) tools proved particularly valuable to large organizations. **Activision** (+28%) saw strong demand for its Call of Duty *Warzone* game, which benefited from a stay-at-home regime in which competing forms of entertainment were shut down.

Purchases and Sales

During the quarter, we made four new investments while exiting four existing ones. A common element among the four sales were companies whose fundamentals are likely impaired by the COVID-19 pandemic and associated economic malaise. We previously mentioned our sale of **Aptiv** amid a sharp decline in new-vehicle production. **Stanley Black & Decker** also has sizable exposure to the automotive end market, along with construction markets. With the unemployment rate soaring, the number of people moving household goods seems likely to crimp UHaul's parent, **Amerco**. Meanwhile, demand for **Wabtec's** freight and especially passenger rail equipment seems precarious, as COVID-19 causes employees to either telecommute or favor personal vehicles instead of mass transit (where social distancing is all but impossible).

The four new purchases we made spanned four different sectors (Industrials, Materials, Technology, and Healthcare). In terms of Industrials, we view building submarines and aircraft carriers for the Navy as less dependent on macroeconomic conditions than other Industrial businesses. Indeed, the Defense Department's budget is driven more by the global threat environment than by GDP. Defense Department outlays were up 12% year-over-year in the first four months of 2020, and **Huntington Ingalls** (parent of Newport News and Ingalls Shipbuilding) already has secured 85% of its projected revenue for the next five years. Defense contractor stocks outperformed the S&P 500 in each of the past four recessions, yet defense stocks in general, and Huntington's in particular, swooned in the first half of 2020. Two Huntington Board members bought stock in March and April, highlighting the investment opportunity.

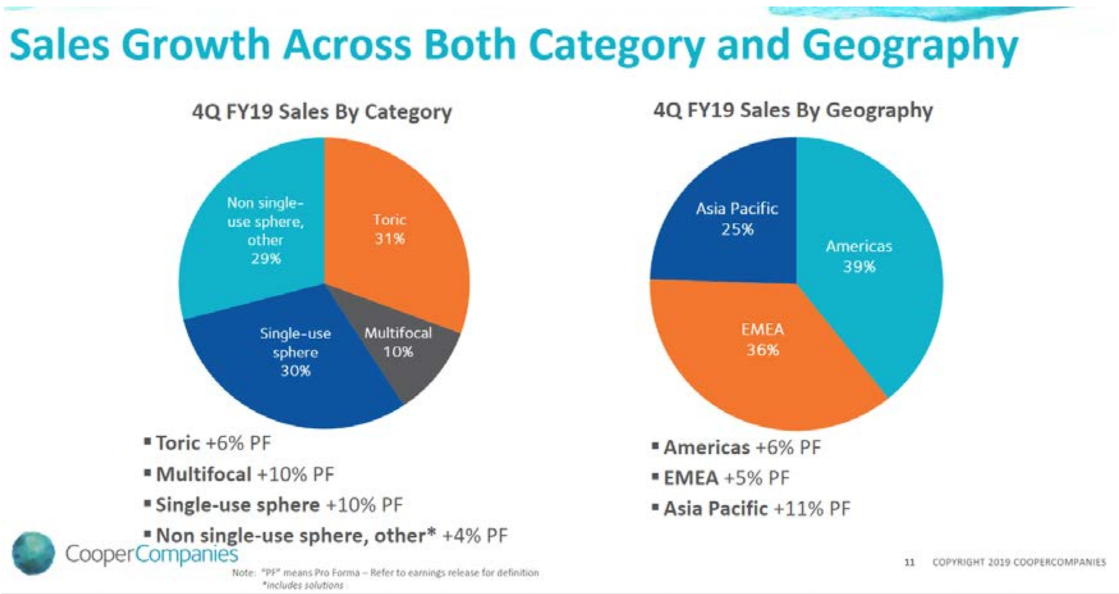
At the time of our purchase, Huntington traded near 10x earnings, and at a valuation in-line with troubled Boeing, despite Huntington having a $45 billion backlog of high-demand projects for the Navy and Coast Guard. Despite employing minimal financial leverage, the company generates a 35% return on equity. Free cash flow should grow at a robust clip over the next several years as a capital spending cycle ends. A projected $3 billion of cumulative free cash in the five years ending 2024 would represent roughly 38% of Huntington's market value.



Source: Huntington Ingalls

Shortly before quarter end, we spotted two insider purchases at **Cooper**, amid a sell-off in its stock related to the temporary closure of optometrist offices during the COVID-19 pandemic. Cooper's vision segment, CooperVision, ranks #2 in global contact lens market share – a highly recurring, annuity-like business, where brand loyalty is high.

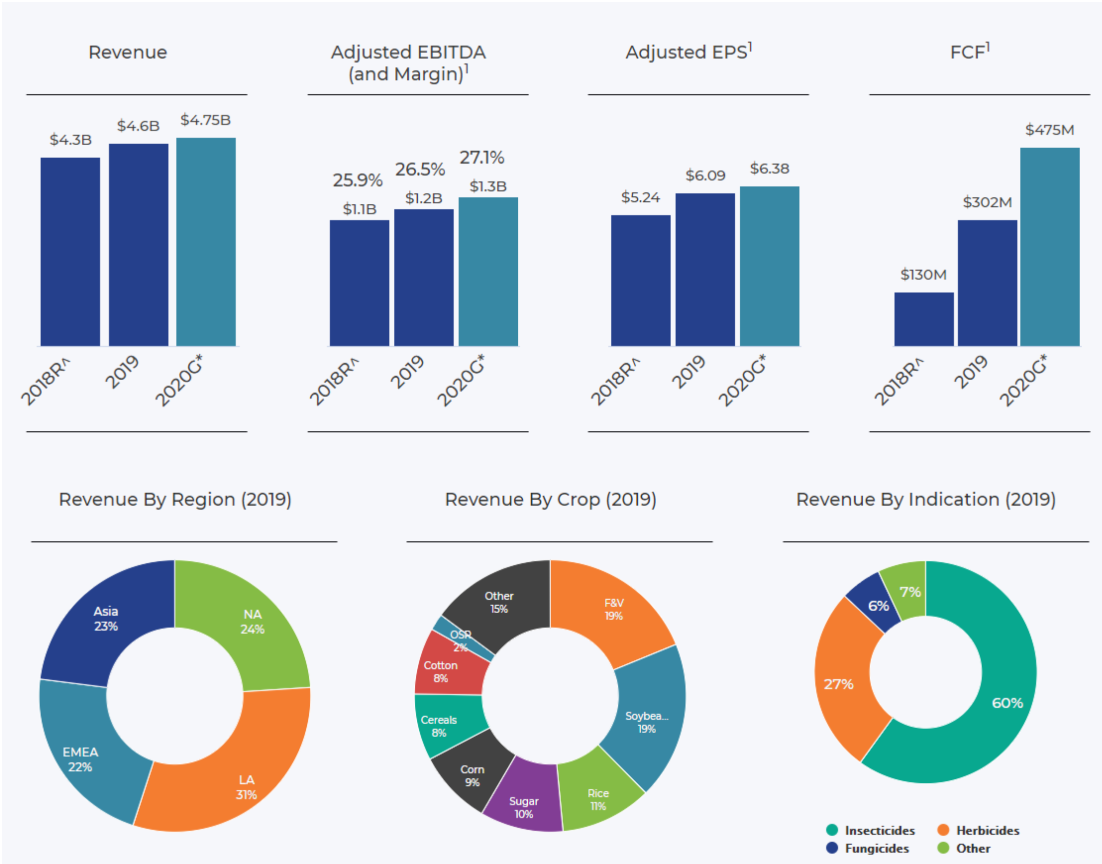
We're particularly attracted to the "double upgrade" opportunity that the industry is benefiting from, as optometrists convert existing lens wearers to daily disposable lenses and silicone hydrogel lenses. The former offer better hygiene, while the latter offer better comfort. The transition is underway, and likely will continue for the better part of a decade, as only an estimated 25-30% of lens wearers currently use a daily disposable lens. In addition, specialty multi-focal and toric lenses offer additional opportunities for growth and pricing power.



Source: Cooper

Cooper also has a company-specific driver in MiSight, a clinically proven treatment to reduce myopia in pediatric patients. This nascent business should start contributing meaningfully to revenue and earnings in the near term, and based on our recent conversation with CEO Albert White, we believe MiSight may "hook" consumers to Cooper-branded lenses at an early age. As with Huntington, Cooper should see free cash flow improve as a capital spending cycle (to meet demand) comes to an end. Cooper's stock has outperformed the S&P 500 over the trailing 2, 4, 5, 10, 15, 20, and 30 years.

FMC is a leading pure play on agricultural chemicals. Its insecticides, herbicides, and fungicides help farmers enhance the yield on their crops.



Source: FMC

According to Credit Suisse, "FMC is a proxy to global ag and calorie consumption, which will increase for the foreseeable future." Or, as FMC CEO Mark Douglas recently told *Barron's*: "The thing about agriculture is, demand doesn't fall."

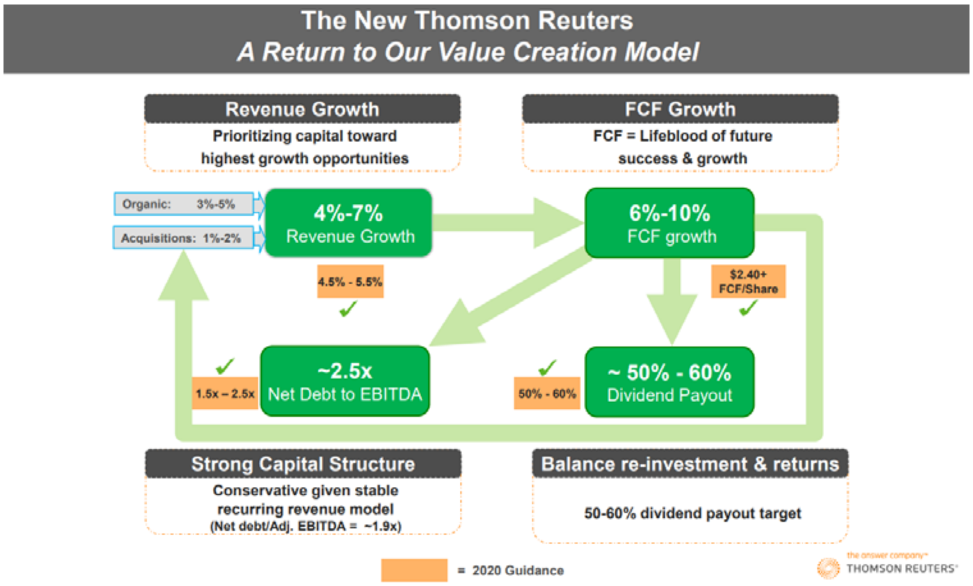
We like the company's commitment to research and development, evidenced by its vast patent estate and a pipeline that has as many active ingredients in late-stage development as any competitor. The company increasingly is focused on environmentally-friendly solutions and "precision agriculture" (deploying just enough chemicals at just the right time).

We also like that purchases of crop chemicals are essentially non-discretionary. In other words, even in recessionary conditions, farmers won't allow their crops to be ravaged by pests or diseases. Unlike many companies which have seen COVID-19 wreck their growth, Credit Suisse says, "The only debate is how much [FMC] will grow in 2020 and how much more they will grow in 2021."

The company has a strong balance sheet (investment-grade credit rating), a well-above-average 19% return on equity, and a 2% dividend yield at the time of our purchase (with the dividend 10% higher than a year ago). As with Cooper and Huntington, FMC is targeting free cash flow improvement in the years ahead, driven in part by one-time technology spending that won't recur beyond 2020.

Shares traded at an unusually wide 34% discount to the S&P 500 at the time of our purchase, and we were pleased to buy shortly after CEO Douglas did. InsiderScore observes that Mr. Douglas has purchased FMC shares only once previously – in 2015 – "slightly ahead of a bottom a month later." Management earns its incentive compensation based in part on total shareholder return, and the company's stock has outperformed the S&P over the past 1, 2, 3, 4, 5, 10, 15, 20, and 30 years.

Finally, **Thomson Reuters** represents a way to participate in life's few certainties: tax and legal complexity. We're particularly attracted to the recurring nature of Thomson's services, via software supplied to tax and law professionals. More than three fourths of the company's revenue is recurring, nearly 90% is delivered electronically, and client retention exceeds 90%. We believe the company should be able to continue delivering on its evergreen financial algorithm as shown below.



Source: Thomson Reuters

We view the company as "under-leveraged," a high quality attribute in an uncertain environment. Leverage is already below the midpoint of the company's targeted range, and the pending divestiture of financial market data provider Refinitiv to LSE Group should provide even more firepower for future shareholder returns. The company has paid and raised its dividend 27 years in a row (2.2% yield at time of our purchase), and also buys back shares routinely. At the time of our purchase, the stock traded at a valuation below that of information services peers, despite "superior earnings and cash flow growth projected for both 2020 and 2021," according to Merrill Lynch. The stock has outperformed the S&P 500 over the past 2, 3, 4, 5, and 20 years. Company insiders own nearly two thirds of the company's stock, aligning their interests well with ours.

Company Developments

PNC divested its entire 22% ownership stake in Blackrock, and indicated it intends to use the $14 billion in proceeds to acquire a bank that will extend its geographic footprint (PNC acquired its Blackrock stake in 1995 for $240 million!). The timing makes sense, insofar as the value of PNC's Blackrock stake approached its highest percentage of PNC's market value in more than a decade, tax rates (on PNC's gain) are at record low levels, and the proceeds provide PNC optionality "to take advantage of potential investment opportunities that history shows can arise in disrupted markets," according to CEO William Demchak.

Elsewhere, **General Dynamics** received a $9.5 billion contract to produce two new submarines for the U.S. Navy. **Eli Lilly's** *Retevmo* received early regulatory approval for the treatment of lung and thyroid cancer while *Verzenio* hit its primary endpoint as a breast cancer treatment, enhancing Lilly's top-tier growth profile (which should be well into the double digits through 2025).

Dividend increases during the quarter included **Chubb** (+4% year-over-year), **Medtronic** (+7%), and **United Health** (+16%). **Johnson & Johnson's** 6% dividend increase merits special mention, as it marked the 58th consecutive year in which that company has raised its dividend.

During the quarter, insiders at **Archer-Daniels Midland**, **Berkshire Hathaway**, **Chubb**, **Genpact**, **IHSMarkit**, and **PNC** added to their stakes in their respective companies. In Chubb's case, the $1 million insider purchase was the largest at the company since 2016.

Insider Activity

Near the market's low in March, corporate insiders were aggressively buying, as shown by the height of the green bars in the chart below. Since then, insiders have reverted to selling (shown in the red bars), with June data not yet available.

Source: Wolfe Research

Conclusion

Based on quarter-end data, the Insight portfolio's median holding traded six turns cheaper than the Russell 1000 Index (20.2x versus 26.7x), while expected to grow earnings at a faster rate (10.5% vs. 7.5%), with a higher return on equity (17.5% vs. 12.6%) and less debt (2.0x EBITDA vs. 2.3x). That profile should be attractive in its own right, to say nothing of the fact that insiders are buying shares at the companies we own.

As always, we greatly appreciate your confidence in us, and interest in our thoughts.

Adam Bergman, CFA®
Portfolio Manager

Past performance is not indicative of future results.

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 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 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.*

S&P 500®*: The S&P 500 ® Index is a readily availably, carefully constructed, market-value-weighted benchmark of common stock performance. Currently, the S&P 500 Composite includes 500 of the largest stocks (in terms of stock market value) in the United States; prior to March 1957 it consisted of 90 of the largest stocks.*

Russell 1000®*: The Russell 1000® Index measures the performance of the large-cap segment of the US equity universe. It is a subset of the Russell 3000® Index and includes approximately 1,000 of the largest securities based on a combination of their market cap and current index membership. The Russell 1000® represents approximately 92% of the US market. The Russell 1000® Index is constructed to provide a comprehensive and unbiased barometer for the large-cap segment and is completely reconstituted annually to ensure new and growing equities are included.*

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 – Insight SMA Composite

August 31, 2011 – December 31, 2019

Description: *Consists of all discretionary separately managed wrap Insight portfolios. Sterling's Insight equity portfolios invest primarily in companies where there has been recent insider buying activity; we also retain the flexibility to own companies in which insiders own a substantial stake.*

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 1000 Index	Composite 3-yr St Dev (%)	Benchmark 3-yr St Dev (%)
2019	34.77	33.19	49	21	0.0	58,191	0.71	31.43	11.28	12.05
2018	-4.10	-5.26	51	16	0.0	56,889	0.38	-4.78	10.79	10.95
2017	25.37	23.78	57	18	0.0	55,908	0.35	21.69	9.18	9.97
2016	10.39	8.88	146	33	0.1	51,603	0.30	12.05	9.92	10.69
2015	5.14	3.69	116	29	0.1	51,155	0.25	0.92	9.35	10.48
2014	7.41	5.88	134	29	0.1	47,540	0.24	13.24	9.42	9.12
2013	28.48	26.64	121	27	0.1	45,638	0.24	33.11		
2012	17.74	16.17	74	14	0.3	4,422	0.08	16.42		
2011 (Inception 8/31/11)	4.86	4.62	2	0	0.0	3,932		3.50		
Annualized Since Inception	15.00	13.50						14.66		

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. Adam B. Bergman, 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: August 31, 2011. Creation date: August 31, 2011. The appropriate index is the Russell 1000 Index which measures the performance of the largest 1,000 US companies, representing over 90% of the investable US market. 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.