"Flexibility is the key to stability." - John Wooden

The Sterling Capital Special Opportunities strategy is designed to be a "core" or "all-seasons" portfolio, with a primary goal of generating long-term capital appreciation. Noting that our industry often classifies investments with either a "growth" or "value" label, we instead argue that value without growth represents a wasting asset, and growth without regard to the price is merely speculation. We strongly believe in building a well-diversified portfolio with constituents that boast both growth and value characteristics. We seek above average growth of capital, but endeavor to mitigate downside risks by using time tested valuation tools and profitability ("quality") parameters.

Academic literature and our own experience have demonstrated that the so-called growth and value styles, as well as small- and large-capitalization companies, move into and out of investment favor, much as our underlying economy moves through various phases of expansion and retrenchment. Sustained periods of out- or under-performance can lead to unproductive investor outcomes via switching. By blending the characteristics, we hope to offer our clients a more consistent return profile, while also allowing us the flexibility to take advantage of occasional perceived extremes in sentiment.

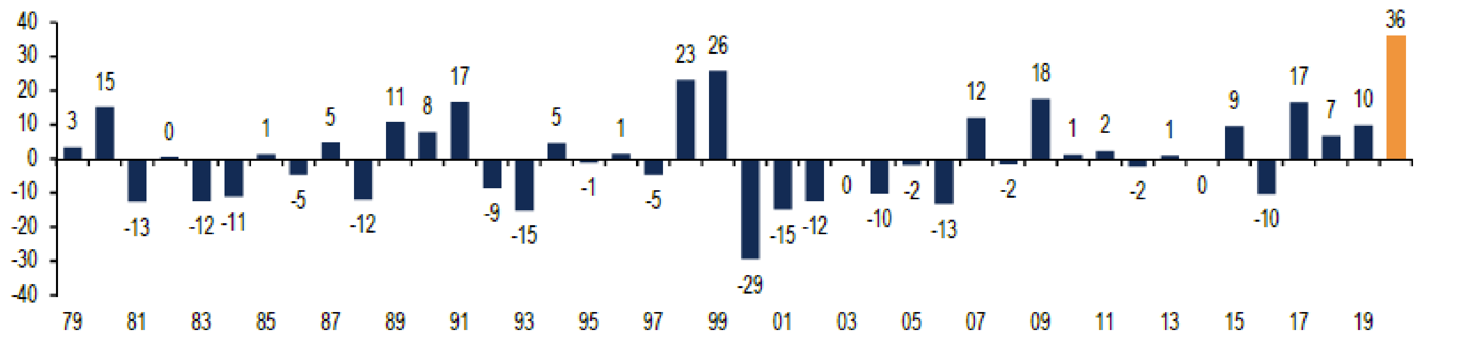
Consistent with our endeavor to generate above average returns with below average risk, when compared to the overall equity market, we must "dare to be different" from our benchmark. In industry parlance, our portfolio demonstrates high "active share," meaning our philosophy offers the statistical opportunity to outperform popular averages. By constructing portfolios with 30-35 carefully selected securities, we believe we can achieve 95% of the diversification of a 500-stock portfolio – while eliminating expensive, poorly-financed, or strategically vulnerable companies from our holdings.

Performance Summary and Review

During the third quarter, the Special Opportunities portfolio outperformed the Russell 3000® Index, gaining 10.5% (gross of fees) and 10.2% (net of fees) versus the benchmark's 9.2% increase. That helped narrow the year-to-date gap, but there's still work to do with the portfolio down 0.7% (gross of fees) and 1.6% (net of fees) versus a 5.4% increase for the index. Strong third-quarter equity returns added to second-quarter gains marking the best two-quarter increase since 2009. From the market's March 23 low, the portfolio has essentially kept pace with the equity market's breakneck 50%+ gain, slightly trailing the Russell 3000 and outperforming the S&P 500®.

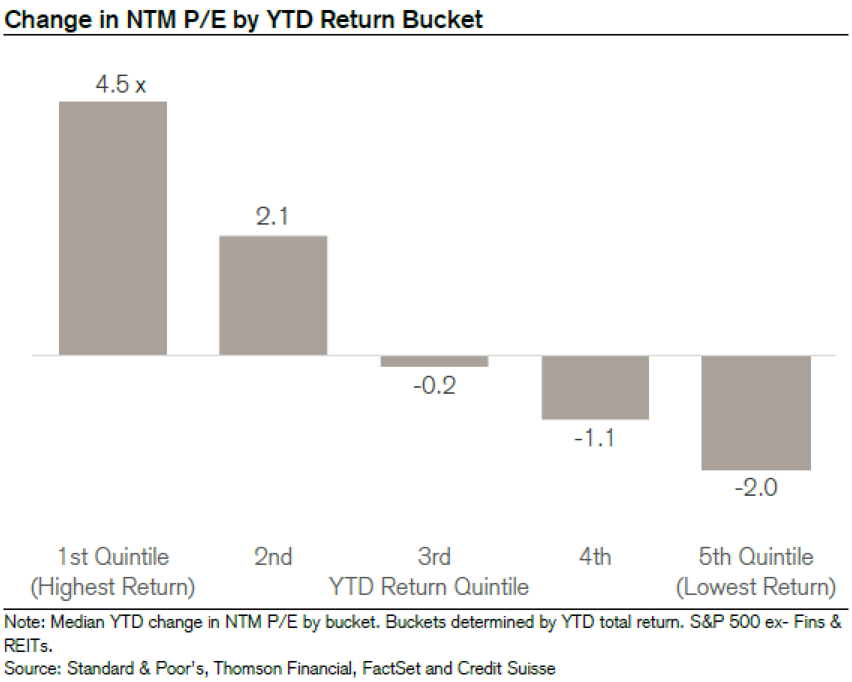
Growth has beaten Value by 36% year-to-date (as shown in the chart below), which would mark the largest spread in any calendar year since the S&P 500 Growth/Value data began in 1979.

Chart 2: Relative total return of the Russell 1000 Growth Index vs. the Russell 1000 Value Index (1979-9/30/20)



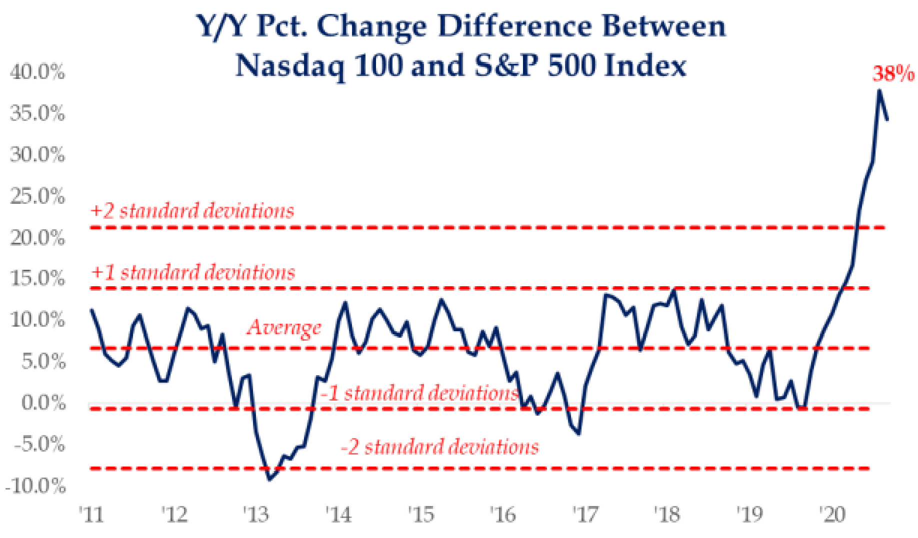
Source: BofA US Equity and Quantitative Strategy, Bloomberg.

The Federal Reserve's Open Market Committee cut the overnight lending rate to zero and Chairman Jerome Powell indicated the committee may not raise rates until 2024. Equity valuations are derived from the present value of future cash flows. Therefore, a lower discount rate places greater value on future cash flows, which theoretically should result in higher equity valuations, especially for growth companies which derive more of their value from cash flows expected in the more-distant future. You can see from the chart at the top of the following page that the stocks that have done the best this year (Growth stocks) have re-rated higher by 4.5x, and the stocks that have done the worst (Value stocks) have experienced a 2.0x valuation contraction.



Source: Standard & Poor's, Thomson Financial, FactSet, Credit Suisse.

Monetary policy is likely contributing to the NASDAQ's gain over the past six months, the best since 2000. The NASDAQ 100's relative outperformance versus the S&P 500 was a four standard deviation event, the odds of which are nearly one in 16,000.



Source: Strategas

The outperformance of the most expensive quintile of equities in the Russell 1000 versus the cheapest is more than 52% in the past nine months! It's paid to invest in business models with rapid growth potential, irrespective of profitability or valuation. Within the largest 1,000 companies, using the Russell 1000 as a proxy, there are currently 141 companies trading at more than 10x sales, the most since 2000. Since 2017, stocks trading above that level have generated a 25.5% annualized return, more than 2.5x the broader market. Monetary policy also supports cheaper funding, perhaps supporting such performance and elevated multiples. We don't think this is sustainable and history shows over multiple decades that stocks valued at these levels have underperformed.

Chart 10 - Most names trading above 10x sales since October '00

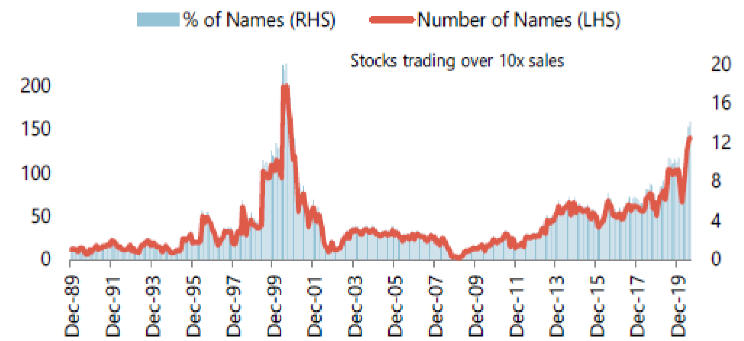
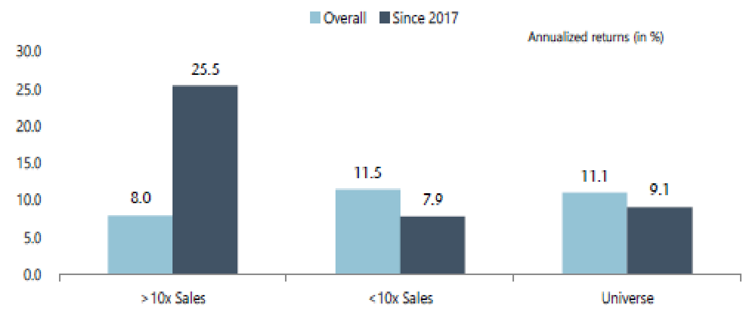


Chart 11 - Since '17, stocks over 10x sales have risen over 25% annually but have been laggards in the past



Source: FactSet, FTSE Russell, Jefferies

3Q20 Contributors and Detractors

Top Contributors	GICS Sector	Contrib. to Return
FedEx	Industrials	2.27
Danaher	Health Care	0.99
HCA Healthcare	Health Care	0.88
Lennar	Consumer Dis.	0.88
Comcast	Comm. Services	0.70

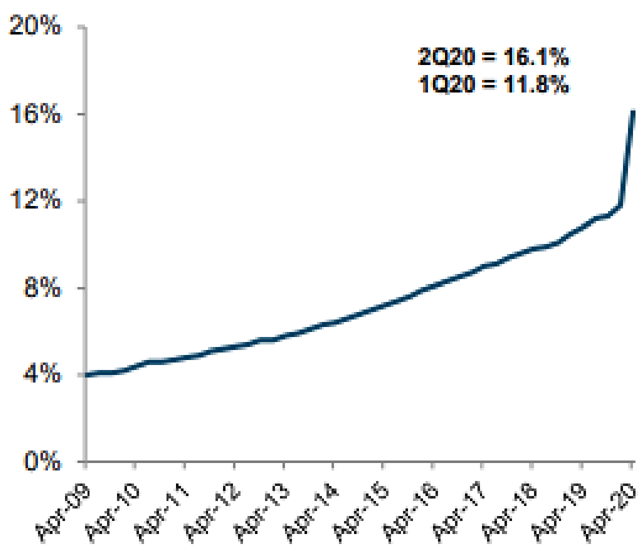
Top Detractors	GICS Sector	Contrib. to Return
Cisco Systems	Info Technology	-0.52
F5 Networks	Info Technology	-0.35
Gilead Sciences	Health Care	-0.32
FLIR Systems	Info Technology	-0.00
Ryman Hospitality Properties	Real Estate	0.02

Source: FactSet, Sterling Capital

Top Contributors:

- **FedEx** delivered. Multi-year decisions to walk away from low margin Amazon business, expand Ground deliveries to 7-days a week, implement surcharges, take back SmartPost volumes from the post office into the network, acquire TNT and invest in its network are beginning to pay off as e-commerce accelerates. Management estimates its previous outlook for 100 million packages per day has been pulled forward three years to 2023. Second quarter Ground volumes rose 30% and higher-margin Business-to-Consumer (B2C) volumes returned to growth in August. Freight experienced record operating earnings and the highest margins since 2006, while Express operating earnings more than doubled.

E-commerce as % of Total Retail Sales



Source: U.S. Census Bureau, William Blair Equity Research

- **Danaher's** 2Q revenues grew 19% and EPS increased 32% on core growth of 3.5%. Management guided for core growth to accelerate into the mid- to high-single digits in 3Q. In the second quarter, Cepheid core growth was up 100%, aided by COVID-19-related diagnostics that included a 45-minute rapid test, while Danaher's newly acquired Cytiva business delivered core growth of 20%. Combined, the two segments saw a 40% increase in orders. Pall and Cytiva are working with the majority of the companies developing vaccines, providing filtration and resins. Meanwhile, late in the quarter, Cepheid received emergency use authorization for a four-in-one combination test for COVID-19, flu A, flu B and respiratory viruses that could double 4Q revenues from testing. Additionally, Cepheid should benefit from increased placements beyond COVID-19 testing as 2Q installs were 4x the normal quarterly rate.

- **HCA's** stock recovered during the quarter, even as its hospitals experienced peak COVID-19 cases in July – recall its hospitals are located in the Sun Belt. Still, the company executed well and elective procedures rebounded. In the short-term, higher acuity and favorable mix are offsetting lower volumes; inpatient revenues per admission rose 10% last quarter. The stock's 3Q performance could have been even stronger, but experienced a late-quarter swoon after Justice Ginsburg's passing raised concerns the Supreme Court might strike down ACA. The stock ended the quarter trading at a 10-year low valuation.

- **Lennar's** quarterly results were well ahead of guidance as the housing market continued to benefit from low interest rates, low supply and a pandemic-led demand shift toward larger footprints with home offices in the suburbs. Lennar is executing its multi-year transition to a just-in-time inventory land model, with 35% of home sites now controlled via options, up from 30% a year ago, and owned land supply down to 3.8 years. Management said community counts will grow 10% in fiscal 2021, which should enable Lennar to accelerate its pace of deliveries during a period of elevated demand, while also maintaining pricing discipline and its focus on margins and returns on invested capital (ROIC).

- **Comcast** reported solid results, with strength in Cable offset by COVID-19-related weakness in NBC, Parks, Film and Sky. Cable net customer relationships rose 217,000, the best ever for a second quarter. High speed internet customer additions totaled 322,000, the best 2Q in 13 years. At a conference in mid-September, CEO Brian Roberts said 3Q high speed internet adds would "greatly exceed 500,000," representing the best quarter on record, and that full-year 2020 net additions would "greatly exceed" last year's 1.4 million. That strength is expected to lead to Cable EBITDA growth "substantially better" than 1Q's 6.1% and 2Q's 5.5%.

<u>Top Detractors:</u>

- **Cisco Systems** dropped, despite an earnings beat as next quarter's outlook was below consensus due to delayed purchasing decisions. The coming quarter also faces the most difficult comparison of the year, so a conservative outlook appears warranted. Software revenues now account for 31% of the total and more than 75% of software is subscription-based. Security and WebEx segments both grew double-digit percentages.

- **F5 Networks** fell in sympathy with Cisco, despite reporting a beat and raise quarter. Investors also appeared to focus on F5's outlook for systems revenues to continue declining at a double-digit pace. Still, software revenues grew 43% last quarter and organic growth was 14%. We see an inflection on the horizon when software growth overcomes hardware declines, resulting in a fillip to revenues that could lead to a re-rating.

- **Gilead Sciences** suffered a pipeline setback with the FDA citing safety concerns for Filgotinib, a drug under development to treat rheumatoid arthritis. Meanwhile, Remdesivir growth continues with injections for early treatment of severe COVID-19 patients, and scientists are working on an inhaled version – early data suggest similar concentration in the lungs as the IV-administered version. In September, the company announced the $21 billion acquisition of Immunomedics, including its lead drug Trodelvy for the treatment of metastatic triple-negative breast cancer. The purchase price is debatable, but CEO Daniel O'Day was brought in to utilize his expertise to enhance the company's efforts in oncology and while the deal is larger than we expected, it fits the strategic framework. Now management needs to execute.

- **FLIR Systems** was added during the quarter and therefore didn't have much time to impact performance. Our purchase rationale is detailed below.

- **Ryman Hospitality** was sold during the quarter and the position size was trimmed prior to our final sale, therefore its 8% gain prior to our exit didn't meaningfully contribute to quarterly gains. Our exit rationale is detailed below.

Portfolio Changes

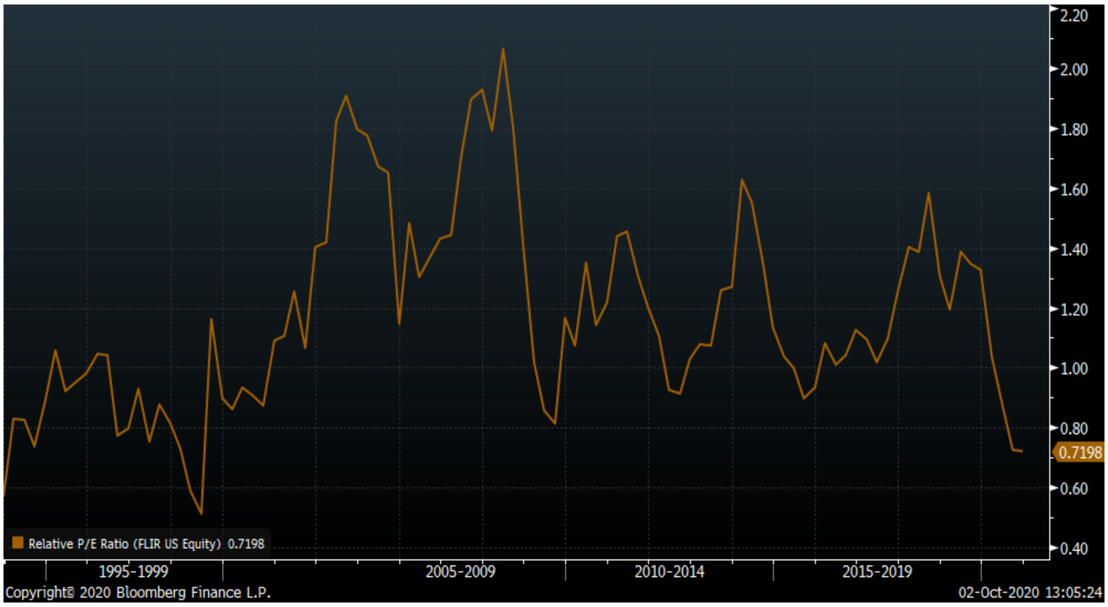
We added one new position and sold two, increasing exposure to secular growth areas in thermal imaging sensors and robotics.

We added **FLIR Systems**, self described as the "World's Sixth Sense." FLIR is a leading provider of intelligent-sensing technologies used in variety of end markets and products ranging from active safety and autonomous capabilities in vehicles, to products that detect elevated skin temperatures or chemical and biological agents, and unmanned solutions for the military. Developing products that lead in size, weight, power and cost measures, FLIR has captured 60% market share in commercial infrared cameras and components. In miliary markets, it offers products for airborne solutions, security, search and rescue, and surveillance, among others. Last year, FLIR spent almost $600 million to buy Aeryon Labs and iRobot's defense business; these deals brought full-sized drone and unmanned ground vehicle capabilities, respectively. The 2016 acquisition of Prox Dynamics added capabilities that led to a May 2020 contract with the Army for the Black Hornet, an extremely light (weighing just over one ounce), nearly silent, pocket-sized microdrone with a flight time up to 25 minutes that transmits live video and high definition images back to the operator.

Source: FLIR Systems

Sales to the government sector are 41% of sales and provide a reliable source of long-term demand. However, over shorter periods revenue can be lumpy. FLIR's combined backlog of $913 million is a record, providing visible medium-term growth. However, the runoff of a sizeable military project is expected to cause a lull in segment growth through the first half of 2021. That, combined with a tough comparison created by recent elevated demand for skin temperature devices (related to COVID-19), results in a slower growth outlook into next year. Therefore, we believe we're accepting more time-risk than price-risk, picking up shares at their largest discount to the S&P 500 in more than 20 years.

FLIR's Relative P/E Ratio



Source: Bloomberg

We sold **Ryman Hospitality**, a real estate investment trust (REIT) specializing in group-oriented, destination hotels. From our purchase in 2013 through year-end 2019, demand was strong and the long-term outlook was supported by a dearth of new supply of group hotels due to the limited amount of desirable locations, lengthy development process required to build large enough hotels to accommodate group events, and the vast amount of capital required. Then COVID-19 hit. Ryman was forced to close its doors for months. Occupancy plummeted from 76.0% in 4Q19 to just 1.7% in 2Q20. We continue to believe its assets are unique with barriers to entry (no pun intended), but recovery in travel and lodging is likely to be more gradual, especially for large group events.

We sold **CheckPoint Software Technologies** after an eight-year investment. At the time of purchase, CheckPoint was the leader in cybersecurity, where we believed there would be outsized demand. From 2012 to 2019, the cybersecurity market grew at a 9% compound annual growth rate, confirming our favorable outlook. However, CheckPoint relinquished its lead to newer entrants with more relevant offerings for today's digital and cloud-based networks and applications. The stock outperformed during our ownership and a valuation case can still be made, but recent poor execution combined with company-specific growth headwinds caused us to move on.

Conclusion

The average stock isn't performing as well as indices suggest. The median Russell 3000 constituent return is still down nearly 14% this year, trailing the market cap weighted index return by 19%. Although the Russell 1000® Equal Weight Index is not the primary benchmark, we view this index as a reasonable proxy for the average stock (Russell doesn't offer a Russell 3000 Equal Weight Index). The equal weighted index lost 5.8% versus a 6.4% gain for the cap weighted index – that's the widest margin since 1999. Market cap weighted indices' returns have been driven by a small number of very large companies; The Nifty 50 mega caps lead the other 450 stocks in the S&P 500 by 18.7% year-to-date, the largest spread since 1998. The five largest stocks are up nearly 40% on average over the same period. That has led to the biggest concentration of the top five constituents in the S&P 500 in at least three decades, at a 22.6% weight, well above the peak during the Internet Bubble of 18.1%.

It's worth pointing out that Special Opportunities has outperformed the average stock in 2020, as well as the past one, two, three and five-year periods (again using the Russell 1000 Equal Weight Index as a proxy). The point is that the portfolio has outperformed the "average company," despite trailing the cap-weighted indices over various time periods. Following 1999's cap-weighted dominance, equal-weighted returns led for nine years. What will the next decade bring? If the largest cohort of stocks continues to outperform by such a wide margin, could the group's weight in the index climb to 40%? If equities deliver returns over the next decade consistent with the long-term average and the five largest companies double those returns (far less than their recent outperformance), the group's market value would top $40 trillion. That would be twice as large as U.S. GDP and 50% larger than all domestic equities. Is that likely? In our opinion, it seems more plausible that if market gains continue, the distribution of returns will broaden out.

While excesses can and often do last longer than investors expect, we continue to follow our investment discipline of deploying capital to companies with attractive growth opportunities and valuations. Based on the table below, relative to the Russell 3000 median, the median portfolio holding in Special Opportunities trades at a discount, is more profitable, has a more conservative balance sheet and should continue to deliver faster and more consistent earnings growth.

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

	Growth/Stablity				Valuation			Profitability		Balance Sheet	
	20y EPS Growth	21y EPS Growth	'16-'21 EPS CAGR	'19-'21 EPS Gr	21y P/E	21y EV/ EBITDA	21y EV FCF Yld	ROE	EBITDA Mgn	Interest Coverage	Leverage
SO Median*	3%	13%	11%	14%	17.7	12.0	4.5%	14.1	24.2	5.9	2.3
R3000 Median	-14%	8%	3%	-6%	21.7	13.2	3.6%	5.6	12.4	2.6	2.4
vs Benchmark	17%	5%	8%	20%	-18%	-9%	23%	153%	95%	121%	-4%

**Representative account. Source: Bloomberg*

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

Josh Haggerty, CFA®
Associte 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 Composite Disclosure Presentation which is attached.*

The Russell 3000® Index *measures the performance of the largest 3,000 U.S. companies representing approximately 98% of the investable U.S. equity market. The Russell 3000® Index is constructed to provide a comprehensive, unbiased and stable barometer of the broad market and is completely reconstituted annually to ensure new and growing equities are included.*

The Russell 1000® Growth Index *measures the performance of the large-cap growth segment of the U.S. equity universe. It includes those Russell 1000® companies with higher price-to-book ratios and higher forecasted growth values. The Russell 1000® Growth Index is constructed to provide a comprehensive and unbiased barometer for the large-cap growth segment. The index is completely reconstituted annually to ensure new and growing equities are included and that the represented companies continue to reflect growth characteristics.*

The Russell 1000® Value Index *measures the performance of the large-cap value segment of the U.S. equity universe. It includes those Russell 1000® companies with lower price-to-book ratios and lower expected growth values. The Russell 1000® Value Index is constructed to provide a comprehensive and unbiased barometer for the large-cap value segment. The index is completely reconstituted annually to ensure new and growing equities are included and that the represented companies continue to reflect value characteristics.*

The S&P 500® Index *is a readily available, 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 and covers approximately 80% of available market capitalization.*

The NASDAQ-100 Index *includes 100 of the largest domestic and international non-financial companies listed on The NASDAQ Stock Market based on market capitalization. The Index reflects companies across major industry groups including computer hardware and software, telecommunications, retail/wholesale trade and biotechnology. It does not contain securities of financial companies including investment companies.*

The Russell 1000® Equal Weighted Index *measures the performance of the 1,000 largest companies in the Russell 3000® Index. It is an equal weighted index. The index equally weights each sector within the index and then equally weights the company within each sector. The index is reweighted on a quarterly basis.*

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.*

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. Security information is being obtained from resources the firm believes to be accurate, but no warrant is made as to the accuracy or completeness of the information.

Past performance is not indicative of future results. Any type of investing involves risk and there are no guarantees.

The opinions contained in the preceding commentary reflect those of Sterling Capital Management LLC, and not those of BB&T Corporation now Truist Financial Corporation or its executives. The stated opinions are for general information only and are educational in nature. These opinions are not meant to be predictions or an offer of individual or personalized investment advice. They are not intended as an offer or solicitation with respect to the purchase or sale of any security. This information and these opinions are subject to change without notice. All opinions and information herein have been obtained or derived from sources believed to be reliable. Any type of investing involves risk and there are no guarantees. Sterling Capital Management LLC does not assume liability for any loss which may result from the reliance by any person upon such information or opinions.

Investment advisory services are available through Sterling Capital Management LLC, a separate subsidiary of BB&T Corporation now Truist Financial Corporation. Sterling Capital Management LLC manages customized investment portfolios, provides asset allocation analysis and offers other investment-related services to affluent individuals and businesses. Securities and other investments held in investment management or investment advisory accounts at Sterling Capital Management LLC are not deposits or other obligations of BB&T Corporation now Truist Financial Corporation, Branch Banking and Trust Company now Truist Bank or any affiliate, are not guaranteed by Branch Banking and Trust Company now Truist Bank or any other bank, are not insured by the FDIC or any other federal government agency, and are subject to investment risk, including possible loss of principal invested.

Sterling Capital does not provide tax or legal advice. You should consult with your individual tax or legal professional before taking any action that may have tax or legal implications.

Sterling Capital Management – Special Opportunities SMA Composite

December 31, 2000 – December 31, 2019

<u>Description:</u> Consists of all discretionary separately managed wrap Special Opportunities portfolios. Sterling's Special Opportunities equity portfolios invest primarily in companies with the best perceived combination of underlying growth potential and attractive valuation in a concentrated portfolio that has the flexibility to shift among styles.

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 3000 Index	Composite 3-yr St Dev (%)	Benchmark 3-yr St Dev (%)
2019	27.22	25.74	4	525	0.9	58,191	Not Meaningful	31.02	12.31	12.21
2018	-3.32	-4.46	4	453	0.8	56,889	Not Meaningful	-5.24	10.99	11.18
2017	20.55	19.08	4	493	0.9	55,908	Not Meaningful	21.13	9.85	10.09
2016	5.72	4.31	4	721	1.4	51,603	Not Meaningful	12.74	10.35	10.88
2015	9.59	8.00	4	901	1.8	51,155	Not Meaningful	0.48	9.67	10.58
2014	15.93	14.23	4	927	1.9	47,540	Not Meaningful	12.56	9.33	9.29
2013	26.61	24.72	4	850	1.9	45,638	Not Meaningful	33.55	13.49	12.71
2012	15.45	13.68	4	718	16.2	4,422	Not Meaningful	16.42	15.75	15.95
2011	-2.72	-4.18	3	776	19.7	3,932	Not Meaningful	1.03	17.35	19.62
2010	12.79	11.08	3	868	24.5	3,548	Not Meaningful	16.93	22.62	22.94
2009	39.65	37.53	2	752	26.5	2,839	Not Meaningful	28.34	21.26	20.61
2008	-32.07	-33.08	2	507	26.6	1,907	Not Meaningful	-37.31	19.08	16.02
2007	16.24	14.60	1	552	26.8	2,059	Not Meaningful	5.14	8.80	8.25
2006	23.07	21.29	1	346	26.3	1,314	Not Meaningful	15.72	8.62	7.62
2005	4.67	3.11	1	261	28.9	904	Not Meaningful	6.12	10.45	9.63
2004	29.90	27.85	1	155	29.7	522	Not Meaningful	11.95	14.87	15.05
2003	45.35	42.97	1	55	34.8	158	Not Meaningful	31.06	17.20	18.37
2002	-16.17	-17.58	1	27	52.9	51	Not Meaningful	-21.54		
2001	10.65	9.18	1	15	62.5	24	Not Meaningful	-11.46		
Annualized Since Inception	11.53	9.91						7.17		

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.

<u>Notes:</u>

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. George F. Shipp, 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: December 31, 2000. Creation date: December 31, 2000. The appropriate index is the <u>Russell 3000 Index</u> which measures the performance of the largest 3,000 US companies, representing approximately 98% of the investable US market. It represents the universe of stocks from which all-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. Portfolios utilize trade-date accounting. Valuations and performance are reported in US dollars. Composite returns are calculated monthly by weighting the aggregate SMA/Wrap sponsor returns using beginning of period market values. Periodic time weighted returns are geometrically linked. Returns are not calculated net of non-reclaimable withholding taxes due to immaterial dollar amounts.
5. The net of fee return reflects the actual SMA fee of the individual portfolios in each platform except for one platform where the maximum fee is deducted from the gross return. The SMA fee includes all charges for trading costs, portfolio management, custody and other administrative fees. The actual fee may vary by size and type of portfolio. Sterling's actual management fees are 50 basis points annually or less.
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. The dispersion is not meaningful because less than six portfolios are in the composite. 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.