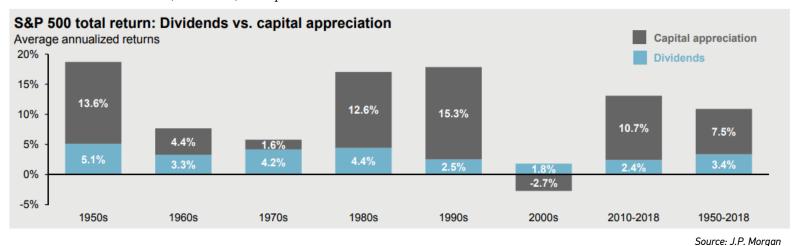


Dividends matter – that's the simple philosophy underlying the Sterling Capital Equity Income portfolio. From 1950 through 2018, the S&P 500 appreciated (price only) at a 7.5% compound rate, while total return (including reinvested dividends) was 10.9% per year. If that 3.4% per-year difference sounds trivial, consider the beauty of compounding over those 67 years. A \$100 investment at 12.31.1950 would have grown to \$13,670 from price appreciation alone, but to \$113,591 assuming reinvestment of all cash flows. Dividends (reinvested) have provided over 30% of the stock market's total return over time.



To maximize our perceived odds of investment success, we go two steps further in selecting companies for our portfolio. First, we consider only those stocks whose prevailing dividend yield is above that offered by the S&P 500; and second, we demand that dividends have grown for at least three consecutive years or in six of the last ten. As Ned Davis shows at right, stocks that are able to increase their payouts over time have outperformed the overall stock market and the no-dividend stocks which often garner the most attention. Once again, the difference is meaningful: dividend-growers have offered a 10.0% compound return over the last 40+ years, compared to 7.7% for the equally-weighted members of the S&P 500, and just 2.9% for no-yield constituents.

Performance

The Equity Income portfolio rose +6.5% (gross of fees) and +6.2% (net of fees) in the fourth quarter, trailing the Russell

Monthly Data 1972-01-31 to 2019-12-33 Returns of S&P 500 Stocks by Dividend Policy Dividend Growers & Initiators (2019-12-31 = 9,568.35 All Dividend-Paying Stocks (2019-12-31 = 6,607.43)
Dividend Payers w/No Change in Dividends(2019-12-31 = 2,817.43)
Dividend Cutters & Eliminators (2019-12-31 = 79.47) = Dividend Cutters & Eliminators (2019-12-31 = 79.47) Non-Dividend Paying Stocks (2019-12-31 = 387.58) = S&P 500 Geometric Equal-Weighted Total Return (2019-12-31 = 3,511.85) 6.310 6,310 3,981 2,512 2,512 1.585 1.585 1,000 1,000 398 398 251 251 158 158 40 Source: SSP Capital IQ Compustat, Ned Davis Research. 1974 1976 1978 1980 1982 1984 1986 1988 1990 1992 1994 1996 1998 2000 2002 2004 2006 2008 2010 2012 2014 2016 2018 wth of \$10 ual-weighted geometric aver of total returns of S&P 500

Source: Ned Davis

1000 Value (+7.4%) and the S&P 500 (+9.1%) benchmarks. Our overweight positions in Healthcare and Technology helped performance, while our overweight in Consumer Discretionary and underweight in Financials hurt relative performance.

For the full year, Equity Income gained +25.3% (gross of fees) and +23.7% (net of fees), lagging the Russell 1000 Value (+26.5%) and the S&P 500 (+31.5%). Again, our overweights in Healthcare and Technology helped relative performance, while our underweight in Financials hindered relative returns.

Winners and Losers

Individual position returns heavily favored the gainers in Q4, and Equity Income witnessed 11 holdings post double-digit percentage gains, while none experienced a double-digit decline.

Anthem (+26%) shares recovered well during Q4, on the heels of impressive earnings results – which showed strong year-over-year revenue gains of +11% – and the mitigation of risks pertaining to certain presidential candidates' healthcare reform plans.



During November, further details emerged that radical disruption among the existing managed-care landscape is unlikely in the near-term, which helps clear the air for Anthem's growth runway in the new decade.

Bulls ran again on Wall Street as **Morgan Stanley** (+21%) benefited from fixed-income trading growth and solid investment management revenues. Deal flow has slowed overseas, but remains robust domestically – where Morgan Stanley enjoys incumbency as an advisory juggernaut. CEO James Gorman's plan to shore up recurring revenues while controlling costs continues to yield results.

Management at CVS (+19%) raised earnings guidance for the third consecutive quarter, helping boost shares amid a strong Q4. The core pharmacy business, which is well positioned for the secular growth of an aging U.S. population, saw prescription volumes rise nearly +8%. Elsewhere, sentiment improved (similar to ANTM above) from further clarity on potential healthcare reform, and from the revelation of a new ownership stake taken by a well-regarded activist investor.

Other double-digit risers during 4Q19 included: **Abbvie** (+19%), **Carnival** (+18%), **Enbridge** (+15%), **Microsoft** (+14%), **Johnson** & **Johnson** (+14%), **Accenture** (+10%), and **Phillips** 66 (+10%).

Occidental Petroleum (-5%) led the quarter's losers as the company continues to work to restore investor confidence amid multiple challenges to its business. Though reported cash flow was disappointing in the most recent earnings results, the company is taking remedial action to shore up fixed charge coverage – for example, by winnowing 2020 capital expenditures to boost free cash flow. Meanwhile, the company is upgrading its board representation – recently adding former Schlumberger CEO Andrew Gould to its team.

Home Depot (-5%) shares needed fixing against the rising market backdrop after management reported slimmer margins and an underwhelming (versus consensus estimates) outlook for the year ahead. Though the average consumer remains, according to their estimation, in fine shape, the company is electing to continue investing for growth as the model shifts away from new store buildouts and towards increased omni-channel capability. We still believe Home Depot is well positioned longer-term, especially against other retailers with fewer defenses against online incursion.

Insurer **Chubb** (-3%) fell slightly, despite printing better-than-consensus earnings growth during the fourth quarter. The industry generally, and Chubb specifically, continues to enjoy pricing growth as loss cost inflation sets in. Earnings momentum, though, is slightly less visible for now – yet management is not standing still since recently announcing a new \$1.5 billion share repurchase plan and boosting its ownership stake in its Chinese partner, Huatai Insurance.

Purchases and Sales

Equity Income added two new positions in the fourth quarter.

We added shares of **Royal Caribbean (RCL)** to the Equity Income portfolio in November 2019.

The company is the world's second-largest cruise line, operating its namesake Royal Caribbean brand (which targets mainstream travelers), Celebrity (luxury), Azamara (ultra-luxury), recent acquisition Silversea (expedition and all-inclusive), and other brands, such as Pullmantur (Spanish brand, RCL owns 49%) and TUI (German brand, RCL owns 50%). On a combined basis, these entities carry over 6 million passengers a year on 63 total ships (with an additional 15 on order) to over 1,000 ports in over 120 countries on all seven continents. Royal generates revenue mostly from cruise ticket sales and on-board purchases, as well as tours and expeditions through Royal Celebrity Tours.

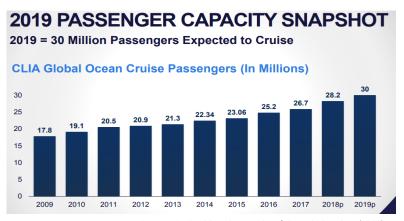
Royal's fleet is modern and fuel efficient, with its post-2006 ships generating 20% higher revenue, 20% lower cruise costs, and delivering roughly double the EBITDA of pre-2006 ships. Ships built after 2006 represented approximately half of the company's fleet last year, a figure expected to rise toward 60% by 2022. RCL's newer ships have won a number of industry awards for innovation, including "best new ship" in 2018. Odyssey of the Seas (depicted to the right) will sail the Caribbean from Fort Lauderdale in 2020 and Rome in 2021.





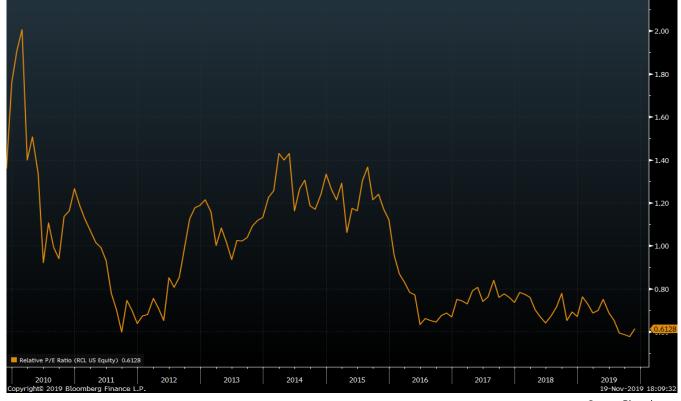
A number of secular trends underpin our view that cruise industry fundamentals are attractive. Consumers' increasing preference for experiences over things, multi-generational travel and the affordability of cruises versus land-based vacation packages all contribute to a steady rise in cruise demand.

Management believes that capacity growth for the industry for the next four years will be roughly similar as the last four, 5.6% forward compared to 5.5% backward. Because of such disturbances this last year, we feel we have been afforded an opportune moment to purchase RCL as the stock screens attractively per EOG's pillars. At purchase, RCL traded at a near trough relative valuation to the market, roughly 11x



Source: Cruise Lines International Association, Inc. (CLIA)

forward EPS, while sporting a 16.5% ROE, Net Debt/EBITDA of roughly 3x and a dividend yielding just under 3% and growing 15% year over year. Note below, RCL is trading at a 10 year low relative earnings multiple to the S&P 500.



Source: Bloomberg

CEO Richard Fain also made an open market \$2 million purchase of RCL shares in December of 2018, only 2% lower than our entry price. InsiderScore observes that "he has a strong track record during his long tenure at the cruise line." Mr. Fain, 70 years young, already owned 1.2 million RCL shares. Insiders also own 13%+ of RCL's shares, of which 12% belongs to the Wilhelmsen family, which has a Board seat.

Conditions onboard can occasionally become choppy. Macro-economic weakness represents one of the biggest potential icebergs in our path, and we won't seek to minimize the impact thereof. That said, even at the depths of the Great Recession (2008-09) and the 9/11 terrorism events, hard-working Americans prioritized their precious vacation time; such macro events have tended to have relatively short-lived impacts. We recognize that hurricanes and political flare-ups can turn a delightful cruise into a less satisfying one (by making certain ports temporarily undesirable). One benefit of cruise lines compared to hotels and resorts is that itineraries can be adjusted and ships can be redeployed where the demand is strongest. The cruise lines have made such adjustments over the years, and we expect to observe similar actions in the future.



U.S. News & World Report released its 2020 list of best cruise lines in November, naming Royal Caribbean as the best cruise line for your money, while Celebrity Cruises (also a Royal brand) was ranked second. We believe that "experiences (of such quality) over things" is a theme that not only resonates with vacationers, but investors as well. Adding in outsized growth in travel,

demographic shifts, expansion in China and other foreign waters, we trust smooth sailing should arise for Royal shareholders over time.

We also added shares of **Restaurant Brands International (QSR)** to the Equity Income portfolio in November 2019. QSR is a self-described "leader in the quick service restaurant industry" with an attractive asset-light model, impressive cash flow generation, and a long runway for future development.

QSR consists of three restaurant brands, the largest is Tim Hortons, a coffee and donut shop started by former National Hockey League star, Tim Horton. With Tim Hortons, Burger King and Popeye's, the company has over 24,000 stores in 100 countries and 100% of the brands are franchised. Franchise fees range from 3% to 4.5% across the brands and real estate is owned by QSR.



Source: Company Reports

QSR serves up an appetizing plate of valuable franchises in various states of growth. Tim Hortons is an established brand in Canada that is growing in the U.S. In Canada, Hortons is dominant with 70% market share in drip coffee serving 5 million cups of coffee per day. In fact, 80% of Canadians visit the restaurant at least once a month. Burger King is an international franchise that has seen reinvigorated growth under QSR's direction and is now a leader in alternative protein offerings with the new "Impossible Burger." Popeye's is a smaller chain with significant growth opportunities in the U.S. and abroad.

QSR provides a unique combination of a business model that produces meaningful growth in cash, requires minimal capital outlays, with a management team that's proven adept at acquiring new brands that are additive to the overall growth equation. We have noted QSR has been able to drive revenue growth, and when attractive acquisition platforms present themselves, QSR integrates assets well by reducing overhead and replicating its growth strategy through the acquired assets. Below, Evercore ISI lays out the opportunity for EBIT to grow 50% in five years as seen in the following graphic.

'17-'22 EBIT Growth Bridge*

... and barely edges out Tim Hortons for the most operating profit growth.



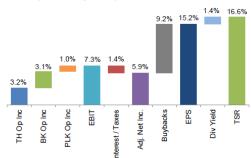
Our Expected Capital Return

QSR generates lot of cash that could be used for buybacks, M&A, and dividends...



Total Shareholder Return Algorithm**

... but, while EPS should CAGR at a mid-teens rate, how EPS grows is mostly a function of buybacks or M&A (harder to predict).



Source: Company Data, Evercore ISI. *'17 EBIT and system-sales are treated as if Popeyes were an owned asset for the entire year. ** Represents 2018-2022 Total Shareholder

Just as customers can select from a variety of items on the menu at each one of QSR's brands, management appears to have multiple items on the menu to serve up and drive shareholder value into 2020 and beyond. Store owners are hungry to open new stores from Indiana to India, improvements north of the border at Tim Hortons would provide a boost to the valuation, while the acquisition of an additional brand would fuel even faster earnings growth through QSR's proven integration recipe. With a valuation on the shares offering an attractive entry point, QSR shares appear to offer the potential for a satisfying return.



Equity Income exited two positions during Q4.

We sold **Qualcomm (QCOM)** from the Equity Income portfolio in October 2019. Over the duration of our holding period beginning in April 2013, the stock generated a cumulative return of 51%, underperforming a cumulative return of 114% for the S&P 500 over an equivalent period.

Qualcomm was a perplexing stock for us over the duration of our ownership period. On the surface, the company offered all of the characteristics we look for in our investment process. At the root of our optimism was the ownership of key wireless patents and a strong competitive position in wireless chipsets, both of which are key foundational elements in the market for global smartphones. These assets positioned Qualcomm to participate in several growth trends, including the looming transition to the "5G" wireless standard. The business is also very profitable; beyond selling semiconductors, it monetizes its intellectual property via technology licensing/royalty agreements to all handset makers. At purchase, the company had significant net cash on its balance sheet and the stock traded at a pedestrian 13 times 2013 earnings.

Several things got in the way of realizing the value we perceived in shares at entry. Qualcomm's intellectual property position and licensing business model has long captured the ire of customers and regulators. Our ownership period was no exception. China was the first barrier to overcome, as the company engaged in a lengthy battle with regulators that included handset makers withholding royalties from the firm and a \$975 million antitrust settlement in 2015. In 2016, Qualcomm was fined over \$800 million by South Korea's antitrust regulatory body. In 2017, unhappy with its terms, Apple attempted to strong-arm Qualcomm by withholding royalties for over year; a settlement was reached in April 2019. And finally in May, the FTC won a judgment against the company that could have profound implications for its business model. Qualcomm escalated the case to the U.S. Court of Appeals and a ruling is still pending.

As if things couldn't already be more complicated, Qualcomm also found itself at "ground zero" to the United States' trade dispute with China. The biggest unfortunate side effect of this, through no fault of its own, was its failed merger attempt with NXP Semiconductor. The deal was inked in late 2016 and would have offered Qualcomm key assets in automotive and industrial semiconductors – areas that we viewed as complementary with the company's wireless assets in a world trending towards the "Internet of Things." However, after other regulatory bodies approved the deal, China intentionally remained silent through the merger deadline and extensions; in mid-2018, Qualcomm terminated its merger and paid NXP a \$2 billion termination fee. Finally, like Apple, China's largest handset maker Huawei withheld royalty payments from Qualcomm for a period; this has since been resolved and while not overtly trade-related, we suspect tariffs played a role.

While the overt trade-related barriers seem to have dissipated, the macro effects of the dispute are still a cloud over the China handset market. Also, Qualcomm, in our view, faces a high bar with the Court of Appeals to overturn the FTC's case against the company. And finally, Apple has purchased semiconductor assets that may prove competitive with Qualcomm's market-leading solutions in the coming years. Net net, we tired with the various material headwinds to realizing value on the idea, and we opted to sell in favor of what we perceive as "cleaner" ideas.

We exited our Equity Income position in **Pfizer (PFE)** in late November. Since our initial purchase in October 2005, the position returned a total +227% versus the Russell 1000 Value Index of +187% over the same period.

Pfizer's track record before, and since, our initial purchase has been characterized by constant reinvention. Though the full list of steps management has taken to build today's PFE "pipeline story" is too long, suffice it to say the milestones have been plenty. From earlier deals to acquire Wyeth, King Pharma and Hospira, to divestitures of assets like Zoetis, and including joint ventures created like Consumer Healthcare with GlaxoSmithKline – management has tirelessly worked to re-tool the Pfizer business portfolio to create a more robust cash flow growth profile.

Broadly viewed, the strategy has yielded results. Today's company is streamlined and more laser-focused on its drug development pipeline, where five key compounds (out of a total 24 programs in Phase 3 as of late October) should drive revenues in the next few years. Speaking to management's growth focus, these important drug initiatives should better expose the company to attractive end markets in C. Diff, cardiovascular health, dermatitis, and pneumococcal virus.



We began to harbor concerns, however, regarding certain strategic steps management took as well. First, we were less enthusiastic about the playbook for Lyrica, which we believe relied too heavily on annual price increases well into the double-digits. Price increases are high-margin revenues, but can serve as a management crutch when core growth is weak. Second, we didn't like the structure of the Mylan deal (where Pfizer combined its Upjohn generics business) – which we took as indication the core business outlook was less robust than expected. Third and finally, we grew weary of the repeated cycle of buying developmental entities while spinning off mature assets – which exposes the model to deal risk, asset pricing, and cyclicality – especially as our economy is in the extended stages of a long recovery.

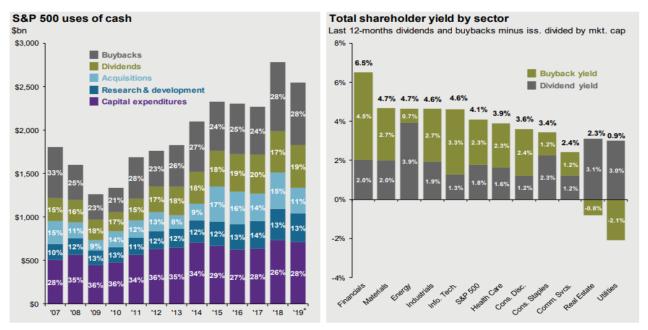
While we wish management well, and believe the development portfolio has several shots on goal, we chose to exit our exposure to redeploy proceeds into other ideas we believe offer superior risk/reward combinations. The recent market volatility provides interesting watch list opportunities to consider.

Dividend Increases

Six constituent companies announced dividend increases in the quarter, led by Starbucks with a 14% increase to \$0.41/quarter. Four additional double-digit increases were: Abbott Laboratories (+13% to \$0.36/quarter), Merck (+11% to \$0.61/quarter), Abbvie (+10% to \$1.18/quarter), and Enbridge (+10% to \$0.81/quarter). Last, Crown Castle boosted its payout +7% to \$1.20/quarter.

Conclusion

In closing, we thought it apropos to share the following chart from JP Morgan which illustrates, among other themes, first, why we believe Equity Income is well positioned in the market longer-term and, second, how our investment criteria instill process discipline in security selection. Addressing our former point, consider the left panel below and witness how corporate uses of cash have steadily crept towards dividends and buybacks – which together comprised 47% of corporate cash use in 2019. Ceteris paribus, this trend should serve to expand Equity Income's investable universe as yields tick higher (with dividend growth) and earnings grow faster (boosted by repurchases). Simply put, the more securities that can qualify for our dividend and earnings investment criteria, the better.



Source: J.P. Morgan

Second, our latter point in process discipline becomes apparent in the right panel, which shows buyback and dividend yields by index sector in 2019. Note the sector on the extreme right, Utilities. Astute readers will notice the *negative* buyback yield, which implies that the sector, in aggregate, was a net *issuer* of stock this past year. When do management teams typically believe it's a good time to sell more of their stock? If you said "when the price is high," you'd be correct.



On a "total shareholder yield" basis, Utilities finished the year yielding just 0.9%. As a reminder, Equity Income remains zero-weighted to Utilities, partly due to the valuation concerns the foregoing data imply. Put simply, though we continue to search for ideas across all sectors, Utilities among them, we stay disciplined to find the right combinations of risk and reward that we believe will best compensate your investment over the long haul.

As always, we thank you for your trust and investment in us.

Colin Ducharme, CFA® Executive Director

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. 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.

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.

The opinions contained in the preceding presentation 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 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. 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 Management - Equity Income SMA Composite

December 31, 2000 – December 31, 2018

Description: Consists of all discretionary separately managed wrap Equity Income portfolios. Sterling's Equity Income portfolios invest primarily in companies with a dividend yield greater than the S&P 500 and a history of growing the dividend, either three consecutive years or six of the prior ten years.

Benchmark	3-yr St Dev	(%)	10.82	10.20	10.77	10.68	9.20	12.88	15.73	20.98	23.51	21.40	15.58	8.17	6.78	9.59	14.97	16.22			
Composite	3-yr StDev	(%)	11.01	9.78	10.40	10.20	8.33	9.72	11.83	14.88	17.82	16.17	13.18	6.52	9.00	9.51	12.76	12.94			
	Russell	1000 Value	-8.27	13.66	17.34	-3.83	13.45	32.53	17.51	0.39	15.51	19.69	-36.85	-0.17	22.25	7.05	16.49	30.03	-15.52	-5.59	6.04
	Composite	Dispersion (%)	Not Meaningful	ı																	
Total	Firm Assets	(\$MM)	56,889	55,908	51,603	51,155	47,540	45,638	4,422	3,932	3,548	2,839	1,907	2,059	1,314	904	522	158	51	24	
	Percent of	Firm Assets	1.1	1.2	1.9	2.2	3.2	3.4	28.8	29.5	28.0	28.6	32.5	32.4	33.6	29.1	24.5	19.6	29.4	16.7	
Composite Assets	End of Period	(\$MM)	619	643	686	1,100	1,501	1,574	1,272	1,159	992	811	620	899	442	263	128	31	15	4	
	No. of	Portfolios	5	4	က	က	8	က	8	2	2	2	2	1	1	1	1	1	1	1	
	TotalReturn	Net of Fees	-1.53	18.94	13.84	-4.15	2.98	24.74	10.63	8.54	13.87	17.05	-27.26	7.66	21.35	8.63	21.39	29.24	-13.78	4.46	7.75
TotalReturn	"Pure"	Gross of Fees	-0.26	20.54	15.43	-2.70	4.61	26.70	12.39	10.24	15.64	18.92	-26.17	9.20	23.09	10.19	23.23	31.36	-12.34	5.76	9.36
		Year	2018	2017	2016	2015	2014	2013	2012	2011	2010	2009	2008	2007	2006	2005	2004	2003	2002	2001	Annualized Since Inception

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 12/31/17. 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.

- Serling 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 Capital Management LLC purchased all the assets and business of Sterling Capital Management Company from UAM to become an employee owned firm. There were no changes in personnel. In April 2005, BB&T Corporation purchased a majority equity ownership stake in Sterling Capital Management LLC. There were no changes in personnel. 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. There were no material changes in personnel. In January 2013, CHOICE Asset Management firm merged into Sterling Capital Management. There were no changes in personnel. "Percent of Firm Assets" and "Total Firm Assets" prior to 2013 are for CHOICE Asset Management. In August 2015, 8 new employees joined Sterling Capital management via Stratton Management Company following the close of BB&T's purchase of Susquehanna
- 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.
- Inception date of composite: December 31, 2000. Creation date: December 31, 2000. The appropriate benchmark for this composite is the Russell 1000 Value Index." The Russell 1000 Value Index measures the performance of the large-cap Total return includes price appreciation/depreciation and income as a percent of 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 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 index is reconstituted annually. compliant presentations are available upon request.
- 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 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.
- "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 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
- The annual composite dispersion presented is measured by an asset-weighted standard deviation nethod 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. 9
 - 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