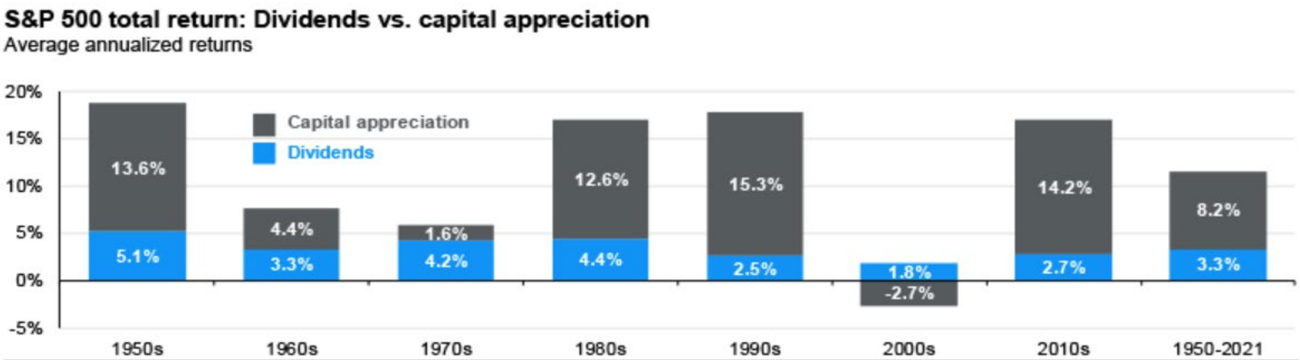
Equity Income SMA Commentary

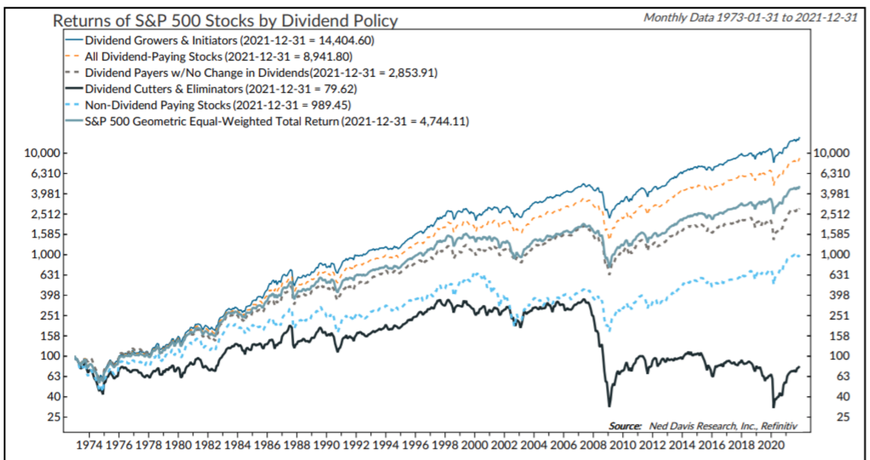
4th Quarter 2021

Dividends matter – that's the simple philosophy underlying the Sterling Capital Equity Income portfolio. From 1950-2021, the S&P 500® Index appreciated (price only) at a 8.2% compound rate, while total return (including reinvested dividends) was 11.5% per year. If that 3.3% per-year difference sounds trivial, consider the beauty of compounding over those 71 years. A $100 investment at 12.31.1950 would have grown to $26,924 from price appreciation alone, but to $227,256 assuming reinvestment of all cash flows. Reinvested dividends provided nearly 29% of the stock market's total return over time.



Source: J.P. Morgan Asset Management

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 years. As Ned Davis Research shows below, stocks that are able to increase payouts over time outperform the overall stock market as well as the no-dividend stocks which often garner the most attention. Once again, the difference is meaningful: dividend growers offered a 10.7% compound return over the last ~48 years, compared to 8.2% for equally-weighted members of the S&P 500, 4.8% for no-yield constituents, and a woeful -0.5% for companies that cut their dividends.



Returns Based on monthly equal-weighted geometric average of total returns of S&P 500 component stocks, with components reconstituted monthly.

Portfolio Performance Statistics
Analysis Dates: 1973-01-31 - 2021-12-31

Portfolio	Gain/Annum %	Growth of $100
Dividend Growers & Initiators	10.7	14404.6
All Dividend-Paying Stocks	9.6	8941.8
Dividend Payers w/No Change in Dividends	7.1	2853.9
Dividend Cutters & Eliminators	-0.5	79.6
Non-Dividend Paying Stocks	4.8	989.4
S&P 500 Geometric Equal-Weighted Total Return	8.2	4744.1

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NDR

Source: Ned Davis Research

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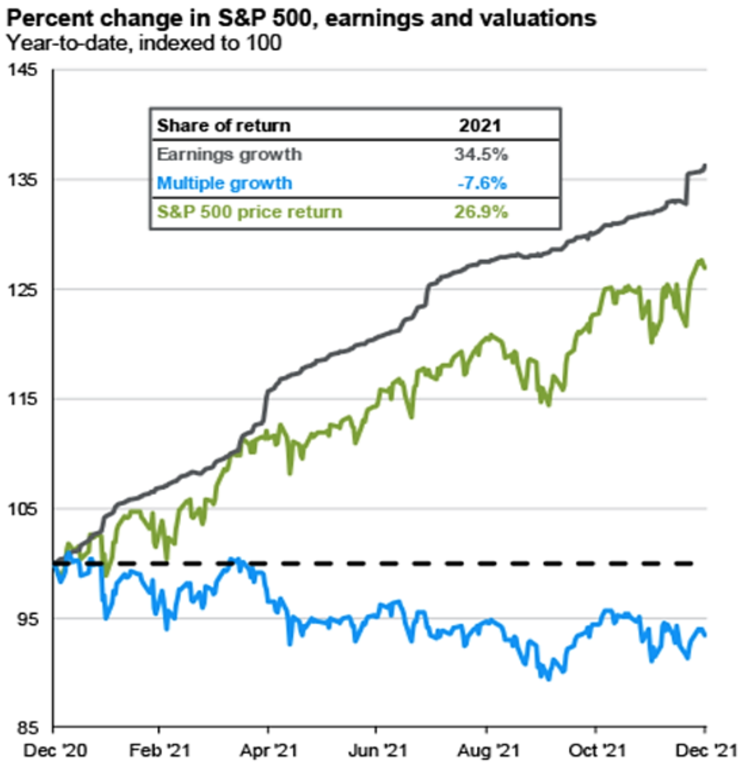
Performance

U.S. stock markets turned in a stellar year, with gains fueled by a continuation of accommodative monetary policy and a sharp earnings recovery to all-time highs. Valuation multiples actually compressed slightly versus year-ago levels.



Source: J.P. Morgan Asset Management

For the quarter, the Equity Income portfolio posted a 10.0% (gross of fees) and 9.7% (net of fees) gain, topping the Russell 1000® Value Index's 7.8% total return over the same time period. For the full year, we were gratified to see Equity Income outperform a robust market, posting a 28.7% (gross of fees) and 27.1% (net of fees) total return, compared to 25.2% for the index.

Winners and Losers

Our portfolio owned 19 holdings that appreciated by a double-digit percentage during the quarter, while only three holdings fell by a similar magnitude. Fortunately, the two double-digit decliners were relatively modest-sized positions, so their impact to the portfolio was muted. The worst performer for the quarter was medical device manufacturer **Medtronic** (-17%). Elective surgeries, which started to recover, are being dealt another setback by the Omicron variant of COVID-19. The company also received an FDA warning letter related to a prior-generation diabetes product that could delay the timing for its diabetes segment to claw back market share. In both cases, we believe it's a matter of when, rather than if, the company sees a snapback. Global bank **Citi** (-13%) declined, as new capital rules temporarily put its share buyback plan on ice. Energy producer **Coterra** (-9%) edged lower in sympathy, with a pullback in natural gas prices. **Discover's** (-6%) quarterly dip seems incidental, rather than meaningful, but the stock ranked as the second-largest negative contributor to performance for the quarter due to its weighting in the portfolio.

Please refer to the Performance Disclosure found on page 12.

Leading the quarterly charge was IT consultant **Accenture** (+30%), producing record bookings, sales, and earnings, while also raising full-year guidance. Corporate IT workloads shifting to the cloud increasingly appear to be a durable growth driver, and one that's likely still in the early innings. Pharmaceutical manufacturer **Abbvie** (+27%) bounced back from its third-quarter dip, while investors appear to be gaining comfort that new assets Skyrizi and Rinvoq are likely to take the baton from Humira when that drug's patent cliff arrives. **Home Depot** (+27%) capped a spectacular year in which its shares soared 58%. With travel and other experience spending remaining curtailed, and with home values continuing to rise, consumers' willingness to spend on their homes has remained stronger for longer. Blue Cross Blue Shield parent **Anthem** (+25%) turned in another strong quarter, aided partly by COVID-19 curtailing elective medical procedures.

Purchases and Sales

During the quarter, we made two purchases: FMC and Fidelity National Information. We did not sell any positions in the fourth quarter.

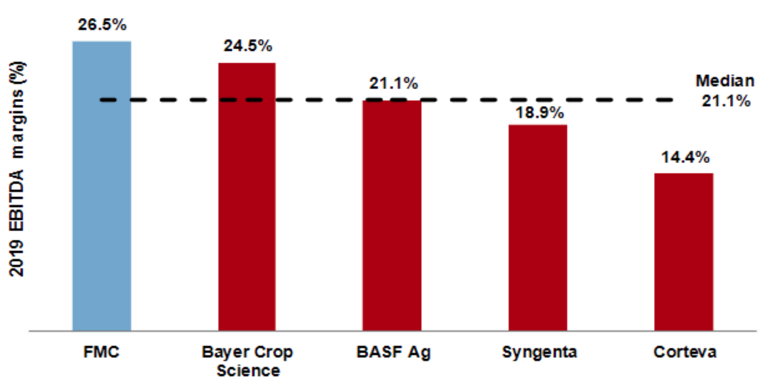
FMC is a leading specialty crop chemical manufacturer, serving a wide variety of end crops, including sugar, rice, cotton, fruits, and vegetables. The company's herbicides, fungicides, and insecticides help farmers protect their crops from pests. As inflationary pressures contributed to a rise in the value of many agricultural commodities, farm crops are materially more valuable now than they've been for most of the past decade. That's contributing to a robust pricing dynamic for FMC, which appears to be in the early innings.

"We have invoices and orders in hand right now at higher prices than we had last year," CFO Andrew Sandifer said in September. "We will raise prices in Europe at the beginning of [2022] as that season begins. So we'll start seeing that benefit of pricing build up as we get into the new year. With that combination of very strong end market demand, strong volume growth, and that price/cost balance shifting a bit, we think it is very supportive of continuing at the growth we've been targeting. We think that's setting up well for a strong 2022, and not only do we think that, we're putting our money where our mouth is."

Indeed, three FMC insiders purchased shares in the open market during the third quarter: CFO Sandifer ($122,000), Board member Carol Davidson ($141,000), and CEO Mark Douglas ($603,000). InsiderScore observes that Mr. Douglas' "$603,000 purchase, on top of an unusual break in selling since early March, sends a powerful undervalued message." Lo and behold: shortly after our purchase, the company reported above-consensus results for the third quarter, and raised its full-year guidance.

FMC generates very healthy returns (21% on equity in 2020) and possesses industry-leading margins, a testament to the quality of its portfolio.

Figure 2: FMC's Industry-Leading Margins Indicate Quality of Management



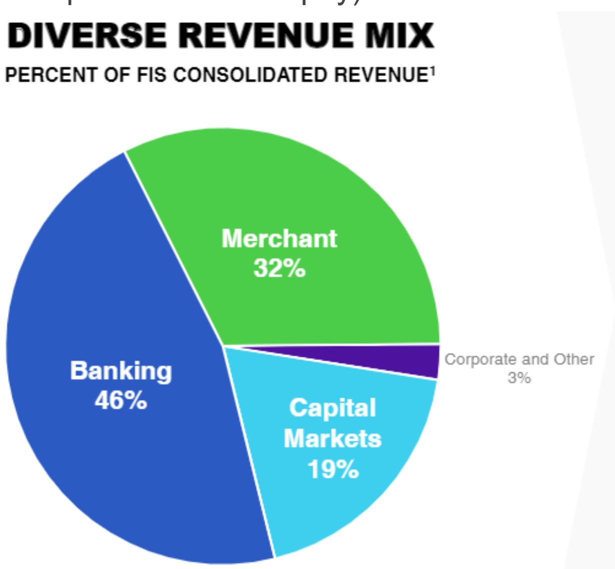
Source: Company reports, KeyBanc Capital Markets Inc.

The company's R&D pipeline also appears robust, suggesting opportunity to sustain its objective of growing market share.

Source: FMC

Rising free cash flow (FCF) is facilitating greater returns to shareholders. FMC pays a healthy and growing dividend. At the time of our purchase, shares provided a ~2% yield, and shortly thereafter, the company raised its dividend 10% year-over-year. The company also has been buying back its stock at an accelerated pace, likely reflecting a favorable risk/reward view, with shares trading near a 40% discount to the S&P 500. The company guided for $400 million of share repurchases in 2021, a figure with likely upward potential in 2022 and beyond.

In November, we added **Fidelity National Information Services** (FIS) to the portfolio. The company provides software and services to financial institutions in three distinct segments: Banking (its original business), Capital Markets (largely via capabilities gained from the 2015 acquisition of Sungard Data), and Merchant Acquiring (largely owing to the 2019 acquisition of Worldpay).



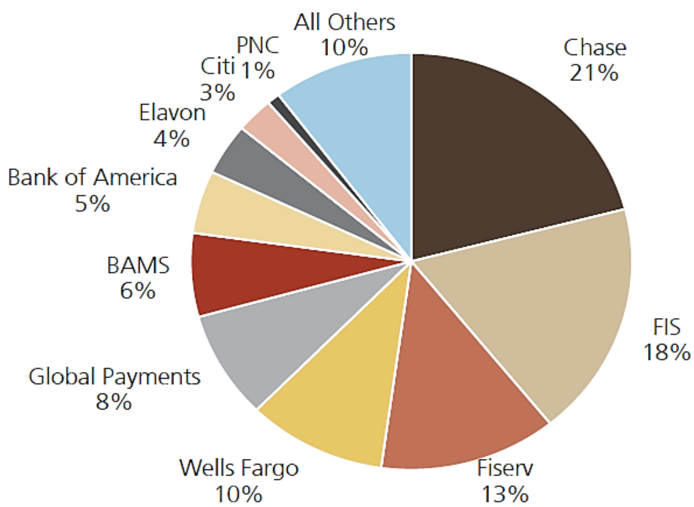
Source: FIS

FIS serves its customers under long-term contracts, and the vast majority of annual revenue can be considered “recurring.” As a result, the company has a high degree of visibility into year-ahead revenue. Further, because its offerings tend to be software that’s “built once, to serve many,” incremental client wins are highly profitable.

More than one-third of the top 30 banks in the United States signed on for FIS’ Modern Banking Platform solution. This past year, FIS won Modern Banking Platform business with Fifth Third, BMO Harris, American Express, and PayPal (to power its online savings accounts), providing considerable references regarding the value proposition of this offering. Strong client uptake helped accelerate organic growth for FIS’ Banking segment from the mid-single-digit range (historically 3-5% annually) to the high-single-digit range (7-9% now and for the foreseeable future).

Merchant processing of credit card transactions represents nearly one-third of FIS’ revenue. In the United States, FIS ranks as the second-largest processor of credit card transactions, just behind Chase’s Paymentech arm. In this business, FIS serves the merchants (both e-commerce and brick-and-mortar) where consumers are using their credit cards, and it competes on the basis of high acceptance rates and anti-fraud prevention.

Figure 3: FIS #2 Market Share in U.S. Merchant Acquiring in 2020



Source: The Nilson Report, UBS Research

This is FIS’ fastest growing segment, yet ironically, investors are questioning if FIS is losing market share. Nascent competition, such as from Buy Now Pay Later (BNPL) services, are contributing to investor skepticism. As Citi Research counters, “The assumption of either/or between a merchant acquirer/BNPL vendor is not always accurate. For example, FIS does the global processing for [BNPL provider] Afterpay.” There’s also a very high “likelihood that one or more [BNPL] installment [payments] is made using a debit card” processed by companies like FIS.

There’s also the issue that FIS’ mix diverges from the global market. FIS over-indexes to credit, which has grown more slowly than debit. In a similar vein, some of FIS’ highest-yielding and most-profitable client types are ones that recovered the slowest from the pandemic (small businesses and travel). As the global economy more fully re-opens, we believe FIS is poised to produce an outsized snapback in this segment.

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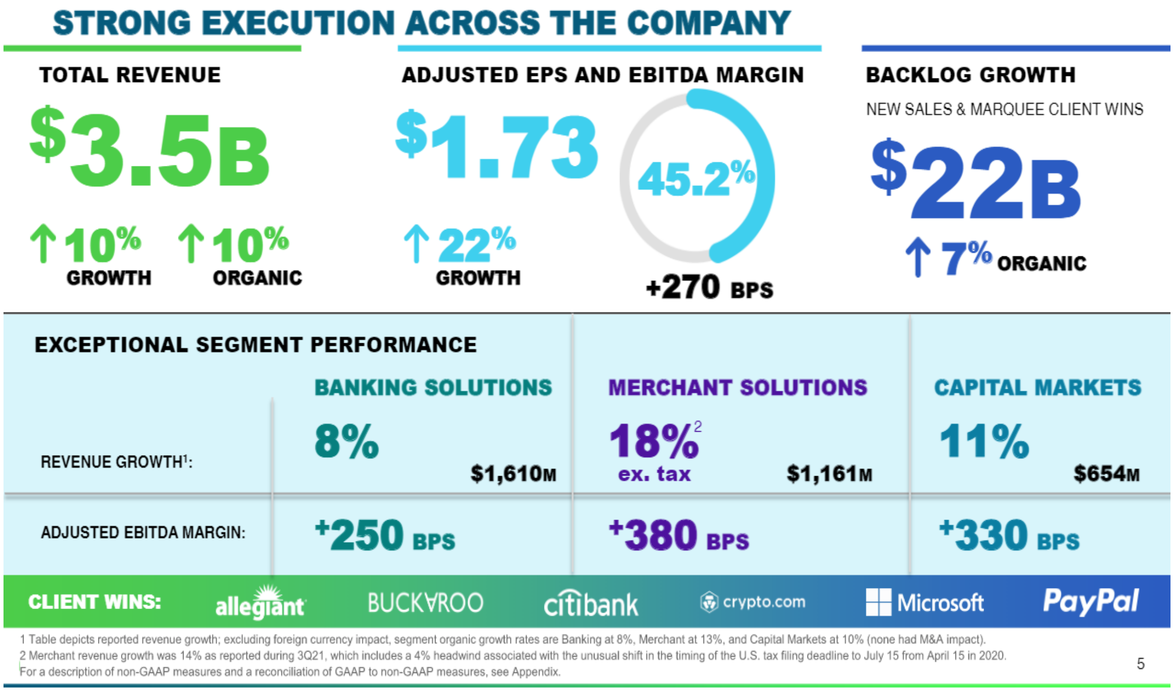
Investor skepticism appeared amply reflected in the stock's 31% valuation discount to the S&P 500 at the time of our purchase, well below its ten-year average of a 6% premium. Another irony relative to investor skepticism is that the company's recent results are strong. Third quarter revenue grew 10% year-over-year, EBITDA increased 17%, and earnings per share (EPS) jumped 22%.



Source: FIS

Shares yielded 1.4% at the time of our purchase, and management indicated its intention to double its dividend growth rate to 20% annually in the years ahead, as its FCF growth outpaced its 10% dividend growth in recent years. Management is also accelerating its pace of buybacks, tripling the level of share repurchases in the most-recent quarter. The $1.2 billion of quarterly buyback was the company's most since 2010. CEO Gary Norcross said the company's desire to step up the pace reflects "a generational buying opportunity." As InsiderScore observed: "It's clear management believes the stock is meaningfully undervalued. FIS' buybacks from 4Q17 to 1Q19 under the same CEO [and] CFO ultimately proved to be smart."

Dividends

Dividend growth for our portfolio has been encouraging, with the average Equity Income holding raising its dividend more than 12% year-over-year. During the fourth quarter, a number of our companies announced favorable dividend actions, several of which deserve special mention.

EOG Resources raised its base dividend 100% year-over-year, while also paying out a $2/share special dividend. This is not just eye-popping – we believe it's exactly the kind of capital discipline investors expect to see from cyclical Energy companies. While EOG is generally a good steward of shareholder capital, the industry in prior years had a reputation for favoring growth over returns. That started to change during COVID-19 (when oil prices briefly went negative), and we've seen similar tangible evidence from other Energy companies. For example, fellow Equity Income holding **Coterra Energy** began paying a variable dividend on top of its regular base dividend.

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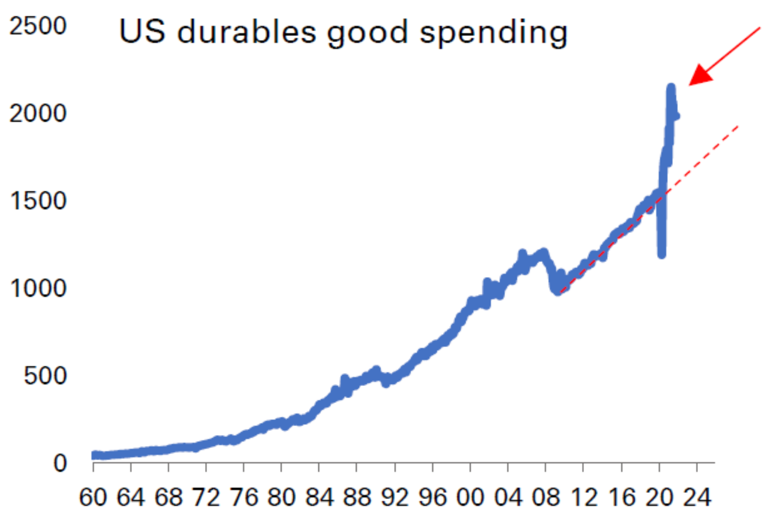
Elsewhere in the portfolio, both **Abbott** and **Abbvie** raised their dividends for a 50th consecutive year, putting them in a rarified class of companies that were able to do so. Only 21 of the S&P 500 constituents raised their dividends at least 50 years in a row. Among the 64 Dividend Aristocrats (those that raised their dividends at least 25 consecutive years), no company grew its dividend at a faster pace over the past five years than Abbvie (17% compounded).

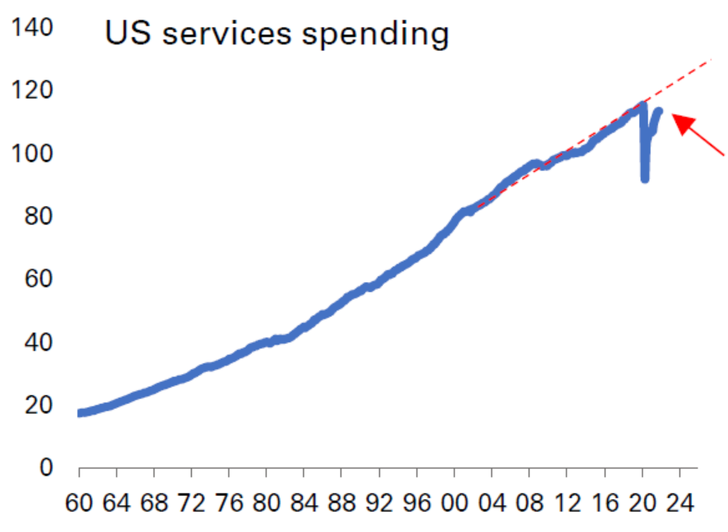
Many companies possess above-average flexibility to continue growing their dividends in the years ahead. According to Bank of America, "Since 2019, dividends decoupled from earnings and lag by 22 percentage points. Prior to Covid, the two moved in lockstep," with a 98% correlation.

That decoupling likely reflects conservatism on the part of companies, as the economic reopening and various waves of COVID-19 variants injected more uncertainty than usual into forecasting business activity. As BofA notes, this is an acknowledgement that "buybacks are dating, [whereas] dividends are marriage. A dividend is a [commitment] to a regular payment." So, when COVID-19 gets put firmly in the rear-view mirror, we believe many companies possess significant firepower that can be deployed toward further dividend growth. As Credit Suisse strategist Jonathan Golub said: "Companies are sitting with a big gap between what earnings looked like over the past couple of years, and how much money they gave back to shareholders. They are going to catch up. Companies are going to want to spread this out over the next several years – not a one-quarter, one-and-done approach." Ready, aim, fire.

Conclusion

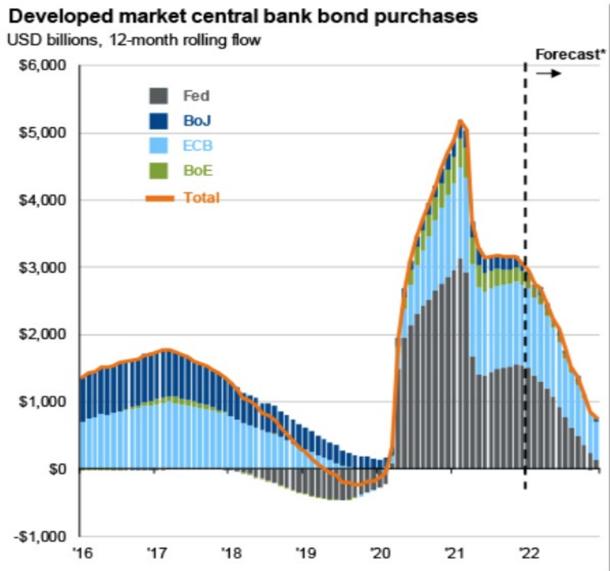
Much ink was spilled, many goat entrails were consulted, and much high blood pressure medication was consumed, all in the name of forecasting future levels of interest rates. A number of central banks already began raising the prevailing level of interest rates (the Bank of England, for example, not to mention a whopping seven rate increases by Russia's central bank in 2021). In part, central bankers' decisions to increase rates are intended to trim the prevailing level of inflation, which has been running hot amid above-trend spending on goods and a fast-recovering level of spending on services.





Source: Deutsche Bank, Bloomberg Finance LP

For its part, the Federal Reserve announced the start of a "tapering" program. To translate this highly technical topic, a reasonable analogy might be that the Fed is still adding vodka to the proverbial punch bowl, but it's adding less vodka than before. The Bank of England, the European Central Bank, and Bank of Japan appear to be taking a similar approach.



Source: J.P. Morgan Asset Management

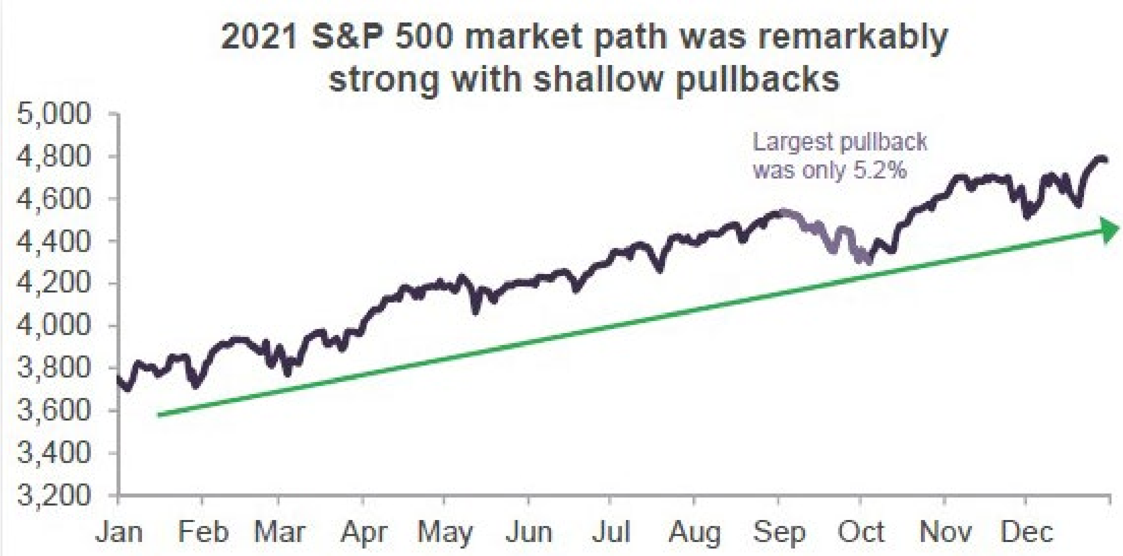
Various fortune tellers, as well as the Fed's own "dot plot," anticipate multiple interest rate increases in 2022: only time will tell. We mention this because the investment community takes a great interest in guessing whether and when a rate-hiking regime might lead to a recession. The table below shows the last 13 U.S. interest rate hike cycles dating back to 1955. On average, the next recession began more than three years after the first interest rate increase. Even the quickest onset of a recession (1981) gave investors 11 months from the start of the rate hike cycle. This isn't intended as a prediction of what's to come, as recessions can occur for a variety of reasons (wars or pandemics, for example). Rather, we share it to convey that perhaps investors may be better served by directing their attention elsewhere.

Figure 1: US Hiking Cycle Summary Statistics

Hiking Cycle Timing			Fed Funds Rate (%)			Next Recession	
Start	End	Months	Start	End	Total Hike	Date	Months
15/04/1955	23/08/1957	28	1.50	3.50	2.00	Aug 57	28
12/09/1958	11/09/1959	12	1.75	4.00	2.25	Apr 60	19
17/07/1963	04/04/1969	69	3.00	6.00	3.00	Dec 69	77
01/03/1972	01/05/1974	26	3.50	13.00	9.50	Nov 73	20
01/12/1976	03/03/1980	39	4.75	20.00	15.25	Jan 80	37
07/08/1980	05/12/1980	4	9.50	20.00	10.50	Jul 81	11
02/05/1983	21/08/1984	15	8.50	11.75	3.25	Jul 90	86
16/12/1986	04/09/1987	9	5.88	7.25	1.37	Jul 90	43
29/03/1988	24/02/1989	11	6.50	9.75	3.25	Jul 90	28
04/02/1994	01/02/1995	12	3.00	6.00	3.00	Mar 01	85
30/06/1999	16/05/2000	11	4.75	6.50	1.75	Mar 01	21
30/06/2004	29/06/2006	24	1.00	5.25	4.25	Dec 07	42
16/12/2015	19/12/2018	36	0.125	2.375	2.25	Feb 20	50
	Average	23	4.14	8.88	4.74		42
	Median	15	3.50	6.50	3.00		37

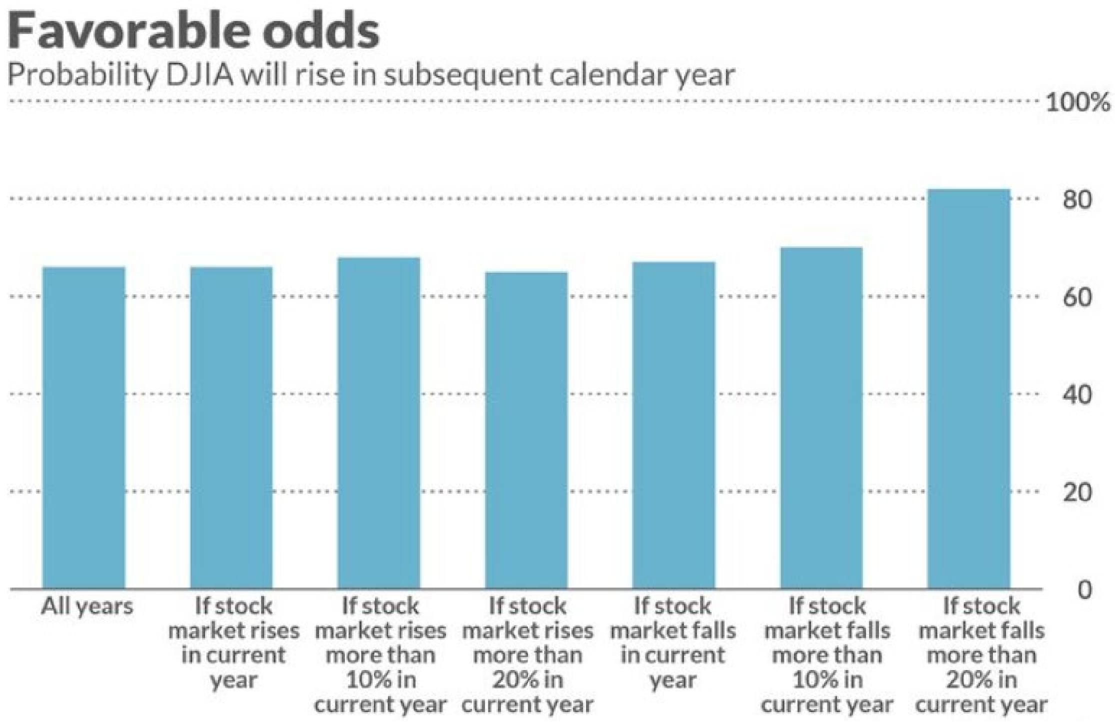
Source: Deutsche Bank, GFD

What will 2022 bring? The short and honest answer is: we don't know. This past year was unusual in that there were hardly any pullbacks, and even those were quite shallow (5% was 2021's deepest intra-year decline).



Source: Truist IAG, FactSet

We'd probably temper expectations relative to the past year's 20%+ gains, which are well above historical averages. That said, the Dow Jones Industrial Average rose in two-thirds of the years since its creation in 1896. According to Truist Research, the S&P 500 rose in 14 of the 17 years (82% of the time) that followed 25%+ gains.

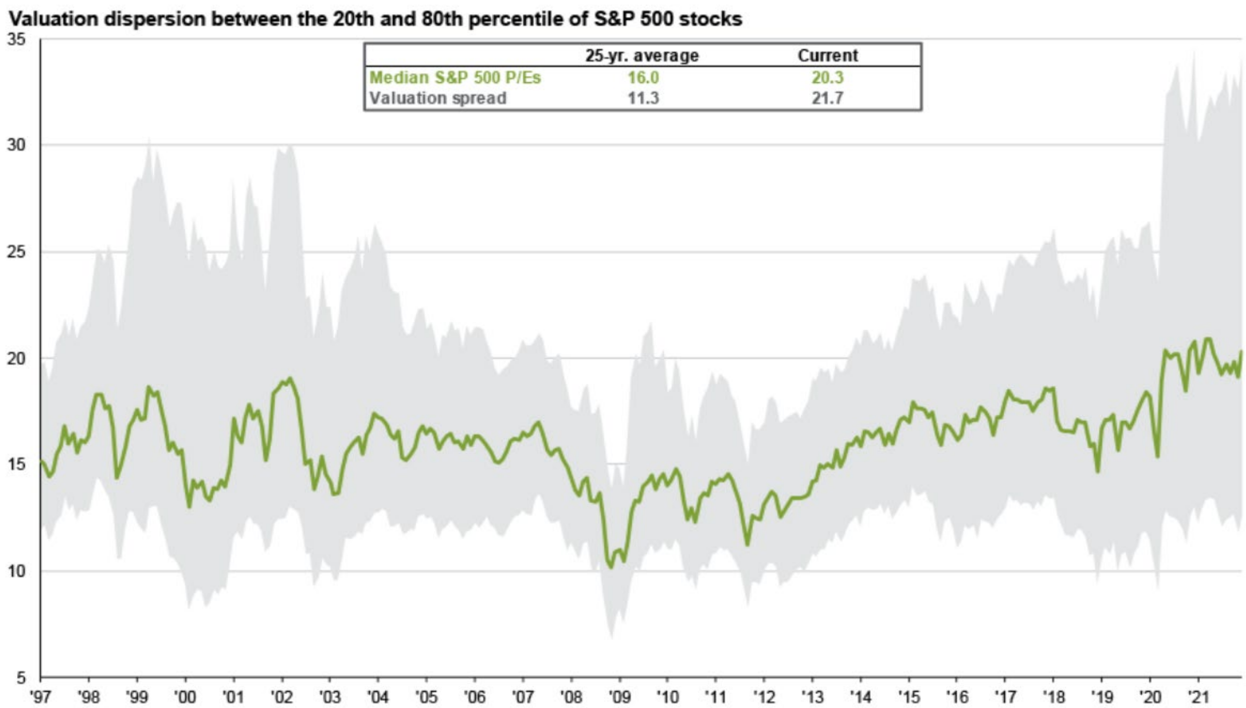


Source: Hulbert Ratings

While valuations writ large aren't particularly cheap, that's been driven by the most-expensive cohort of stocks. A record percentage of companies are unprofitable, topping even the dot.com peak.

Source: GMO. Data through 09.30.2021.

By contrast, many of the dividend-growth companies Equity Income invests in are still trading at sober valuation levels. As we showed in our intra-quarter webinar, while the most-expensive quintile of stocks trade near their highest valuation in at least a quarter century – above 30x earnings, shown by the upper gray area in the accompanying chart – the least-expensive quintile trade right around their 25-year average – at a low-double-digit multiple of earnings, shown in the lower gray area (earnings serving as a proxy for cash flow). As the inset box in the exhibit below shows, the valuation gap (or "spread") between the most- and least-expensive quintile is roughly double its 25-year average.



	25-yr. average	Current
Median S&P 500 P/Es	16.0	20.3
Valuation spread	11.3	21.7

Source: J.P. Morgan Asset Management

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4th Quarter 2021

Is it time for value to have its day in the sun? Perhaps it's already happening. While we were writing this commentary on January 4, the U.S. Hyper Growth Index was down -5% intraday, while the Goldman Sachs Non-Profitable Tech Index was down -6%

Not every vehicle requires high-octane racing fuel, and many drivers may consider a steady Toyota or Honda to be a more-reliable form of transportation than a DeLorean or a Corvair. We'd like to get clients to their destination safely.

More than half of Equity Income's holdings trade at a price-to-earnings (P/E) multiple of 15 or less. While the market may be statistically expensive, Equity Income doesn't own the market. **Merck**, **CVS**, **Tyson Foods**, **Verizon**, and **Goldman Sachs** (each of which Equity Income owns) trade at roughly 10x earnings. The expression "It's hard[er] to get hurt falling out of a basement window" seems apt.

At year-end, the Equity Income portfolio was considerably cheaper than its Russell 1000 Value benchmark, despite higher profitability, stronger balance sheet metrics, higher dividend yield and growth, and comparable earnings growth.

	Growth/Stablity				Valuation			Profitability		Balance Sheet		Dividends	
	21y EPS Growth	22y EPS Growth	23y EPS Growth	'18-'23 EPS CAGR	23y P/E	23y EV/ EBITDA	23y EV FCF Yld	ROE	EBITDA Mgn	Interest Coverage	Leverage	Div Yield	5Yr Div CAGR
EI Median *	21%	10%	8%	9%	14.4	12.0	5.0%	22.2	27.4	9.0	1.6	2.0%	10.4%
R1V Median	24%	9%	10%	8%	17.0	12.2	4.5%	14.3	21.8	4.0	2.1	1.8%	7.3%
vs Benchmark	-3%	1%	-2%	1%	-15%	-1%	11%	55%	26%	124%	-25%	10%	43%

*Representative account. As of 12.31.2021. Source: Bloomberg

One More Thing

It's been the honor of a lifetime to work with George Shipp on Equity Income over the past number of years. Clients benefited greatly from his investment philosophy, process, and discipline – and especially from his client-centric/owner mentality. Like George, we are personally invested in the portfolio, and it represents our largest investment; so we're all in this endeavor together. As George embarks on a well-earned retirement, we wish him the best that life has to offer.

Cheers!

Adam Bergman, CFA®
Co-Portfolio Manager

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Important Information

Disclosures

Performance Disclosure: Performance is preliminary and is annualized for periods longer than one year. Net of fees performance returns are presented net of the investment management fees and trading expenses. “Pure” Gross of fees performance returns do not reflect the deduction of any fees including trading costs; a client’s return will be reduced by the management fees and other expenses it may incur. Investment management fees are described in Sterling’s Form ADV 2A. Performance reflects the reinvestment of interest income and dividends and realized capital gains. The performance presented represents past performance and is no guarantee of future results. Performance is compared to an index, however, the volatility of an index varies greatly and investments cannot be made directly in an index. Market conditions vary from year to year and can result in a decline in market value due to material market or economic conditions. The Performance is considered Supplemental Information to the GIPS Composite Report which is attached.

The Russell 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 Russell 3000® Growth Index measures the performance of the broad growth segment of the U.S. equity universe. It includes those Russell 3000® companies with higher price-to-book ratios and higher forecasted growth values. The Russell 3000® Growth Index is constructed to provide a comprehensive, unbiased and stable barometer of the broad growth market. 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 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.

Technical Terms: **Free Cash Flow (FCF):** measures a company’s financial performance. It shows the cash that a company can produce after deducting the purchase of assets such as property, equipment, and other major investments from its operating cash flow. **Earnings Per Share (EPS)**: a key metric used to determine the common shareholder’s portion of the company’s profit. EPS measures each common share’s profit allocation in relation to the company’s total profit. **Price Earnings Ratio (P/E)**: is the relationship between a company’s stock price and earnings per share (EPS). The P/E ratio shows the expectations of the market and is the price you must pay per unit of current earnings (or future earnings, as the case may be). **EBITDA**: Earnings Before Interest, Taxes, Depreciation, and Amortization is a metric used to evaluate a company’s operating performance. It can be seen as a proxy for cash flow from the entire company’s operations **Compound Annual Growth Rate (CAGR):** the measure of an investment’s annual growth rate over time, with the effect of compounding taken into account. It is often used to measure and compare the past performance of investments, or to project their expected future returns. (Technical definitions are sourced from Corporate Finance Institute.)

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Sterling Capital Management – Equity Income SMA Composite

December 31, 2000 – December 31, 2020

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.

Year	Total Return "Pure" Gross of Fees	Total Return Net of Fees	No. of Portfolios	Composite Assets End of Period ($MM)	Total Firm Assets ($MM)	Composite Dispersion (%)	Russell 1000 Value	Composite 3-yr St Dev (%)	Benchmark 3-yr St Dev (%)
2020	7.16	5.83	4	588	70,108	Not Meaningful	2.80	18.87	19.62
2019	25.30	23.73	5	739	58,191	Not Meaningful	26.54	11.32	11.85
2018	-0.26	-1.53	5	619	56,889	Not Meaningful	-8.27	11.01	10.82
2017	20.54	18.94	4	643	55,908	Not Meaningful	13.66	9.78	10.20
2016	15.43	13.84	3	989	51,603	Not Meaningful	17.34	10.40	10.77
2015	-2.70	-4.15	3	1,100	51,155	Not Meaningful	-3.83	10.20	10.68
2014	4.61	2.98	3	1,501	47,540	Not Meaningful	13.45	8.33	9.20
2013	26.70	24.74	3	1,574	45,638	Not Meaningful	32.53	9.72	12.88
2012	12.39	10.63	3	1,272	4,422	Not Meaningful	17.51	11.83	15.73
2011	10.24	8.54	2	1,159	3,932	Not Meaningful	0.39	14.88	20.98
2010	15.64	13.87	2	992	3,548	Not Meaningful	15.51	17.82	23.51
2009	18.92	17.05	2	811	2,839	Not Meaningful	19.69	16.17	21.40
2008	-26.17	-27.26	2	620	1,907	Not Meaningful	-36.85	13.18	15.58
2007	9.20	7.66	1	668	2,059	Not Meaningful	-0.17	6.52	8.17
2006	23.09	21.35	1	442	1,314	Not Meaningful	22.25	6.00	6.78
2005	10.19	8.63	1	263	904	Not Meaningful	7.05	9.51	9.59
2004	23.23	21.39	1	128	522	Not Meaningful	16.49	12.76	14.97
2003	31.36	29.24	1	31	158	Not Meaningful	30.03	12.94	16.22
2002	-12.34	-13.78	1	15	51	Not Meaningful	-15.52		
2001	5.76	4.46	1	4	24	Not Meaningful	-5.59		

Sterling Capital Management LLC claims compliance with the Global Investment Performance Standards (GIPS®) and has prepared and presented this report in compliance with the GIPS standards. Sterling Capital Management LLC has been independently verified for the periods 01/01/01 to 12/31/19. The verification report(s) is/are available upon request. A firm that claims compliance with the GIPS standards must establish policies and procedures for complying with all the applicable requirements of the GIPS standards. Verification provides assurance on whether the firm's policies and procedures related to composite and pooled fund maintenance, as well as the calculation, presentation, and distribution of performance, have been designed in compliance with the GIPS standards and have been implemented on a firm-wide basis. Verification does not provide assurance on the accuracy of any specific performance report. GIPS® is a registered trademark of the CFA Institute. CFA Institute does not endorse or promote this organization, nor does it warrant the accuracy or quality of the content contained herein.

Notes:

1. Sterling Capital Management LLC (SCM) is a registered investment advisor with the SEC. Registration does not imply a certain level of skill or training. Sterling manages a variety of equity, fixed income and balanced assets. Prior to January 2001, Sterling was a wholly owned subsidiary of United Asset Management (UAM). In January 2001, Sterling Capital Management LLC purchased all the assets and business of Sterling Capital Management Company from UAM to become an employee owned firm. In April 2005, BB&T Corporation purchased a majority equity ownership stake in Sterling Capital Management LLC. In October 2010, the management group of Sterling Capital entered into an agreement with BB&T Corporation that reduced and restructured management's interest in Sterling Capital Management. Additionally, BB&T Asset Management merged into Sterling Capital Management. In January 2013, CHOICE Asset Management firm merged into Sterling Capital Management. "Percent of Firm Assets" and "Total Firm Assets" prior to 2013 are for CHOICE Asset Management. In August 2015, eight new employees joined Sterling Capital management via Stratton Management Company following the close of BB&T's purchase of Susquehanna Bancshares. In December 2019, BB&T Corporation and SunTrust Banks, Inc. Holding Company merged as equals to form Truist Financial Corporation. Sterling Capital Management LLC is a wholly owned subsidiary of Truist Financial Corporation. In August 2020, new employees joined Sterling Capital Management via the Investment Advisory Group of SunTrust Advisory Services. This reorganization aligns all of the discretionary fixed income asset management activities within Truist under Sterling.
2. 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 benchmark for this composite is the Russell 1000 Value Index. 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 index is reconstituted annually. Total return includes price appreciation/depreciation and income as a percent of original investment. A complete list of all of SCM's composites and SCM's broad distribution pooled funds and their descriptions is available upon request. Policies for valuing investments, calculating performance, and preparing GIPS Composite Reports 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. "Pure" gross of fees returns are presented as supplemental information and 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. The maximum SMA or bundled external platform fee is 2.82% annually and includes Sterling's actual management fee of 0.32%. Sterling's actual management fees are 50 basis points annually or less. Since inception, the composite is comprised 100% of wrap fee portfolios.
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, and is calculated using gross of fee returns. It is not meaningful when there have been less than six portfolios in composite for entire calendar year. The three year annualized standard deviation measures the variability of the composite and benchmark returns over the preceding 36 month period. The composite 3-year standard deviation is calculated using gross of fee returns. 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.