STERLING
CAPITAL ADVISORY SOLUTIONS

Advisory Solutions Monthly Update
November 2018

ASSET ALLOCATION UPDATE

- We recommend a neutral weight to Global Equities and Fixed Income across models.
- Within the equity allocation, we recommend an overweight to U.S. Equities and Emerging Markets and underweight to International Developed Equities.
- Within the fixed income allocation, we recommend a mild overweight position to the Long U.S Government sector following a significant upward move in U.S. Treasury yields.

EQUITY HIGHLIGHTS

- Global equities, as defined by the MSCI ACWI IMI, returned -7.82% in October. The U.S. represented the top performing geographic segment for the month, though still posting sharp losses of -7.36% (as defined by the Russell 3000). International developed and emerging markets posted losses of -8.18% and -8.91%, respectively (as defined by the MSCI World ex-U.S. IMI and MSCI EM IMI indexes). Value materially outperformed growth worldwide during the month.
- The environment for actively-managed equity strategies has been more challenging so far in 2018 when compared to 2017, particularly in the U.S. large-cap, U.S. small-cap value, and international developed large-cap segments. Narrow market leadership trends in the U.S. and abroad (largely from the information technology sector) have created headwinds for active managers year-to-date.
- U.S. growth equities have outperformed value by a wide margin since the global financial crisis, driven partially by a prolonged low economic growth environment and significant outperformance from large-cap technology and consumer discretionary companies. Stretched growth valuations and accelerating economic growth are conditions that could lead to an improvement in value relative performance. The month of October did see value outperform in all three geographic segments of the equity market (U.S., international developed, and emerging markets).

FIXED INCOME HIGHLIGHTS

- For the second consecutive month, October saw the U.S. bond market generally underperform its foreign counterparts. Within the opportunity set, the only sector to produce a positive monthly return was foreign developed government bonds, up 0.33%. Domestic government securities produced a negative return, down 0.47%. Within corporate credit, investment grade outpaced high yield -1.40% vs. -1.60%. The Bloomberg Barclays U.S. Aggregate Bond Index, a proxy for the overall bond market, returned -0.79% in October.
- Over the month, 10-year government bond yields in Italy moved higher, while corresponding rates in Germany, France in the U.K. moved lower. Domestic rates, as represented by the yield of the 10-year Treasury, moved higher by 10 bps from 3.05% to 3.15%.
- Municipal/Treasury yield ratios across the curve moved higher in October, although ratios remain below historical averages.

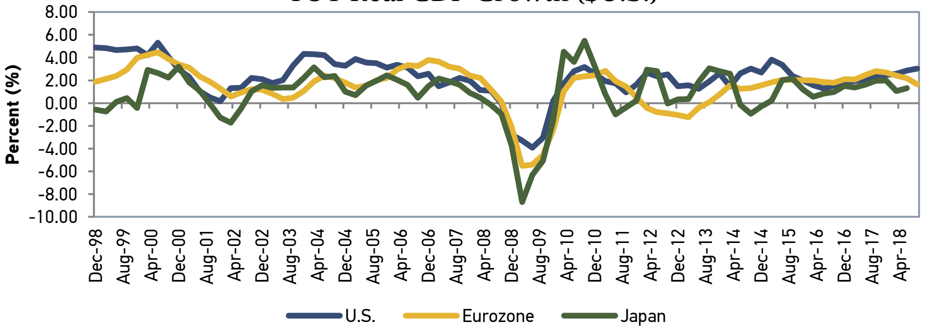
Stock Indexes	YTD	Bond Indexes	YTD	Other Indexes	YTD	U.S. Treasury Yields		Rates/Commodities	
MSCI ACWI IMI	-4.42%	Barclays US Aggregate	-2.38%	60% LgShort-40% MktNeutral	-0.63%	6-month	2.49%	Prime Rate	5.25%
Russell 3000	2.43%	Barclays Gbl Treas xUS Hdg	1.59%	DJ Equity All REIT	-0.65%	1-year	2.69%	LIBOR (3 Mo)	2.56%
S&P 500	3.01%	Barclays US TIPS	-2.27%	Bloomberg Commodity	-4.14%	3-year	2.93%	Oil Price ($/barrel)	$65.31
MSCI EAFE	-9.28%	Barclays US High Yield	0.93%			5-year	2.98%	Gold ($/t oz)	$1,215.00
MSCI EM	-15.72%	Barclays EM Aggregate	-3.62%			10-year	3.15%		
						30-year	3.39%		

Data as of 10.31.2018; Source: Morningstar, FactSet, Russell Investments, Barclays, U.S. Department of Treasury

STERLING
CAPITAL ADVISORY SOLUTIONS

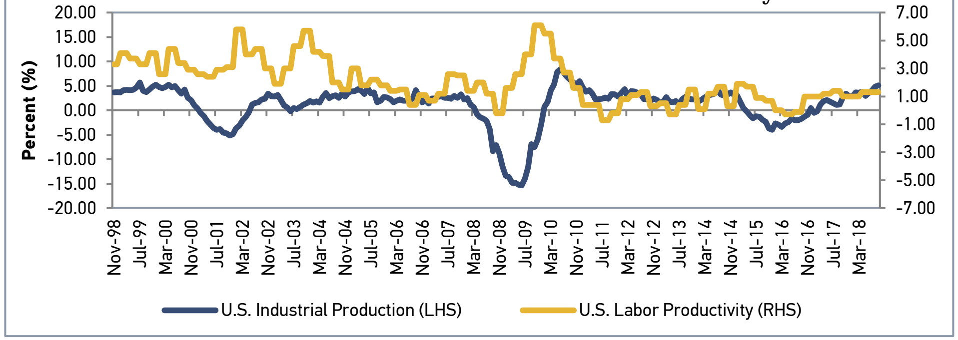
Global Economic Snapshot

YOY Real GDP Growth ($U.S.)



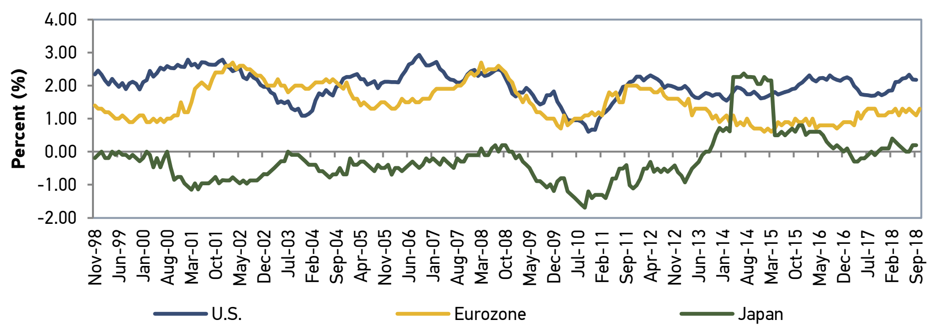
U.S. and Eurozone data as of 09.30.2018; Japan data as of 06.30.2018; Source: FactSet

YoY U.S. Industrial Production and Productivity



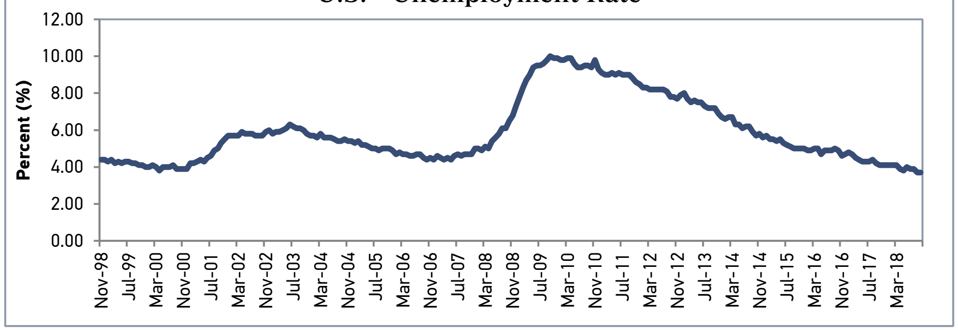
Data as of 09.30.2018; Source: FactSet

Core Consumer Price Index (YoY Growth)



Eurozone data as of 10.31.2018. U.S. and Japan data as of 09.30.2018; Source: FactSet; The sudden increase in Japan CPI growth in 2014 coincided with an increase in national sales tax that impacted final price levels.

U.S. - Unemployment Rate



Data as of 10.31.2018; Source: FactSet

- GDP growth in Europe and Japan has moderated recently while U.S. growth has remained strong.
- Year-over-year U.S. productivity growth of 1.3% as of the end of the third quarter is an improvement over recent years. Sustained productivity growth is essential to drive long-term real growth. Year-over-year industrial production growth continues to surge and is at multi-year highs.
- U.S. inflation has moderated recently to roughly a 2% annual rate while European inflation has stabilized slightly above 1%. Japan inflation has ticked back up to a positive, but very low level.
- U.S. Employment growth remained strong in October, and the unemployment rate held steady at a forty-year low of 3.7%.

Note: Please see Appendix for important definitions.

STERLING
CAPITAL ADVISORY SOLUTIONS

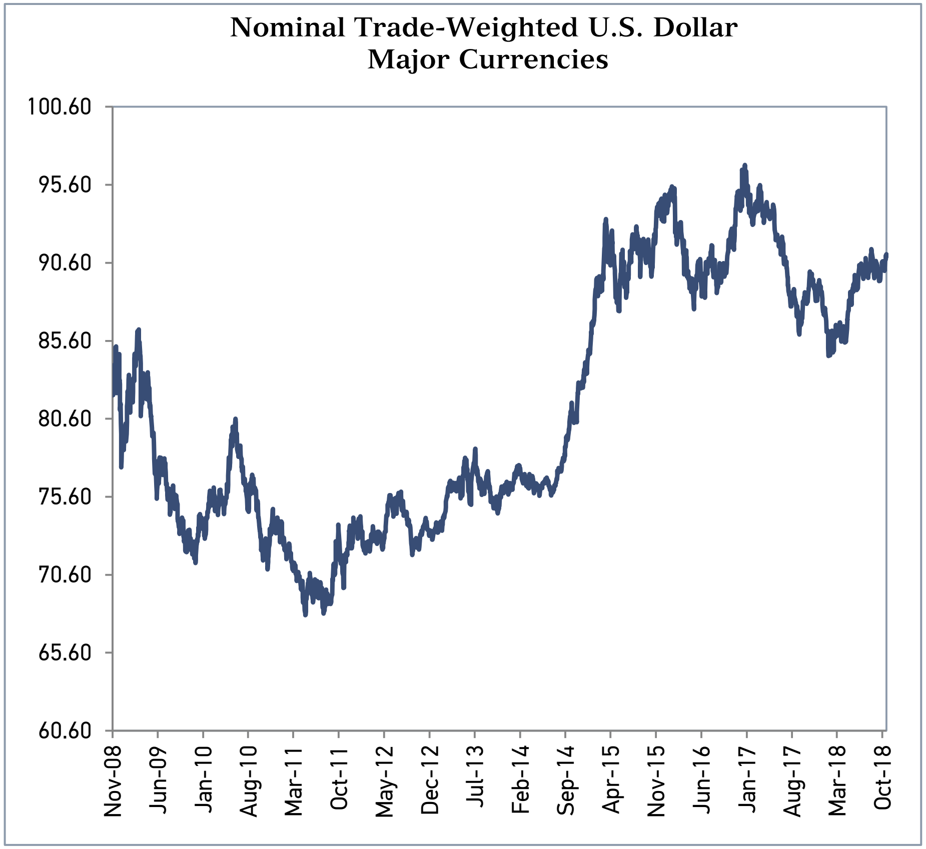
U.S. Economic Indicators

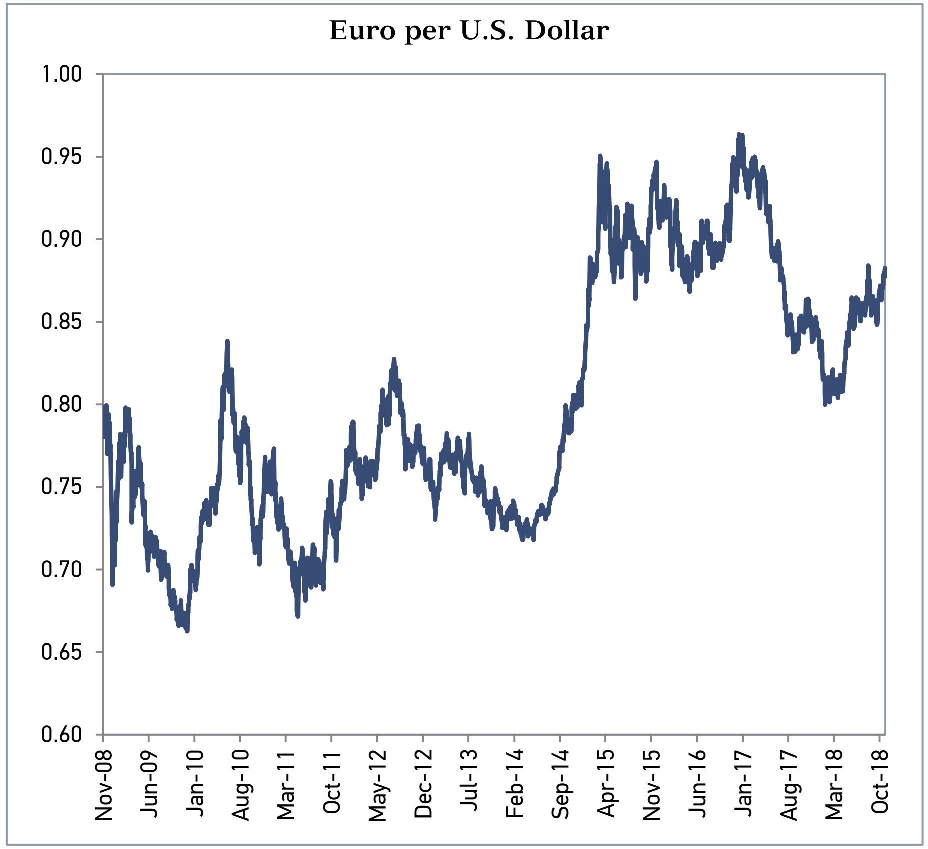
Leading — Coincident — Lagging

Indicator	Detail
Initial Jobless Claims	• In the week ending October 26th, the four-week moving average of Initial Jobless Claims was 213,750 an increase of 1,750 from the previous week's revised average of 212,000
Manufacturing	• ISM Manufacturing registered 57.7% in October a 4.4 percentage point decrease over the previous reading. A reading below 50.0% indicates contraction. • ISM Manufacturing New Orders registered 57.4% in October a 3.3 percentage point decrease over the previous reading. • ISM Non-Manufacturing registered 60.3% in October a 1.3 percentage point decrease over the previous reading.
Housing/Construction	• Building permits increased 1.7% in September and have risen 1.3% over the past year.
Consumer Confidence	• The Consumer Confidence Index fell in October to 137.9 compared to 138.4 in September.
Nonfarm Payrolls	• Total nonfarm payroll employment gained 250,000 in October while the unemployment rate remained at 3.7%.
Industrial Production	• Industrial Production rose 0.25% in September and is up 5.14% over the past year.
Personal Income	• Real Disposable Personal Income increased 0.07% in September and is up 2.87% over the past year.
Ratio of Consumer Installment Credit to Personal Income	• This ratio rose 0.13% in September and is up 0.36% year-over-year. Consumer borrowing tends to lag improvements in personal income by many months because people remain hesitant to take on new debt until they are sure that their improved income level is sustainable.
Inflation	• CPI (All Items) rose 0.1% in September and is up 2.3% over the trailing one year period. • CPI (Core) rose 0.1% in September and is up 2.2% over the trailing one year period.

Source: FactSet

Currency

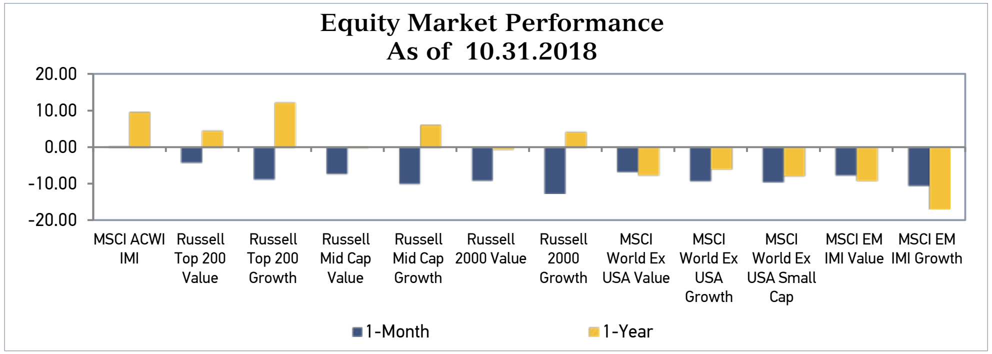




- The Trade-Weighted U.S. Dollar Index (Major Currencies) fell - 0.2% through September and the index is up 3.0% year-to-date. The dollar rose 0.2% versus the euro in September.

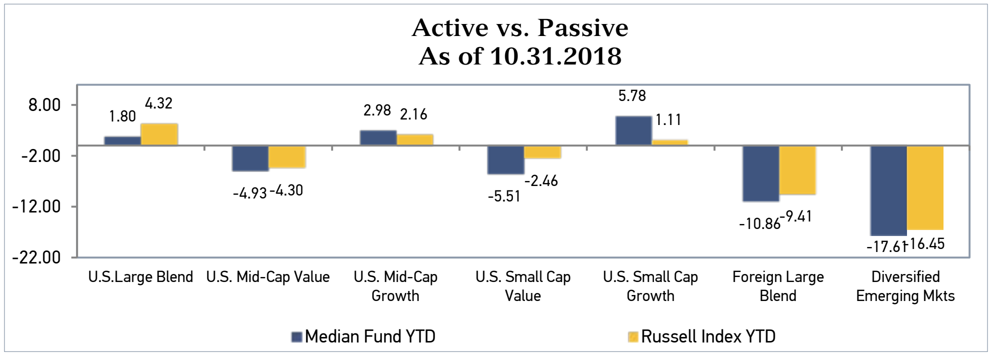
Data as of 10.31.2018; Source: FactSet

Global Equity Markets



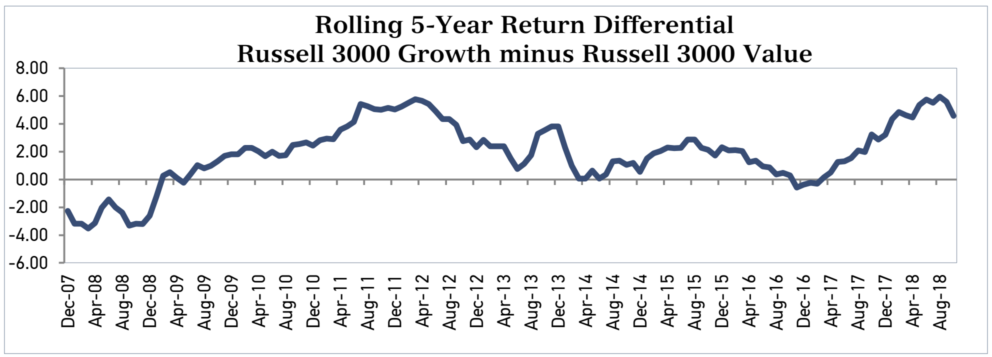
Source: Morningstar, Russell Investments

- Global equities, as defined by the MSCI ACWI IMI, returned -7.82% in October. The U.S. represented the top performing geographic segment for the month, though still posting sharp losses of -7.36% (as defined by the Russell 3000). International developed and emerging markets posted losses of -8.18% and -8.91%, respectively (as defined by the MSCI World ex-U.S. IMI and MSCI EM IMI indexes). Value materially outperformed growth worldwide during the month.



Source: Morningstar, Russell Investments
Median return of Morningstar open-end fund category (institutional share class). Russell return of U.S. categories.

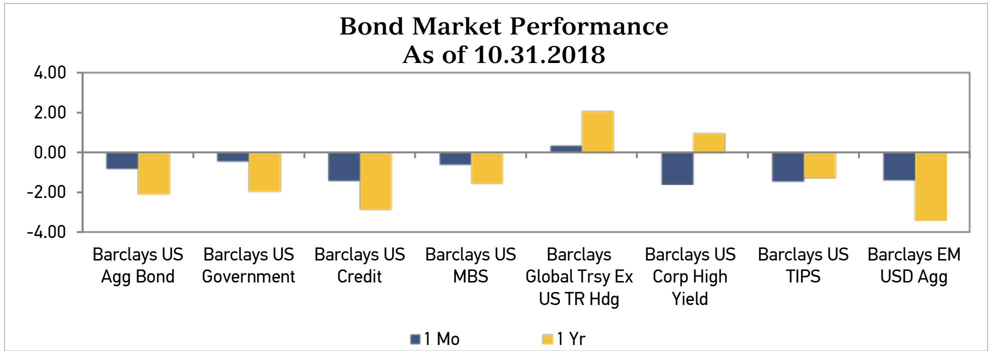
- The environment for actively-managed equity strategies has been more challenging so far in 2018 when compared to 2017, particularly in the U.S. large-cap, U.S. small-cap value, and international developed large-cap segments. Narrow market leadership trends in the U.S. and abroad (largely from the information technology sector) have created headwinds for active managers year-to-date.



Data as of 10.31.2018; Source: Morningstar

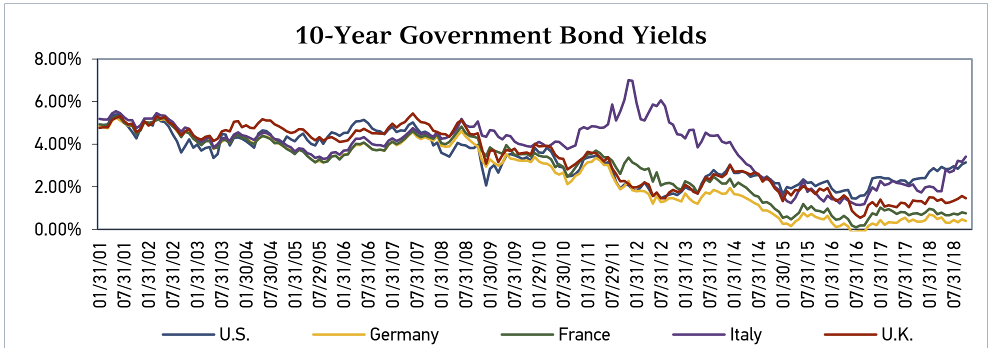
- U.S. growth equities have outperformed value by a wide margin since the global financial crisis, driven partially by a prolonged low economic growth environment and significant outperformance from large-cap technology and consumer discretionary companies. Stretched growth valuations and accelerating economic growth are conditions that could lead to an improvement in value relative performance. The month of October did see value outperform in all three geographic segments of the equity market (U.S., international developed, and emerging markets).

Fixed Income Markets



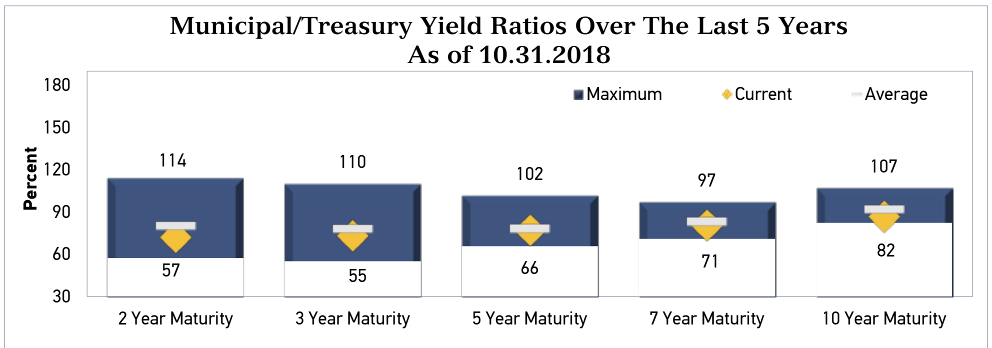
Source: Morningstar, Barclays

- For the second consecutive month, October saw the U.S. bond market generally underperform its foreign counterparts. Within the opportunity set, the only sector to produce a positive monthly return was foreign developed government bonds, up 0.33%. Domestic government securities produced a negative return, down 0.47%. Within corporate credit, investment grade outpaced high yield -1.40% vs. -1.60%. The Bloomberg Barclays U.S. Aggregate Bond Index, a proxy for the overall bond market, returned -0.79% in October.



Data as of 10.31.2018; Source: FactSet, U.S. Department of Treasury

- Over the month, 10-year government bond yields in Italy moved higher, while corresponding rates in Germany, France in the U.K. moved lower. Domestic rates, as represented by the yield of the 10-year Treasury, moved higher by 10 bps from 3.05% to 3.15%.

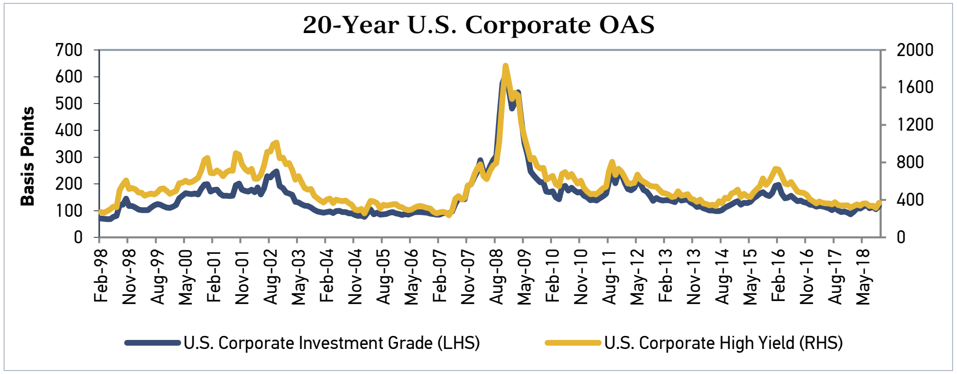


Source: Thompson Reuters; Sterling Capital Management Analytics.

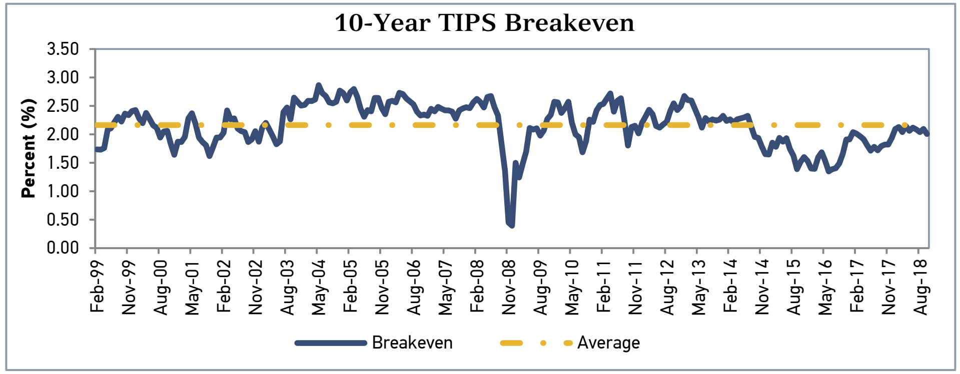
- Municipal/Treasury yield ratios across the curve moved higher in October, although ratios remain below historical averages.

STERLING
CAPITAL ADVISORY SOLUTIONS
PULSUS UT LIBERA

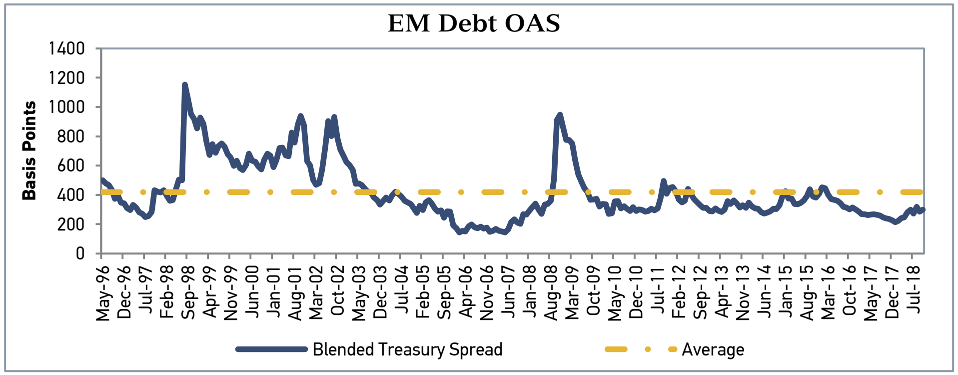
Fixed Income Spreads and TIPS Breakeven



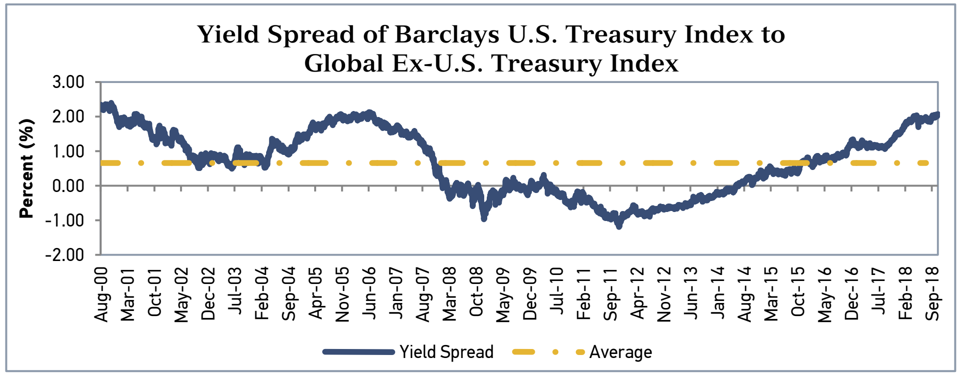
Data as of 10.31.2018; Source: FactSet



Data as of 10.31.2018; Source: Federal Reserve Board of Governors



Data as of 10.31.2018; Source: Barclays

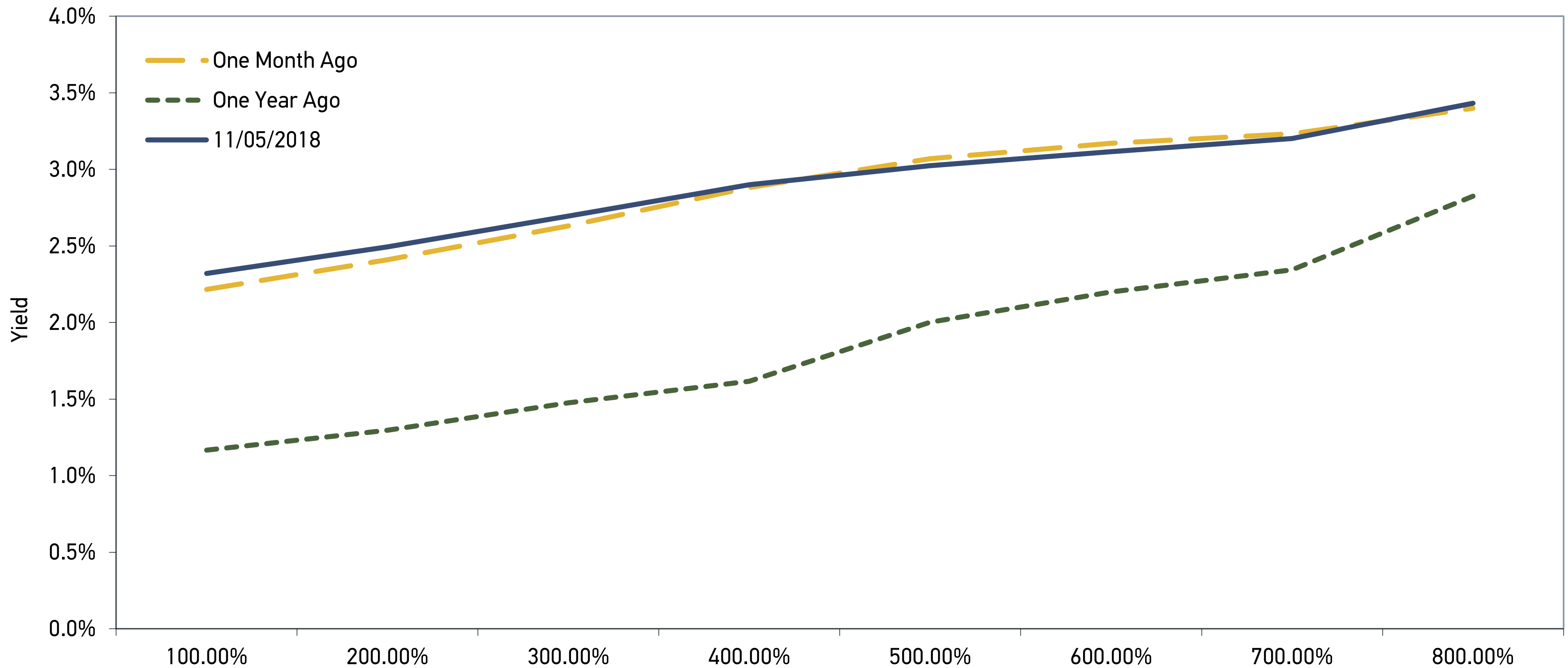


Data as of 10.31.2018; Source: Barclays

- Investment grade and high yield credit spreads moved significantly higher in September but remain lower than long-run averages.
- Market inflation expectations as measured by TIPS breakeven rates moved significantly lower in October and are slightly below long-run averages.
- Emerging Market credit spreads moved higher in October but are below the historical average. The yield spread of U.S. to Global Treasuries increased in October and is above the historical average.

Note: Please see Appendix for important definitions.

U.S. Treasury Yield Curve



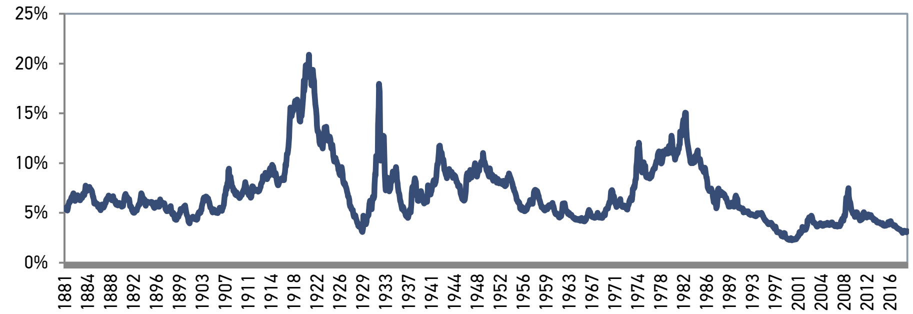
- Month-over-month, rates on front-end and long-end of the yield curve moved higher, while yields in the belly of the curve (5-10 years) moved lower.

Data as of 11.05.2018; Source: FactSet

STERLING CAPITAL ADVISORY SOLUTIONS

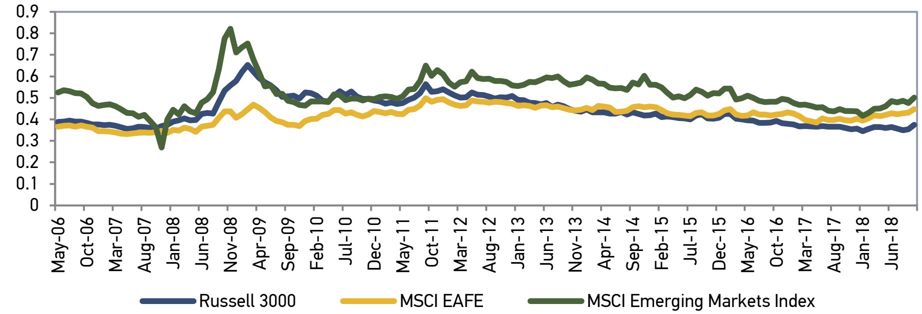
Global Equity Market Fundamentals

U.S. Cyclically Adjusted Earnings Yield



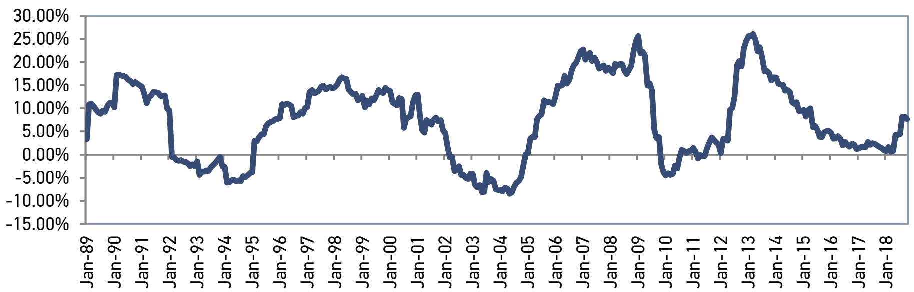
Data as of 10.31.2018; Source: Online Data Robert Shiller "US Stock Markets 1871-Present and CAPE Ratio"

Revenue to Firm Value



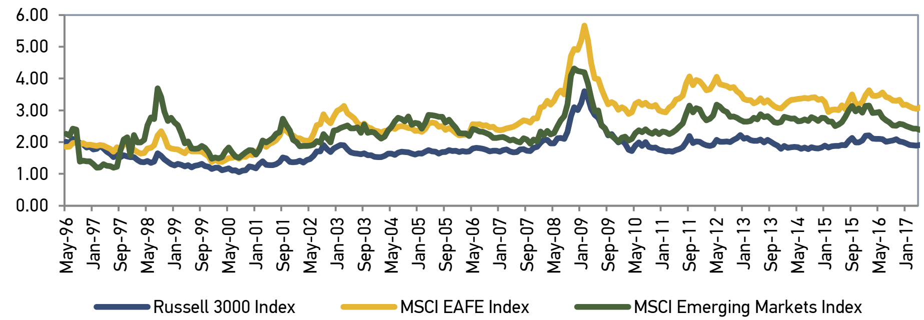
Data as of 10.31.2018; Source: Russell, MSCI

U.S. 3 Year Real Revenue Growth – Russell 3000 Non-Financials



Data as of 10.31.2018; Source: FactSet, Russell, Bureau of Labor Statistics, Sterling Capital Analytics

Dividend Yield



Data as of 10.31.2018; Source: Russell, MSCI

- The U.S. cyclically adjusted earnings yield turned higher in October following equity price declines, but it remains well below long-term averages. Long-term U.S. sales growth turned lower in October but remains strong.
- Revenue to firm value in the U.S. is lower than International Developed Markets. The Emerging Markets' ratio has increased recently on market weakness.
- International Equity Markets provide a significant dividend yield advantage over the U.S.

Note: Please see Appendix for important definitions.

Appendix

Definitions

Core Consumer Price Index: Core inflation is a measure of inflation that excludes certain items, usually food and energy, that face volatile price movements.

Option Adjusted Spread (OAS): A bond's yield spread over comparable maturity government bonds, adjusted for any embedded options.

Real GDP: Real gross domestic product (GDP) is an inflation-adjusted measure that reflects the value of all goods and services produced by an economy in a given year, expressed in base-year prices.

Revenue to Firm Value: Total Index Revenues of the past 12 months divided by the sum of equity market value and the value of total debt. This is a measure of total sales generated on the total value (debt plus equity) of firms in the index.

TIPS Breakeven: The inflation rate implied by the spread in yield between U.S. TIPS (Treasury Inflation Protected Securities) and nominal U.S. Government Bonds of equal maturity.

U.S. 3 yr. Real Revenue Growth, Russell 3000 Non-Financials: For the Russell 3000 excluding financial firms, the percentage change in trailing 12-month inflation adjusted revenue over 12-month inflation adjusted revenue three years prior.

U.S. Cyclically Adjusted Earnings Yield: The 10-year average of annual, inflation adjusted earnings divided by the current inflation adjusted price of the S&P 500 index. This measure is the inverse of the Shiller CAPE Ratio.

YOY US Productivity Growth: The year-over-year growth in real U.S. output produced per hour worked for non-farm workers.

Disclosures

The opinions expressed herein are those of Sterling Capital Management and the Sterling Advisory Solutions Team, and not those of BB&T 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. 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, Branch Banking and Trust Company or any affiliate, are not guaranteed by Branch Banking and Trust Company 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.

The securities/instruments discussed in this material may not be suitable for all investors. The appropriateness of a particular investment or strategy will depend on an investor's individual circumstances and objectives.

Asset allocation and diversification do not assure a profit or protect against loss in declining financial markets.

The indexes are unmanaged and are shown for illustrative purposes only. Indexes do not represent the performance of any specific investment. An investor cannot invest directly in an index.

The indexes selected by Sterling Capital Management to measure performance are representative of broad asset classes. Sterling Capital Management retains the right to change representative indexes at any time.