

# Equity Income SMA

09.30.2023



**STERLING**  
CAPITAL

## Equity Opportunities Team

- Co-Portfolio Managers:  
Charles J. Wittmann, CFA®  
Jeremy M. Lopez, CFA®
- Long-Term Experience and Long-Tenured Investment Team
- Average Investment Experience of 18 Years
- Based in Virginia Beach, Virginia

## Philosophy

Seek Long-Term Appreciation by Identifying Companies with:

- Consistent Dividend Growth and Above Average Yield
- Attractive Valuation
- Strong Balance Sheets
- Skilled Management
- Above Average Return on Capital

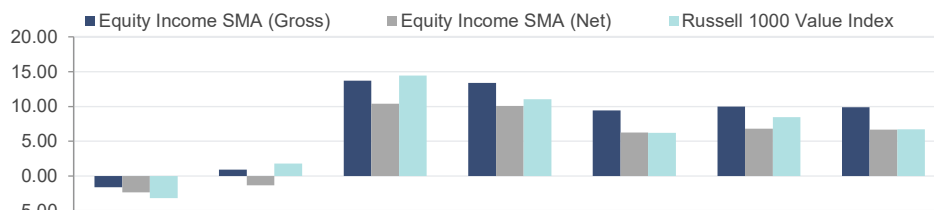
## Process

- Internal Screens and External Sources Used to Identify Investment Candidates
- Team-Based Approach to Fundamental Research
- Valuation Assessed Relative to Historical Range, Industry Peers, Growth Rate, and the Market

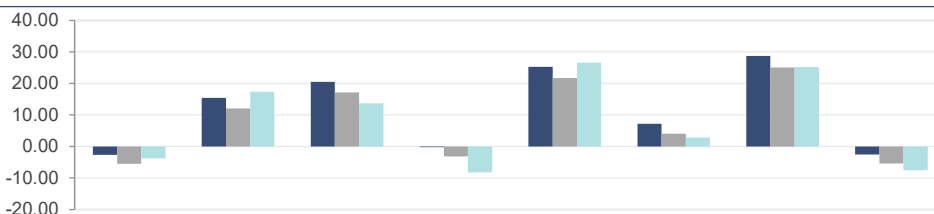
## Structure

- Large Cap Portfolio with Attractive Yield and Financially Sound Companies Demonstrating Sustained Dividend Growth
- Concentrated Portfolio of 30-35 Securities
- Typically Low Turnover Range of 20% to 35%

<sup>1</sup>The performance inception date is 12.31.2000. Performance results prior to 01.01.2013 are considered "predecessor performance" and were achieved by the Equity Opportunities team when they were a known as CHOICE Asset Management, a division of Scott & Stringfellow. Effective 06.30.2023, the net of fee performance reflects the deduction of the maximum SMA bundled fee of 3.00% annually for all periods presented. Performance is preliminary and is annualized for periods longer than one year. Net of fees performance returns are presented net of the SMA bundled fee, which includes all charges for trading costs, advisory services, portfolio management, custody and other administrative fees. "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. Please refer to the attached GIPS Composite Report for additional disclosures. The benchmark is the Russell 1000 Value. Sources: Russell Investments; FactSet; Sterling Capital Management Analytics.



Performance	QTR	YTD	1 Year	3 Years	5 Years	10 Years	Since Inception <sup>1</sup>
Sterling (Gross)	-1.61%	0.91%	13.70%	13.37%	9.41%	9.97%	9.87%
Sterling (Net)	-2.34%	-1.31%	10.42%	10.09%	6.24%	6.79%	6.68%
Russell 1000® Value	-3.16%	1.79%	14.44%	11.05%	6.23%	8.45%	6.74%

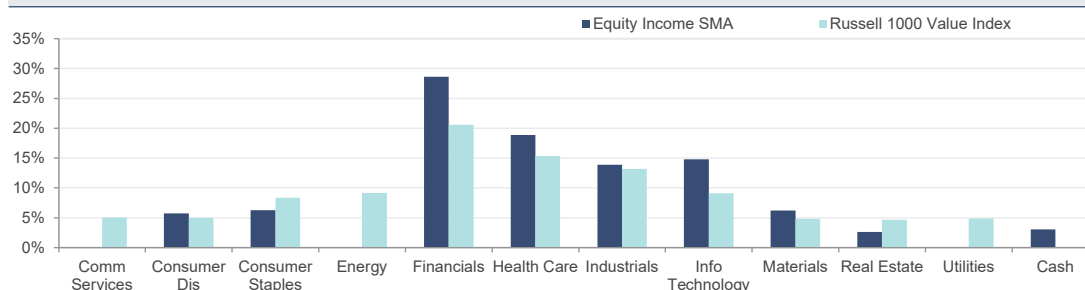


Year-End Returns	2015	2016	2017	2018	2019	2020	2021	2022
Sterling (Gross)	-2.70%	15.43%	20.54%	-0.26%	25.30%	7.17%	28.68%	-2.54%
Sterling (Net)	-5.55%	12.10%	17.08%	-3.18%	21.71%	4.05%	25.00%	-5.40%
Russell 1000® Value	-3.83%	17.34%	13.66%	-8.27%	26.54%	2.80%	25.16%	-7.54%

Portfolio Characteristics		
	Sterling	Index
Wtd. Average Market Cap	\$214.8B	\$138.0B
Wtd. Median Market Cap	\$94.0B	\$74.7B
Wtd. Average Dividend Yield	2.5%	2.4%
Median Historical 5-Year DPS Growth	11.0%	7.4%
Wtd. Harmonic Median P/E Ratio (FY1)	17.4x	17.1x
Median Historical 3-Year EPS Growth	14.9%	12.9%
Median Est. 3-5 Year EPS Growth	8.3%	7.7%
Median Net Debt/EBITDA	1.1	2.0
Median Return on Equity	23.7%	12.9%
Number of Holdings	32	845
Active Share	89.7%	---
Turnover <sup>2</sup>	42.5%	---

Top Ten Equity Holdings	
Ferguson Plc	4.6%
Microsoft Corp.	4.5%
Elevance Health, Inc.	4.3%
Automatic Data Processing, Inc.	4.1%
Accenture Plc	4.0%
Marsh & McLennan Companies, Inc.	4.0%
Avery Dennison Corp.	4.0%
Ameriprise Financial, Inc.	3.8%
Home Depot, Inc.	3.8%
AbbVie, Inc.	3.8%
Total % of Portfolio	40.8%

## Sector Allocation



<sup>2</sup>Turnover is for the last 12 months. Portfolio characteristics totals may not equal 100% due to rounding. 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.



# STERLING CAPITAL

## Summary Statistics vs. Russell 1000 Value Index (of Monthly Returns)

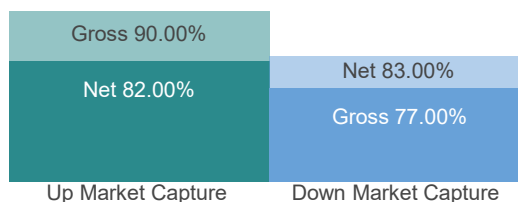
Gross & Net of Fees, Since Inception  
(12.31.2000)

	Gross	Net
Portfolio Return	9.87%	6.68%
Index Return	6.74%	-
Std. Deviation (Portfolio)	13.18	13.17
Std. Deviation (Index)	15.46	-
Annualized Alpha	4.13	1.12
Beta	0.81	0.81
Tracking Error	5.21	5.21
Rolling 3Y Batting Avg.	79.41%	49.58%
Rolling 5Y Batting Avg.	72.90%	49.07%
Outperforms in Down Periods	79.05%	67.62%

## Up Market/Down Market Capture Ratio

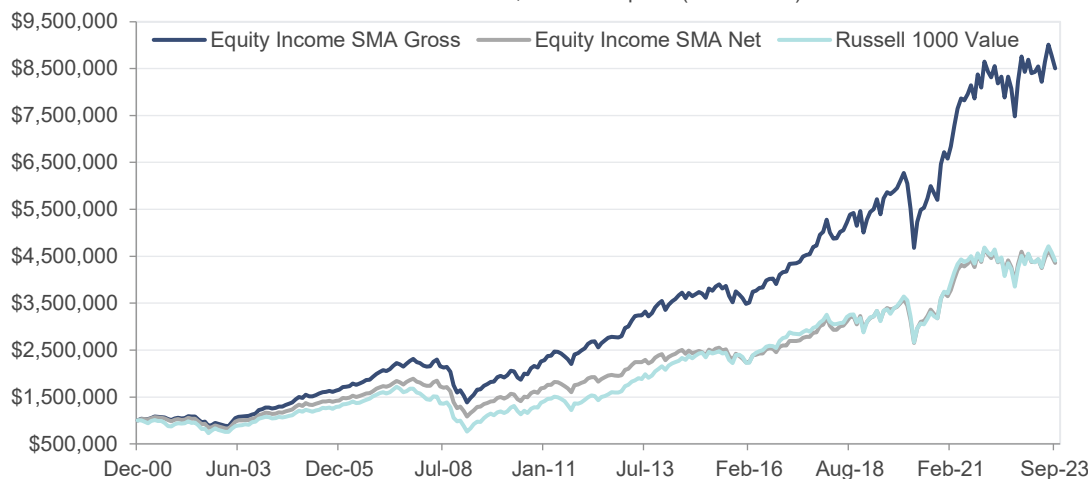
### Equity Income SMA vs. Russell 1000® Value Index

Gross & Net of Fees, Since Inception (12.31.2000)



## Growth of \$1 Million

Gross and Net of Fees, Since Inception (12.31.2000)



Data is as of 09.30.2023. Risk statistics are calculated using the gross and net performance of the strategy composite. Please refer to the table titled "Performance" for the one-, five-, and ten-year returns of the composite. Performance is preliminary and is annualized for periods longer than one year. Net of fees performance returns are net of the SMA bundled fee which includes all charges for trading costs, advisory services, portfolio management, custody and other administrative fees. "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. Please refer to the attached GIPS Composite Report for additional disclosures. **Up Market Capture** is a measure of the manager's performance when the benchmark has positive returns for the period relative to the benchmark itself. **Down Market Capture** is a measure of the manager's performance when the benchmark has negative returns for the period relative to the benchmark itself. Due to the impact of fees, "net" Down Market Capture is higher than "gross" Down Market Capture, as depicted in the chart above. The Growth of \$1 Million chart depicts a hypothetical investment based upon actual returns of the composite since inception. Please refer to the table titled "Performance" for the one-, five-, and ten-year returns of the composite. The performance presented represents past performance and is no guarantee of future results. Net of fees performance returns are presented preliminary and are net of the SMA bundled fee which includes all charges for trading costs, advisory services, portfolio management, custody and other administrative fees. 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. 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. Please refer to the attached GIPS Composite Report for additional disclosures. Sources: Russell Investments; S&P; eVestment Analytics; FactSet; Sterling Capital Management Analytics.

**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 **Chartered Financial Analyst® (CFA)** charter is a graduate-level investment credential awarded by 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.

## Sterling Capital Equity Income SMA

	Total "Pure" Gross Return AWR	Total Net Return AWR	Benchmark	3Yr Ex-Post Std Dev Composite Gross	3Yr Ex-Post Std Dev Benchmark	Internal Asset Wtd. Dispersion	Number Of Portfolios	Composite Assets (MM)	Total Firm Assets (MM)
2022	-2.54%	-5.40%	-7.54%	20.20%	21.25%	0.12%	511	283	62,842
2021	28.68%	25.00%	25.16%	18.17%	19.06%	Not Calculable	4	439	75,309
2020	7.17%	4.05%	2.80%	18.87%	19.62%	Not Calculable	4	588	70,108
2019	25.30%	21.71%	26.54%	11.32%	11.85%	Not Calculable	5	739	58,191
2018	-0.26%	-3.18%	-8.27%	11.01%	10.82%	Not Calculable	5	619	56,889
2017	20.54%	17.08%	13.66%	9.78%	10.20%	Not Calculable	4	643	55,908
2016	15.43%	12.10%	17.34%	10.40%	10.77%	Not Calculable	3	989	51,603
2015	-2.70%	-5.55%	-3.83%	10.20%	10.68%	Not Calculable	3	1,100	51,155
2014	4.61%	1.57%	13.45%	8.33%	9.20%	Not Calculable	3	1,501	47,539
2013	26.71%	23.08%	32.53%	9.59%	12.70%	Not Calculable	3	1,574	45,638

Benchmark: Russell 1000® Value Index

Composite Creation Date: 12.31.2000

Inception Date: 01.01.2001

- Consists of all discretionary separately managed wrap Equity Income portfolios. SCM'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.
- 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 01/01/2001 to 12/31/2022. 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. Benchmark returns are not covered by the report of the independent verifiers. 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.
- 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 merged into Sterling Capital 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.
- The performance presented represents past performance and is no guarantee of future results. Market and economic conditions vary from year to year and can result in a decline in market value due to material market or economic conditions. Please refer to the slide titled "Performance" for the one-, five-, and ten-year returns of the composite.
- 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.
- Performance reflects reinvested interest income and dividends and realized and unrealized capital gains and losses. All portfolios utilize trade-date and accrued income accounting. Valuations and performance are reported in U.S. dollars. Periodic time weighted returns are geometrically linked. Returns are not calculated net of non-reclaimable withholding taxes due to immaterial dollar amounts. Effective 1/1/21, composite returns are calculated by weighting the individual portfolio returns using beginning of period market values. Prior to 1/1/21, composite returns were calculated monthly by weighting the aggregate SMA/Wrap sponsor returns using beginning of period market values.
- "Pure" gross of fees returns are presented as supplemental information and do not reflect the deduction of any fees including trading costs. Net returns are calculated by deducting the highest applicable wrap fee of 3.00% annually from the pure gross composite return. As of 6/30/23, the composite model fee was updated to 3.00% annually for all periods presented. Prior to this change, the net of fees returns reflected the maximum bundled external platform fee of 2.82%. Prior to 1/1/21, the net of fees returns reflect 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.
- Effective 1/1/22, portfolios are removed from the composite for flows 10% or greater of prior month portfolio market value. Portfolio remains out of the composite for the month of the flow and for one additional period. Prior to 1/1/22, portfolios were not removed from the composite for flows.
- The appropriate benchmark 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.
- 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 when a full three years of composite performance is not yet available.
- Effective 1/1/22, number of portfolios is based on underlying accounts at the wrap sponsors. Prior to 1/1/22, number of portfolios was reported as the number of wrap platforms.