



STERLING  
CAPITAL

4<sup>th</sup> Quarter 2020 Market Review:  
Focus Equity

WHAT MATTERS MOST TO YOU MATTERS MOST TO US.



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- *The material presented in this presentation is as of 12.31.2020, unless otherwise stated.*
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- *Any type of investment involves risk and there are no guarantees. Past performance is not indicative of future results.*
- *The volatility of an index varies greatly. All indices are unmanaged and investments cannot be made directly in an index.*



## WebEx Agenda:

- Equity Market and Macro Environment
- Focus Equity Philosophy and Process
- Focus Equity Q4.2020 Performance, Activity and Positioning
- Q&A



**Colin R. Ducharme, CFA®**  
Executive Director  
Lead PM Focus Equity

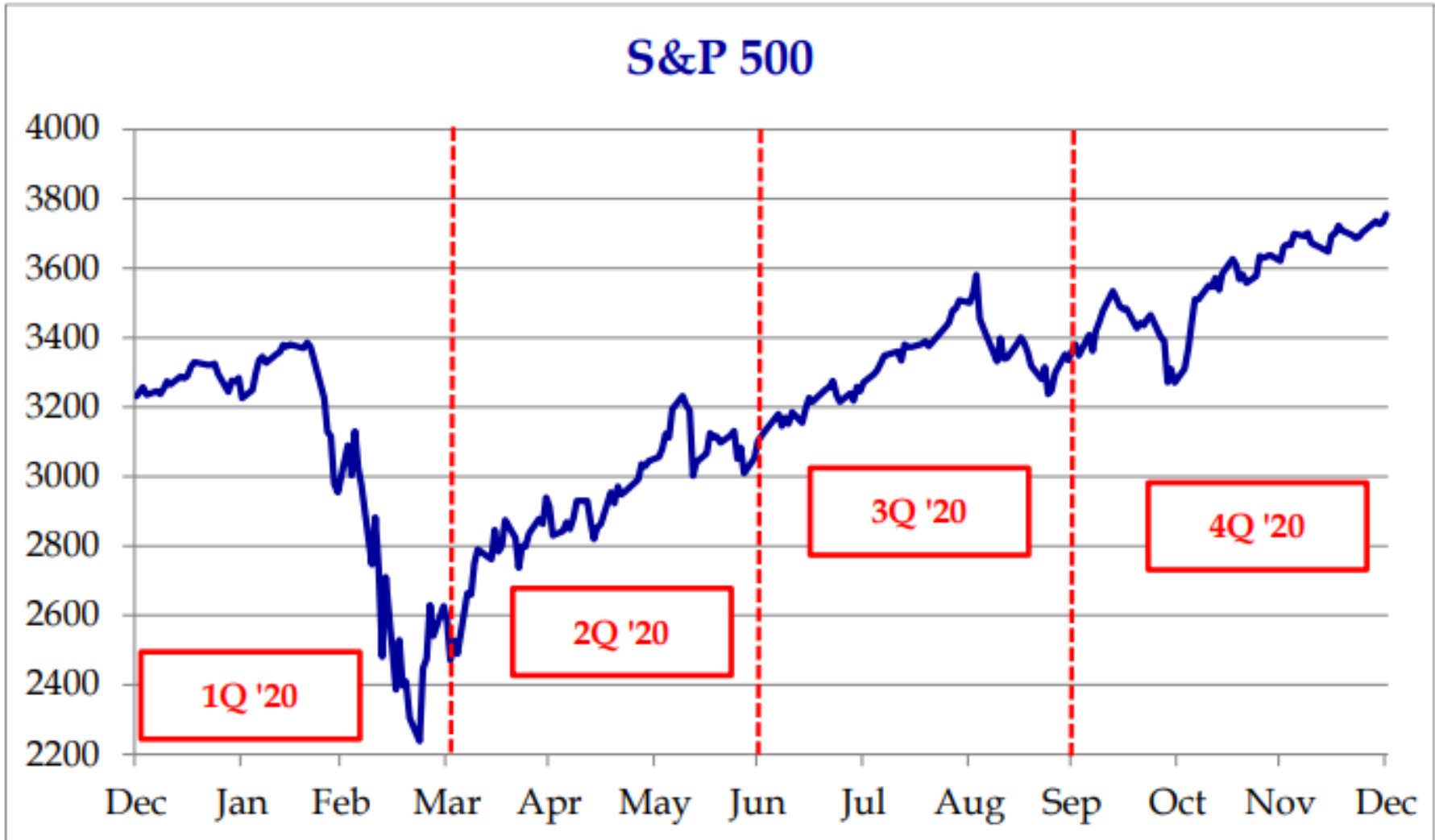


**Jeremy M. Lopez, CFA®**  
Executive Director  
APM Focus Equity



**Whitney L. Stewart, CFA®**  
Executive Director  
Client Portfolio Manager

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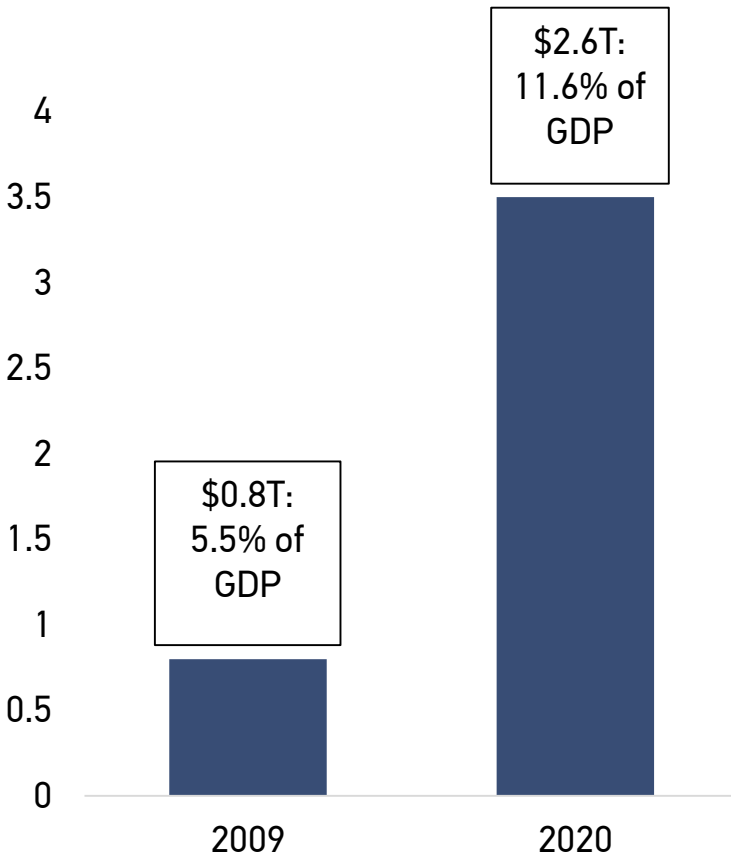


Source: Strategas Research. The volatility of an index varies greatly. All indices are unmanaged and investments cannot be made directly in an index. The views expressed represent the opinions of Sterling Capital Management. Any type of investing involves risk and there are no guarantees that these methods will be successful.

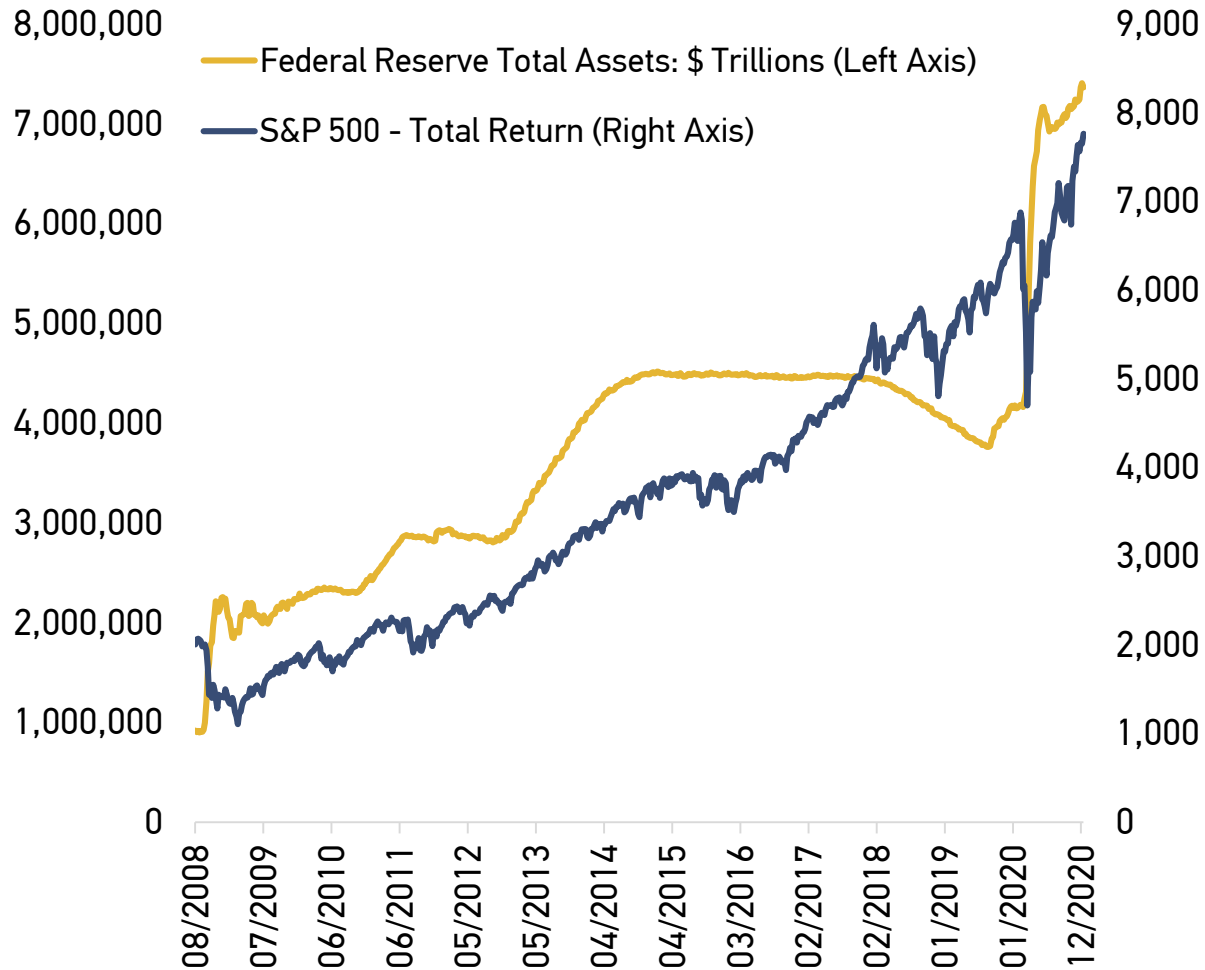
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## U.S. Stimulus (\$ Trillions) & Percentage of U.S. GDP



## Federal Reserve Total Assets & S&P 500® Total Return



As of 12.31.2020 (left chart), 01.01.2021 (right chart). Source: Wall Street Journal (left chart), Federal Reserve, S&P Dow Jones (right chart). The volatility of an index varies greatly. All indices are unmanaged and investments cannot be made directly in an index. The views expressed represent the opinions of Sterling Capital Management. Any type of investing involves risk and there are no guarantees that these methods will be successful.



## Full Year 2020

	Value	Blend	Growth
Large	2.8%	18.4%	38.5%
Mid	5.0%	17.1%	35.6%
Small	4.6%	20.0%	34.6%

## Ten-Year Annualized

	Value	Blend	Growth
Large	10.5%	13.9%	17.2%
Mid	10.5%	12.4%	15.0%
Small	8.7%	11.2%	13.5%

## Since Market Peak (02.2020)

	Value	Blend	Growth
Large	1.6%	12.7%	26.8%
Mid	3.2%	12.8%	26.8%
Small	6.9%	18.1%	28.1%

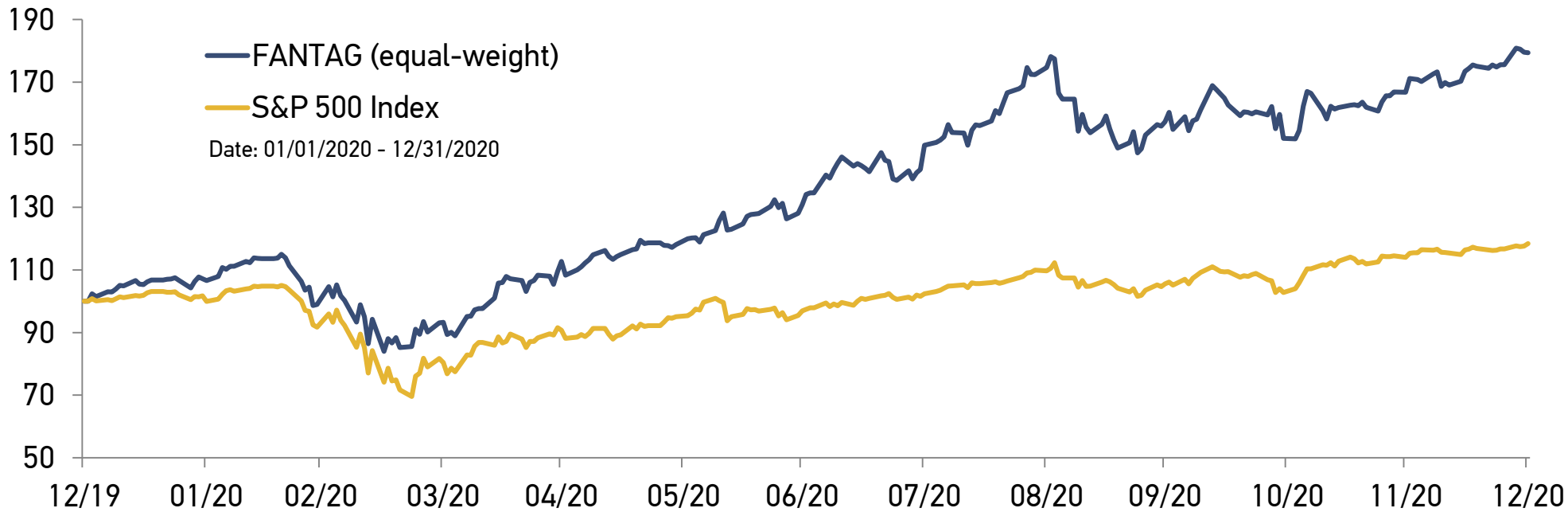
## Since Market Low (03.2020)

	Value	Blend	Growth
Large	64.2%	70.2%	84.9%
Mid	82.4%	88.8%	97.1%
Small	87.9%	99.0%	108.2%

Source: J.P. Morgan Asset Management. The views expressed represent the opinions of Sterling Capital Management. Any type of investing involves risk and there are no guarantees that these methods will be successful.



**S&P 500 Index Dominated by FANTAG**



Ticker	Name	2020 Annualized Return
FB	Facebook	33%
AMZN	Amazon	76%
NFLX	Netflix	67%
TSLA	Tesla	743%
APPL	Apple	82%
GOOGL	Alphabet	31%

Index	2020 Cumulative Return
FANTAG (Equal-Weighted)	79%
S&P 500 Index	18%

As of 12.31.2020. Source: FactSet, S&P Dow Jones Indices. The volatility of an index varies greatly. All indices are unmanaged and investments cannot be made directly in an index. 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. The views expressed represent the opinions of Sterling Capital Management. Any type of investing involves risk and there are no guarantees that these methods will be successful.



## History of Attractive Risk Adjusted Returns

- Over five-year history of above benchmark cumulative performance and below average risk resulting in attractive upside and downside participation\*

## Performance-Focused, Active and Flexible

- We believe high active share and strong conviction provides significant alpha potential with unconstrained idea generation across market capitalization, benchmark, and style spectrums

## Consistent Team, Philosophy, and Process

- Seasoned and stable investment framework and platform with committed portfolio management since inception

## Long-Term Focus and Tax Efficiency

- Enables time horizon arbitrage when other investors may be focused on short-term results, while low turnover (historically <25%) reduces transaction costs and tax impact

## Align Interests with Clients

- Portfolio managers invest a portion of their personal capital in the strategy they manage, thus aligning our interests with those of our clients

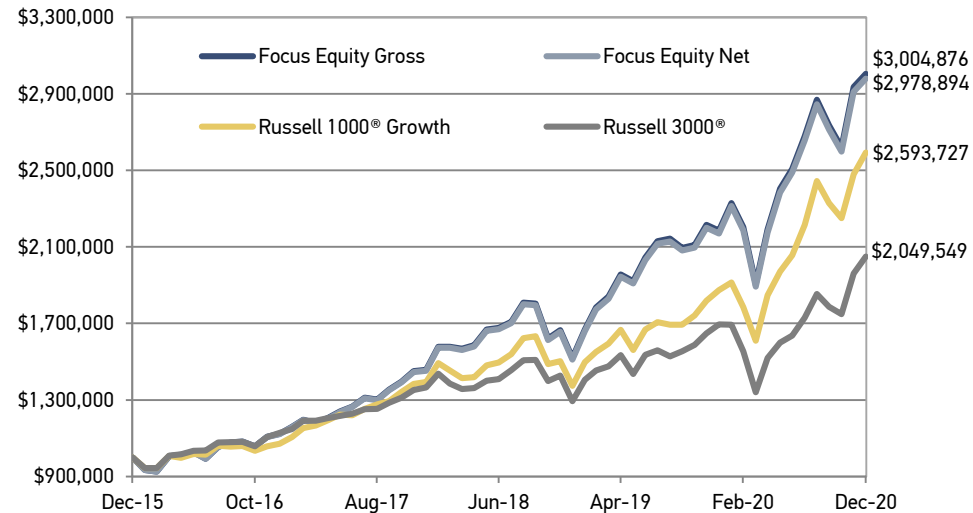
\*See Up/Down Market Capture on page 17.

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### Growth of \$1 Million

Gross and Net of Fees, Since Inception (12.31.2015)



As of 12.31.2020. The Growth of \$1 Million chart is hypothetical based upon the composite net of fees performance since inception. Net of fees performance returns are preliminary and 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 Growth of \$1 Million is considered Supplemental Information to the Composite Disclosure Presentation located in the APPENDIX. Source: Russell Investments, Morningstar.





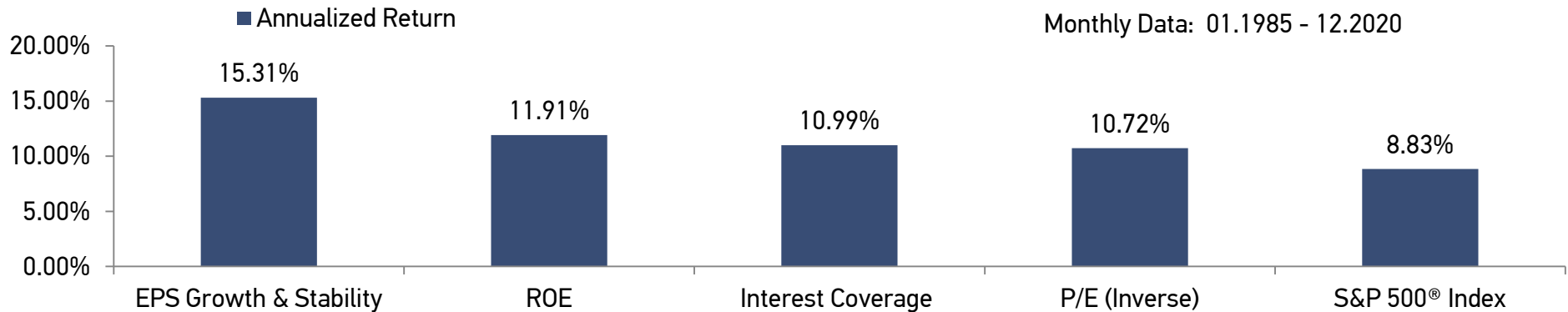
We Target Companies We Believe Can Generate Double Digit Returns With:

- *Markets* that are large and growing – where companies can visibly reinvest
- Business *Models* that exhibit pillars of growth, financial stability, strong margins, and reasonable valuations
- *Management* teams who generate results, and have ownership incentives aligned with our own, whether as a founder or significant stockholder
- *Momentum* where the business is positioned for performance success

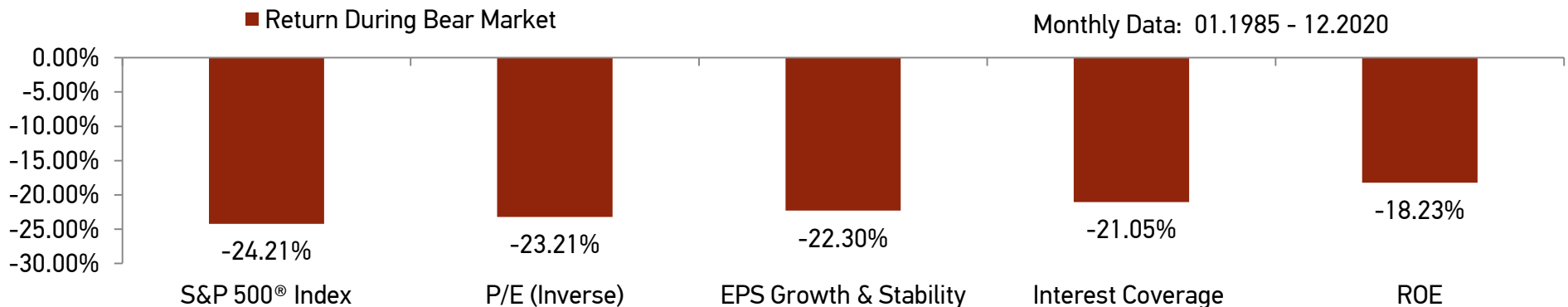


The Equity Opportunities Group seeks capital appreciation and risk reduction by constructing portfolios with attractive valuations, operating growth, high profitability and strong balance sheets

## Annualized Return of Top Decile of S&P 500® Index by Factor



## Annualized Return in Bear Markets for Top Decile of S&P 500® Index by Factor



As of 12.31.2020. Source: Ned Davis Research, S&P Dow Jones Indices. The views expressed represent the opinions of Sterling Capital Management. Any type of investing involves risk and there are no guarantees that these methods will be successful.



# HEICO (HEI) Four Pillars and Six Elements of Attractive Businesses

## Six Elements of Attractive Businesses

- **Disruptor:** Heico is taking share from original equipment manufacturers (OEM) by offering its customers dramatically lower prices for the same quality and regulatory-approved components in commercial aerospace, Defense and other markets
- **Large Total Addressable Market (TAM):** Despite its multi-decade history of growth, Heico still has low-single digit market share in its core business with plenty of runway ahead to further expand. ~5% of \$13B parts manufacturer approval (PMA) market
- **Mission Critical:** Customers can't operate without component parts
- **Competitive Moat:** Commercial aerospace aftermarket and Defense subcomponents offer high-quality business characteristics, with recurring revenues, and high margins
- **Quality Compounder:** M&A model accelerates cash-flow compounding. Low net leverage, double-digit revenue grower, should expand EBITDA margins over the long-term
- **Industry Leader:** Leading consolidator and manufacturers of parts for aviation, defense, space, medical, and telecomm

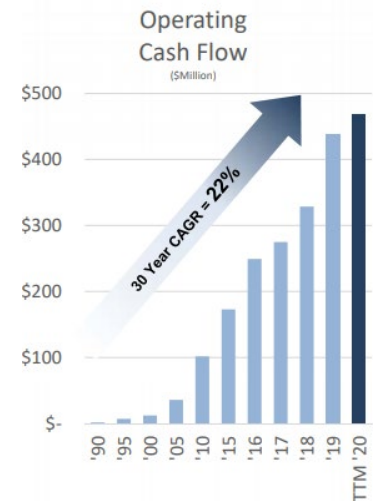
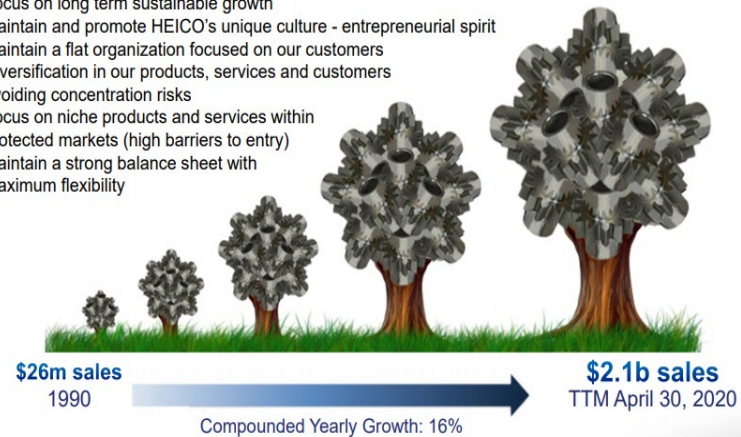
## Pillars

- **Growth/Stability:** Post COVID-19, EBITDA is expected to rebound and return to a mid-teens growth rate
- **Profitability:** Return on equity (ROE) is expected to return to mid-teens in long-run
- **Balance Sheet:** Net Debt/EBITDA of 0.4x as of 09.30.20 provides management flexibility
- **Valuation:** Short-term premium valuation multiple to the peer group is justified due to the attractive free cash flow growth and high ROE. Long-term valuation remains attractive to meet IRR hurdle

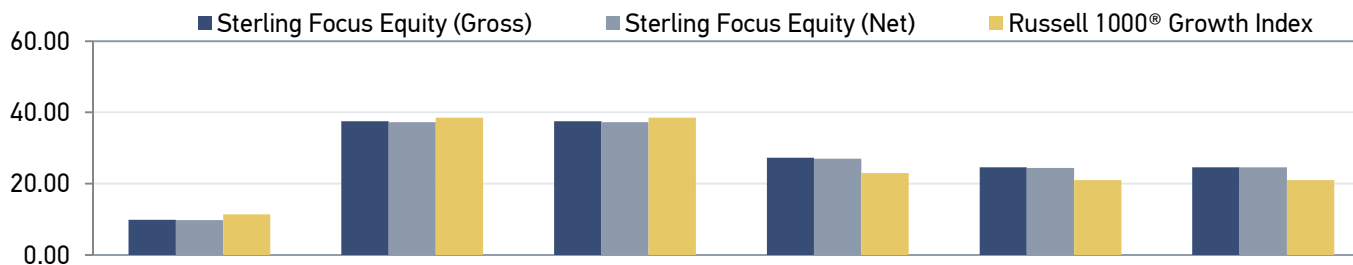
## Expanding Products & Services

### Consistent High Organic and Acquired Growth by Adhering to Key Principles

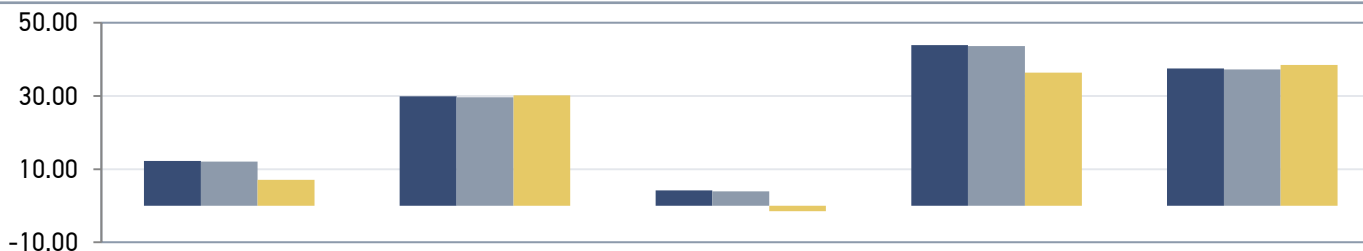
- Cash generation is paramount
- Focus on long term sustainable growth
- Maintain and promote HEICO's unique culture - entrepreneurial spirit
- Maintain a flat organization focused on our customers
- Diversification in our products, services and customers avoiding concentration risks
- Focus on niche products and services within protected markets (high barriers to entry)
- Maintain a strong balance sheet with maximum flexibility



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Performance	QTR	YTD	1 Year	3 Year	5 Year	Since Inception*
Sterling (Gross)	9.85%	37.50%	37.50%	27.27%	24.61%	24.61%
Sterling (Net)	9.78%	37.23%	37.23%	27.03%	24.40%	24.40%
Russell 1000® Growth	11.39%	38.49%	38.49%	22.99%	21.00%	21.00%
Russell 3000®	14.68%	20.89%	20.89%	14.49%	15.43%	15.43%



Year-End Returns	2016	2017	2018	2019	2020
Sterling (Gross)	12.23%	29.89%	4.15%	43.95%	37.50%
Sterling (Net)	12.06%	29.68%	3.96%	43.68%	37.23%
Russell 1000® Growth	7.08%	30.21%	-1.51%	36.39%	38.49%
Russell 3000®	12.74%	21.13%	-5.24%	31.02%	20.89%

\*Inception date is 12.31.2015.

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**Past performance is not indicative of future results.**



**“If you were a Robinhood user and bought those top 10 stocks every day, you would have lost 97% of your money over two years. It’s probably one of the biggest negative returns documented by academics.”**

**- Christopher Schwarz**

*Faculty Director, University of California Irvine’s Center for Investment and Wealth Management*

Molla, Rani. “How to avoid losing all your money on investing apps.” Vox. February 2021.

[www.vox.com/recode/22277998/robinhood-investing-app-alternatives-betterment-stash-acorns-wealthfront](https://www.vox.com/recode/22277998/robinhood-investing-app-alternatives-betterment-stash-acorns-wealthfront)https

Barber, Brad M. and Huang, Xing and Odean, Terrance and Schwarz, Christopher. “Attention Induced Trading and Returns: Evidence from Robinhood Users.” SSRN. February 2021.

[papers.ssrn.com/sol3/papers.cfm?abstract\\_id=3715077](https://papers.ssrn.com/sol3/papers.cfm?abstract_id=3715077)

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Russell 3000®	14.68%	20.89%	20.89%	14.49%	15.43%	15.43%

### Q4 Top Five Contributors:

- HEICO (32%)
- IDEXX Laboratories (+27%)
- Brookfield Asset Management (+25%)
- Coupa Software (24%)
- Alphabet (+19%)

### Q4 Bottom Five Detractors:

- S&P Global (-9%)
- Moody's Corporation (+0%)
- Veeva Systems (-3%)
- Mastercard (+6%)
- Adobe (+2%)

*The top/bottom performers are based on quarterly attribution to return. 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.*

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## Sterling Focus Equity

Portfolio Characteristics		
	Sterling	Index
Wtd. Average Market Cap	\$348.3B	\$721.2B
Wtd. Median Market Cap	\$54.5B	\$240.1B
Wtd. Harmonic Median P/E Ratio (FY1)	46.5x	35.9x
Median Historical 3-Year EPS Growth	31.4%	17.9%
Median Est. 3-5 Year EPS Growth	15.8%	12.5%
Median Net Debt/EBITDA	0.2	1.2
Median Return on Equity	18.9%	17.1%
Number of Holdings	22	453
Active Share	78.0%	---
Turnover	24.1%	---

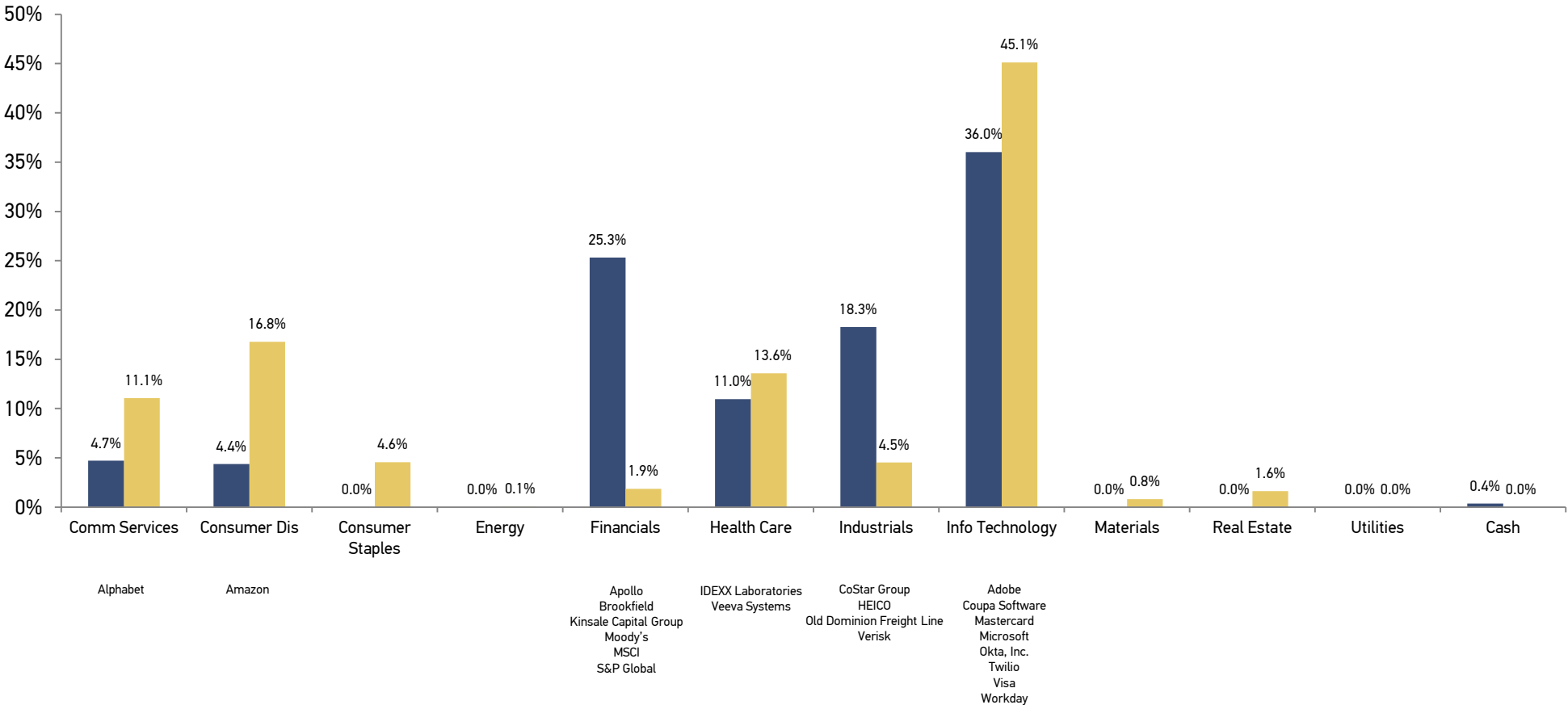
Top Ten Equity Holdings	
1. Mastercard Incorporated Class A	8.6%
2. Microsoft Corporation	8.1%
3. Moody's Corporation	8.1%
4. IDEXX Laboratories, Inc.	7.2%
5. CoStar Group, Inc.	6.2%
6. HEICO Corporation Class A	5.6%
7. S&P Global, Inc.	5.3%
8. Alphabet Inc. Class C	4.7%
9. Amazon.com, Inc.	4.4%
10. Old Dominion Freight Line, Inc.	3.9%
<i>Total % of Portfolio</i>	<i>62.0%</i>

*Data as of 12.31.2020. Index is Russell 1000® Growth. Turnover is for the last 12 months. 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 Characteristics and Top Ten Holdings are considered Supplemental Information to the Composite Disclosure Presentation located in the APPENDIX. Source: Russell Investments, FactSet, Sterling Capital Management Analytics.*



## Sterling Focus Equity

■ Sterling Focus Equity ■ Russell 1000® Growth Index



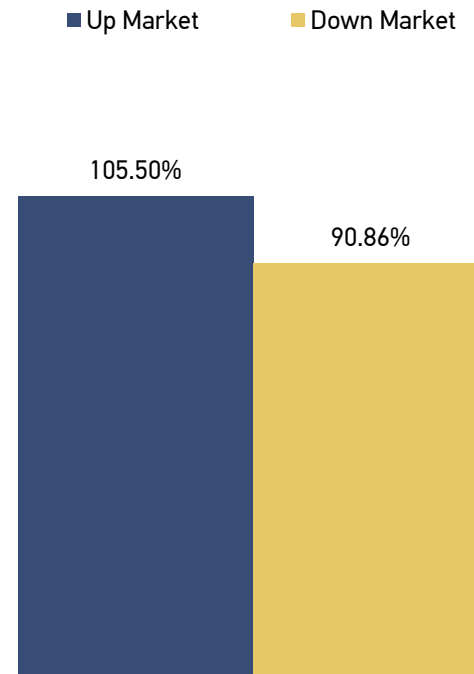
Data as of 12.31.2020. Totals may not equal 100% due to rounding. Specific securities identified and described do not represent all of the securities purchased, sold or recommended to clients. There are no assurances that securities identified will be profitable investments. The securities described are neither a recommendation nor a solicitation. 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. Source: Russell Investments, FactSet, Sterling Capital Management Analytics.





## Sterling Focus Equity *Gross of Fees, Since Inception (12.31.2015)*

Summary Statistics vs. Russell 1000® Growth Index (of Monthly Returns)	
Alpha	2.98
Beta	1.02
R Squared	0.86
Tracking Error	6.56
Standard Deviation	17.80
Information Ratio	0.55
Up Market Capture Ratio	105.50%
Down Market Capture Ratio	90.86%



*Data as of 12.31.2020. Index is Russell 1000® Growth. 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. Performance is preliminary and annualized for periods longer than one year. 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 and Up Market/Down Market Capture Ratio are considered Supplemental Information to the Composite Disclosure Presentation located in the APPENDIX. Source: Russell Investments, Morningstar, Sterling Capital Management Analytics.*



## Sterling Focus Equity 3 Years Ending 12.31.2020

GICS ECONOMIC SECTORS	PORTFOLIO WEIGHT*	PORTFOLIO RETURN*	RUSSELL 1000® GROWTH WEIGHT	RUSSELL 1000® GROWTH RETURN	SECTOR SELECT	STOCK SELECT	ACTIVE CONTRIBUTION
Communication Services	4.29	18.74	11.55	18.19	0.30	0.03	0.33
Consumer Discretionary	13.11	26.54	15.44	30.06	-0.45	0.15	-0.30
Consumer Staples	0.73	12.69	5.27	11.12	0.58	0.16	0.74
Energy	0.00	0.00	0.50	-14.61	0.18	0.00	0.18
Financials	25.40	19.70	3.39	12.10	-1.83	1.58	-0.26
Health Care	3.49	39.39	13.79	14.82	0.53	0.86	1.39
Industrials	24.29	30.86	9.94	7.45	-1.71	4.86	3.15
Info Technology	23.80	31.44	36.14	34.12	-1.10	-0.52	-1.62
Materials	4.27	18.65	1.74	11.21	-0.12	0.68	0.55
Real Estate	0.05	0.05	2.24	10.98	0.15	0.01	0.16
Utilities	0.00	0.00	0.00	32.23	-0.01	0.00	0.00
Cash	0.56	4.63	0.00	0.00	-0.06	0.00	-0.06
<b>TOTAL</b>	<b>100.00</b>	<b>27.25</b>	<b>100.00</b>	<b>22.99</b>	<b>-3.56</b>	<b>7.82</b>	<b>4.26</b>

\*Representative Portfolio.

Portfolio returns can differ from official returns due to attribution using holdings based analysis versus transaction based. Attribution information, including information pertaining to a manager's sector weighting and performance, is calculated based on a representative portfolio and therefore will not necessarily represent every client's portfolio. Individual account weightings and performance results will generally differ from the representative portfolio results due to such factors as client directives and/or constraints, the timing of an account's inception and subsequent cash inflows and outflow, and extreme market conditions.

Data as of 12.31.2020. Benchmark is Russell 1000® Growth Index. Performance is preliminary and is annualized for periods longer than one year. Performance returns for attribution are gross of fees and presented before investment management fees, custodial fees and trading expenses; 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. 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 Attribution is considered Supplemental Information to the Composite Disclosure Presentation located in the APPENDIX. Source: FactSet.

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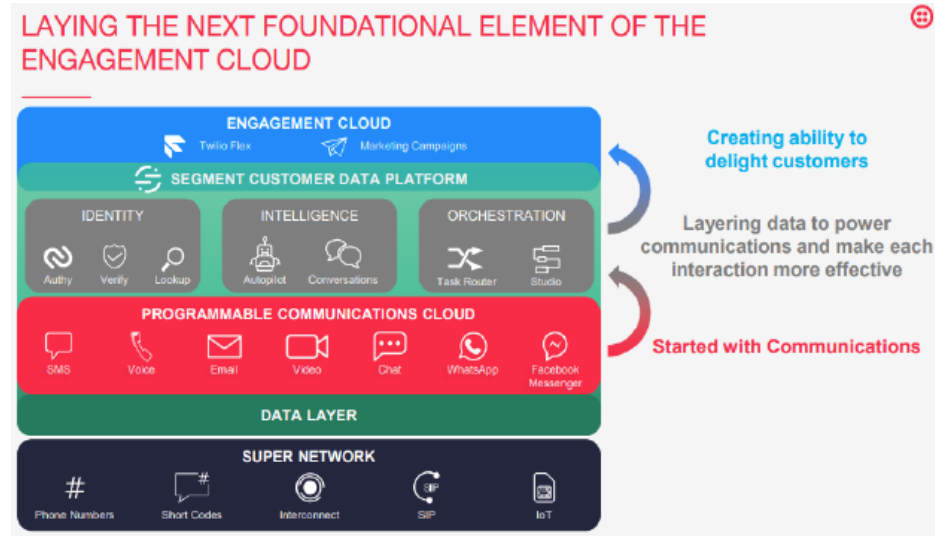
## Six Elements of Attractive Businesses

- **Disruptor/Industry Leader:** Twilio pioneered the Communication Platform as a Service (CPaaS) market, and is today its largest scale player with a product portfolio spanning Platform as a Service (PaaS) and Software as a Service (SaaS) across a variety of functionalities, while continuing to disrupt related verticals
- **Large TAM:** Total TAM is estimated to expand to \$87B in 2023 from \$62B in 2020
- **Mission Critical:** Customers can't operate without messaging, communication, account security, email, and networking services
- **Competitive Moat:** TWLO built the industry's largest developer community and broadest product offering, which informs faster product evolution, end market adoption, and customer retention
- **Quality Compounder:** Cash on balance sheet is over \$3B, and management believes it can sustain ~30% revenue growth

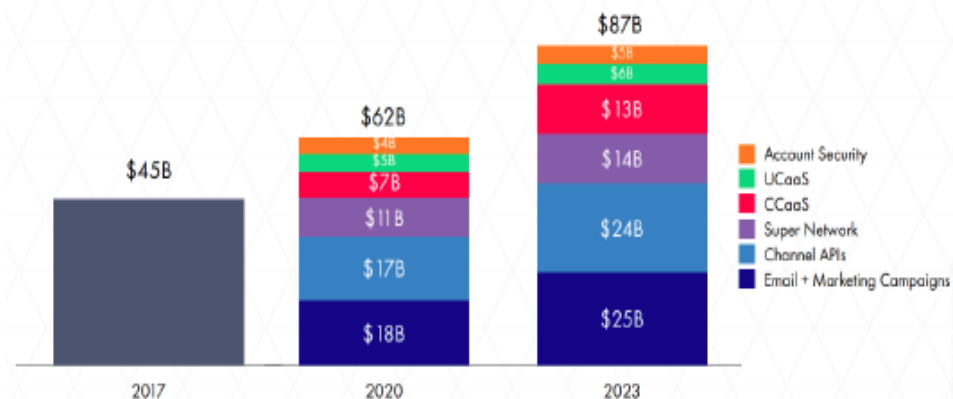
## Pillars

- **Growth/Stability:** Revenue growth expectations of sustainable ~30%
- **Profitability:** Gross margins ~60%. Expect progress towards sustainable GAAP profitability by 2025
- **Balance Sheet:** Gross cash of \$3.2B in Q4.2020
- **Valuation:** The short-term premium enterprise value-to-sales (EV/Sales) multiple relative to TWLO history is due to TWLO benefitting from COVID-19, and is justified given its attractive revenue growth and margin expansion potential. Long-term valuation remains attractive to meet IRR hurdle

## Enabling Developers Worldwide



## Large and Expanding TAM



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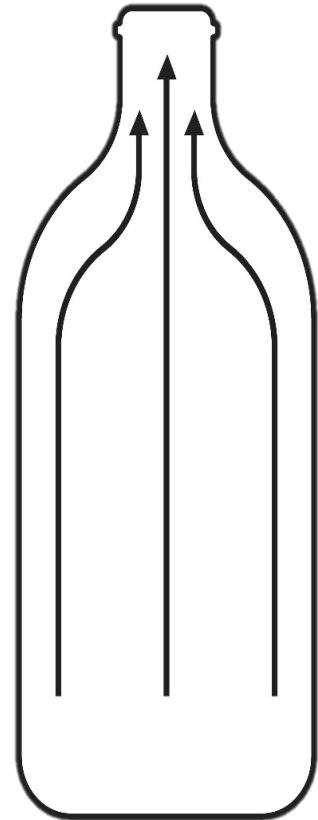


## Recent Research Observations: How are Focus Equity Companies Performing?

- “What we have witnessed over the past year is the dawn of a second wave of digital transformation sweeping every company and every industry. Building their own digital capability is the new currency driving every organization’s resilience and growth.” – Microsoft CEO Satya Nadella
- “The pandemic accelerated change overnight. The companies that embrace software are able to accelerate their ability to respond to the changing conditions in their market.” – Twilio Founder/CEO Jeff Lawson
- “We again capitalized on favorable market conditions where we generated record premium growth during the year of 42%, while successfully navigating through heightened catastrophe levels and the impact of the pandemic. Our results highlight the strength and durability of our business model.” – Kinsale Founder/CEO Mike Kehoe
- “Our role as a true multi-rail [payments] provider, we are well-positioned to capture additional flows and the significant opportunities ahead. These opportunities include certainly the accelerated secular shift to digital payments and the advancement of real-time payments and open banking.” – Mastercard CEO Michael Miebach
- “The acceleration in our revenue growth during the fourth quarter was driven by an improving domestic economy and increased demand for our industry-leading service. In addition, our consistent and long-term investments in service centers and equipment provided us with network capacity at a time when capacity within the transportation industry was generally limited.” – Old Dominion CEO Greg Gantt



- “Bottlenecks” are critical links in an industry’s value chain
- Because industry value creation becomes more concentrated at bottlenecks, we think businesses positioned at these junctures can enjoy competitive advantages and revenue visibility
- For example, Focus Equity “bottlenecks” include:
  - Mastercard and Visa
    - > 85% share of U.S. card purchase volume
  - HEICO
    - > 50% share of PMA aerospace components
  - Veeva
    - ~ 80% share of life sciences customer relationship management (CRM) seats
  - Moody’s and S&P Global
    - > 80% share of total SEC-regulated credit ratings agency (CRA) ratings

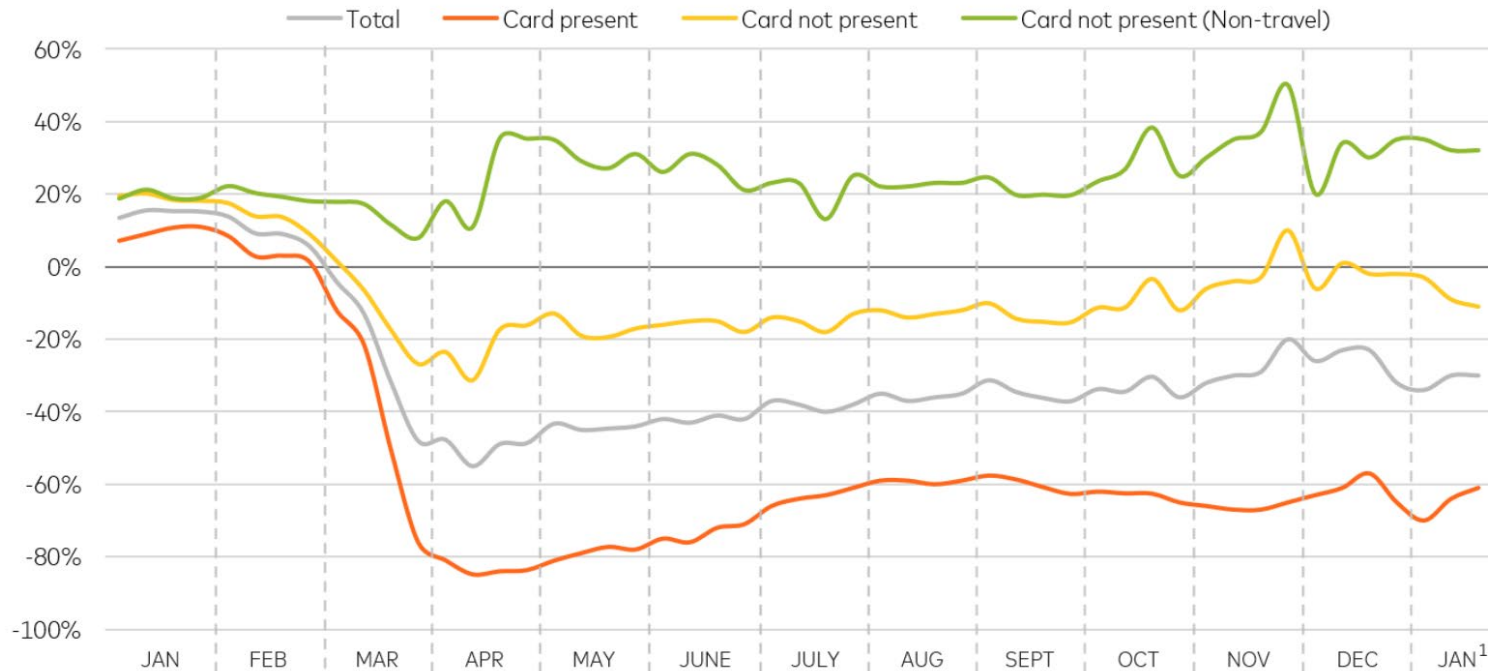


*Specific securities identified and described do not represent all of the securities purchased, sold or recommended to clients. There are no assurances that securities identified will be profitable investments. The securities described are neither a recommendation nor a solicitation. Security information 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 views expressed represent the opinions of Sterling Capital Management. Any type of investing involves risk and there are no guarantees that these methods will be successful.*



- At Mastercard and Visa, travel lockdowns (**Card present volumes**) are masking underlying franchise strength, for example accelerated e-commerce adoption (**Card not present, Non-travel**) where we believe network share of economics are three times greater than physical point-of-sale

## Cross-border Volume Trends



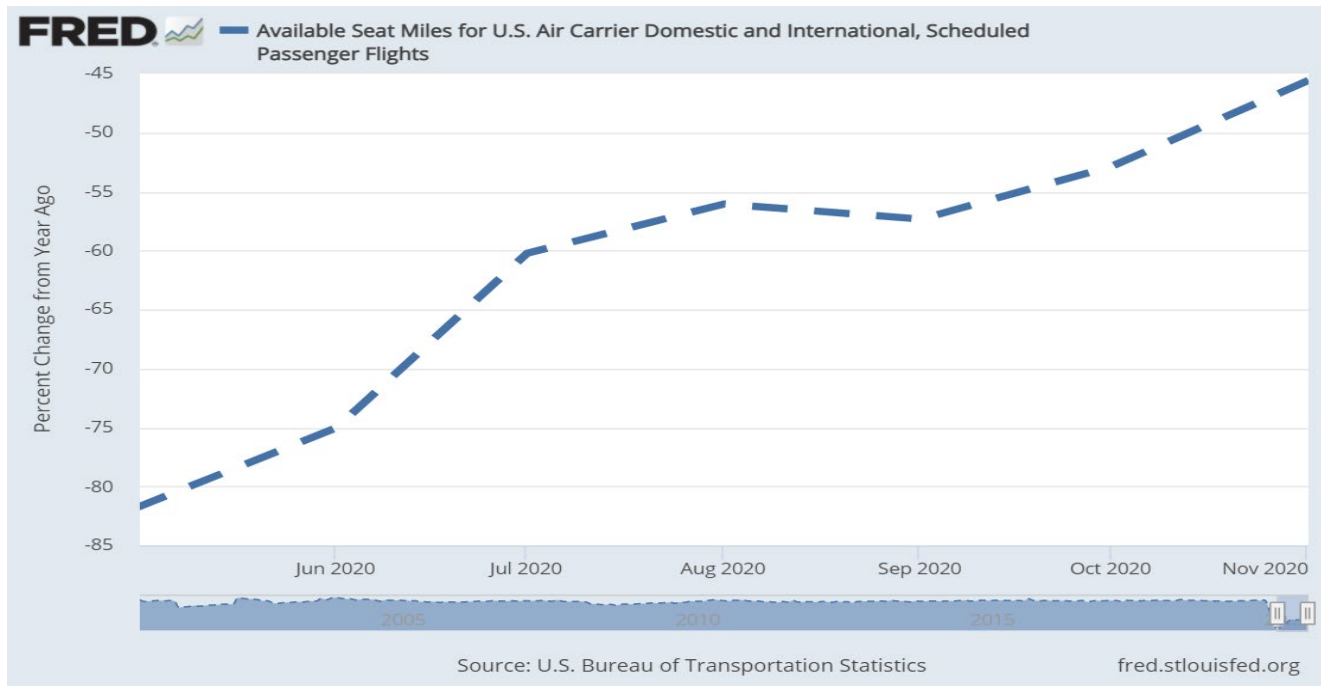
1. Through January 21st MTD

Note: Cross-border volume growth is calculated in a manner as defined in our Supplemental Operational Performance Data

Source: Company Reports, Bloomberg, FactSet. 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 views expressed represent the opinions of Sterling Capital Management. Any type of investing involves risk and there are no guarantees that these methods will be successful.



- We believe increased demand for HEICO’s after-market PMA components will follow stronger flight activity, and our view is substantiated by U.S. BTS data
- “Following almost a year at subdued travel, customers are beginning to exhibit behavior that is indicative of pent-up demand. Shopping visits across Delta's digital channels are significantly outpacing the passenger volumes we're carrying. In our most recent corporate survey, 40% of respondents expect full recovery by 2022.” – Delta CEO Ed Bastian



Source: U.S. Bureau of Transportation Statistics, FRED.

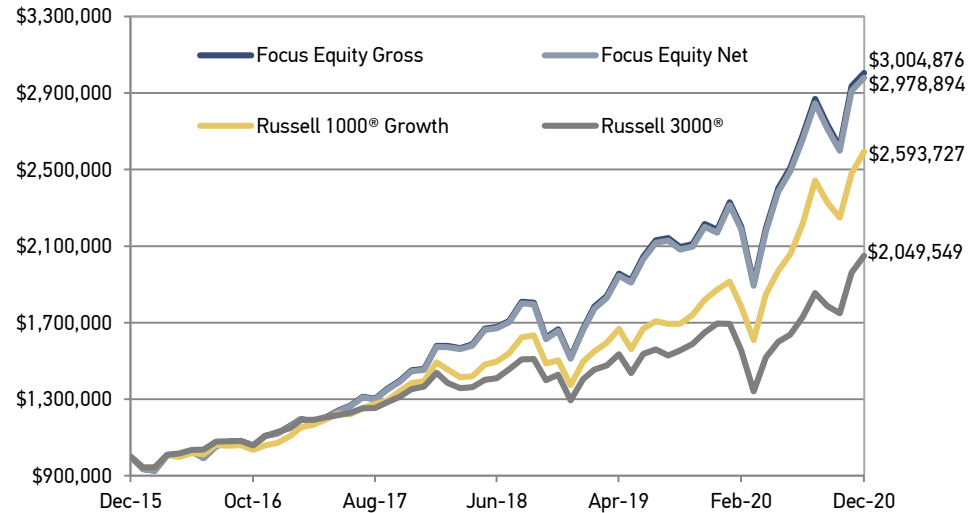
Source: Company Reports, Bloomberg, FactSet. Specific securities identified and described do not represent all of the securities purchased, sold or recommended to clients. There are no assurances that securities identified will be profitable investments. The securities described are neither a recommendation 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 views expressed represent the opinions of Sterling Capital Management. Any type of investing involves risk and there are no guarantees that these methods will be successful.



- History of Attractive Risk-Adjusted Returns Through a Variety of Market Environments
- Diligent Portfolio Management that is Active, Flexible, and Tax-Efficient
- Institutional Investment Platform features Consistent Team and Long-Term Focus

## Growth of \$1 Million

Gross and Net of Fees, Since Inception (12.31.2015)



As of 12.31.2020. The Growth of \$1 Million chart is hypothetical based upon the composite net of fees performance since inception. Net of fees performance returns are preliminary and 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 Growth of \$1 Million is considered Supplemental Information to the Composite Disclosure Presentation located in the APPENDIX. Source: Russell Investments, Morningstar.

Any type of investing involves risk and there are no guarantees that these methods will be successful.

Past performance is not indicative of future results.





**Please click the “raise your hand” icon for questions**



*Performance is compared to an index, however, the volatility of an index varies greatly. Indices are unmanaged and investments cannot be made directly in an index.*

**The S&P 500® Index** is a readily available, carefully constructed, market-value-weighted benchmark of common stock performance. Currently, the S&P 500 Composite includes 500 of the largest stocks (in terms of stock market value) in the United States and covers approximately 80% of available market capitalization.

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

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

**Technical Terms:** **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):** 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). **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. **Return on Equity (ROE):** the measure of a company's annual return (net income) divided by the value of its total shareholders' equity, expressed as a percentage. **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. **Net Debt-to-EBITDA:** the net debt-to-EBITDA ratio measures a company's ability to pay off its liabilities. It shows how much time the company needs to operate at the current debt and EBITDA levels to pay all of its debt. **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. **Enterprise value-to-sales (EV/Sales):** a financial ratio that measures a company's total value (in enterprise value terms) to its total sales revenue. **Generally Accepted Accounting Principles (GAAP):** a commonly recognized set of rules and procedures designed to govern corporate accounting and financial reporting in the United States (US). The US GAAP is a comprehensive set of accounting practices that were developed jointly by the Financial Accounting Standards Board (FASB) and the Governmental Accounting Standards Board (GASB), so they are applied to governmental and non-profit accounting as well. (Technical definitions are sourced from Corporate Finance Institute.)

Sterling's preliminary Assets Under Advisement ("AUA") differs from our regulatory Assets Under Management ("AUM") for which we provide continuous and regular investment management services as disclosed in our ADV. AUA generally refers to non-discretionary assets for which Sterling provides advice or consultation for which Sterling does not have authority to effectuate transactions. Such services include Model portfolios and assets Sterling advises as an outsourced Chief Investment Officer on a non-discretionary basis.

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

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

*Investment advisory services are available through Sterling Capital Management LLC, a separate subsidiary of 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 Truist Financial Corporation, Truist Bank or any affiliate, are not guaranteed by Truist Bank or any other bank, are not insured by the FDIC or any other federal government agency, and are subject to investment risk, including possible loss of principal invested.*

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

## Sterling Capital Management – Focus Equity Composite

January 1, 2016 – December 31, 2019

***Description:** Consists of all discretionary separately managed Focus Equity portfolios. Sterling’s Focus Equity portfolio investments are flexible and may span growth and value, large- and small-capitalization companies. The strategy seeks positions featuring sustainable, multi-year return profiles underpinned by businesses perceived to possess attractive financial returns, visible reinvestment opportunities, and talented management.*

<i>Year</i>	<i>Total Return Gross of Fees</i>	<i>Total Return Net of Fees</i>	<i>No. of Portfolios</i>	<i>Total Assets End of Period (\$MM)</i>	<i>Percent of Firm Assets</i>	<i>Total Firm Assets (\$MM)</i>	<i>Composite Dispersion (%)</i>	<i>Russell 1000 Growth Index</i>	<i>Composite 3-yr St Dev (%)</i>	<i>Benchmark 3-yr St Dev (%)</i>
2019	43.95	43.68	2	0.269	0.0	58,191	not meaningful	36.39	13.79	13.07
2018	4.15	3.96	2	0.187	0.0	56,889	not meaningful	-1.51	13.77	12.13
2017	29.89	29.68	5	0.877	0.0	55,908	not meaningful	30.21	N/A	N/A
2016	12.23	12.06	4	0.452	0.0	51,603	not meaningful	7.08	N/A	N/A
Annualized Since Inception	21.59	21.38						16.98		

**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. 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:

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. Colin Ducharme, 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, 2015. Creation date: October 31, 2018. Portfolios with an allowance to fixed income securities were permitted in the composite from inception until October 31, 2018. Beginning November 1, 2018, portfolios included in the composite are not permitted to own fixed income securities. Effective 3/31/20, the appropriate benchmark for this composite was changed retroactively to inception from the Russell 3000 Index to the Russell 1000 Growth Index. The Russell 1000® Growth Index measures the performance of the large cap growth segment of the US equity universe. It includes those Russell 1000® companies with higher price-to-book ratios and higher forecasted 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 their descriptions is available upon request. Policies for valuing portfolios, calculating performance and preparing compliant presentations are available upon request.
4. Performance reflects reinvested interest income and dividends and realized and unrealized capital gains and losses. All portfolios are valued monthly as of calendar month-end and utilize trade-date and accrued income accounting. Valuations and performance are reported in U.S. dollars. Composite returns are asset weighted using the average capital base method that reflects both beginning market value and cash flows and uses the aggregate method. This method aggregates market values and cash flows for all the accounts and treats the composite as if it were one account. Composites are revalued for cash flows greater than 5%. Periodic time weighted returns are geometrically linked. Returns are not calculated net of non-reclaimable withholding taxes due to immaterial dollar amounts.
5. Gross of fees returns reflect the deduction of trading costs. Net of fee performance returns are presented after actual management fees and trading expense. The stated fee schedule is: 0.70% on the first \$25 million; 0.60% on the next \$25 million; 0.50% on the next \$25 million; and 0.40% on all amounts exceeding \$75 million on an annual basis as described in Sterling Capital Management’s Form ADV, Part 2A.
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. It is not meaningful when there are less than six portfolios in the composite for the entire year. The three year annualized standard deviation measures the variability of the composite and benchmark returns over the preceding 36 month period. It is not required to be presented for annual periods prior to 2011 or when a full three years of composite performance is not yet available.
7. The performance presented represents past performance and is no guarantee of future results. Stock market conditions vary from year to year and can result in a decline in market value due to material market or economic conditions.