



Our investment experts share their perspectives on market events, economic data and developing themes in our monthly review of the global capital markets.

EQUITY HIGHLIGHTS

- Returns were negative across most of the equity opportunity set during January, as a slower-than-anticipated vaccine rollout and a short squeeze-induced rise in volatility soured investor sentiment. Top performers in the opportunity set were the Russell 2000 Value Index, Russell 2000 Growth Index and MSCI Emerging Markets IMI Index. The aforementioned indices returned 5.26%, 4.82% and 2.75% during the month. The MSCI World Ex. U.S. Growth Index along with the Russell Top 200 Value Index and Russell Top 200 Growth Index were the worst performers in the opportunity set during the month, returning -1.57%, -1.28% and -0.83%.
- Other than U.S. large blend and diversified emerging markets, active manager categories underperformed their passive counterparts during the month of January. Average active underperformance within the active/passive opportunity set was 1.1% during January.
- U.S. growth outperformance on a rolling five-year basis relative to value ticked higher during January and remains elevated relative to levels seen post the Great Financial Crisis. Growth's outperformance has been driven partially by a prolonged low economic growth environment and significant outperformance from large cap information technology, communication services and consumer discretionary companies. Stretched growth valuations could lead to improvement in value relative performance.

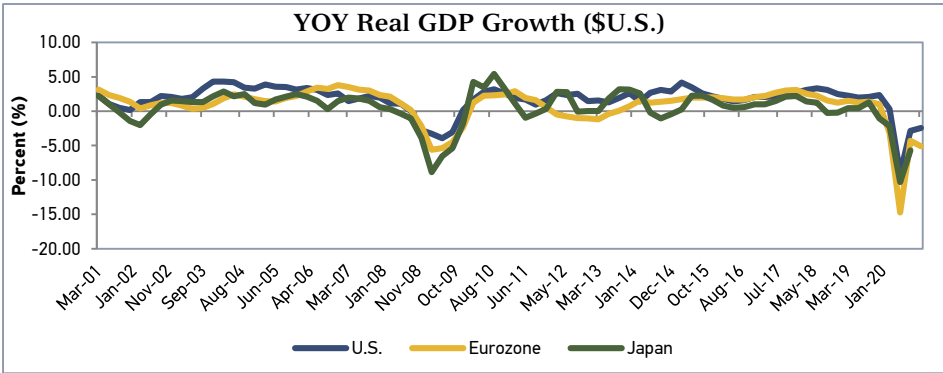
FIXED INCOME HIGHLIGHTS

- Bond market performance was mixed during the month of January, as High Yield, TIPS and MBS indices produced positive returns while U.S. Credit, U.S. Government and Emerging Markets indices lagged the remainder of the opportunity set. The Bloomberg Barclays U.S. Corporate High Yield Index and Bloomberg Barclays U.S. TIPS Index produced the highest returns within the opportunity set, returning 0.33% during January. The Bloomberg Barclays U.S. MBS index returned 0.08% over the month and was the only other constituent of the opportunity set to produce a positive return. The Bloomberg Barclays U.S. Credit, Bloomberg Barclays U.S. Government and Bloomberg Barclays Emerging Markets Aggregate indices were the worst performers in the opportunity set, returning -1.19%, -0.92% and -0.85% during January.
- Ten-year government bond yields moved higher across the opportunity set during the month of January. With an increase of 17 basis points to 1.09%, the U.S. saw the most-pronounced increase within the opportunity set. The U.K. saw a 12 basis point increase in its ten-year yield to 0.32%, while Italy saw a nine basis point increase to 0.64%. Rounding out the opportunity set, both France and Germany experienced a six basis point increase in their ten-year yield to -0.28% and -0.51%.
- Municipal/Treasury ratios moved lower across the opportunity set during the month of January. The three-year maturity saw the most significant decrease, as the municipal/treasury ratio moved from 96.97 in December to 71.04 in January. With the decreases during January, all municipal/treasury ratios within the opportunity set are below their five-year averages.

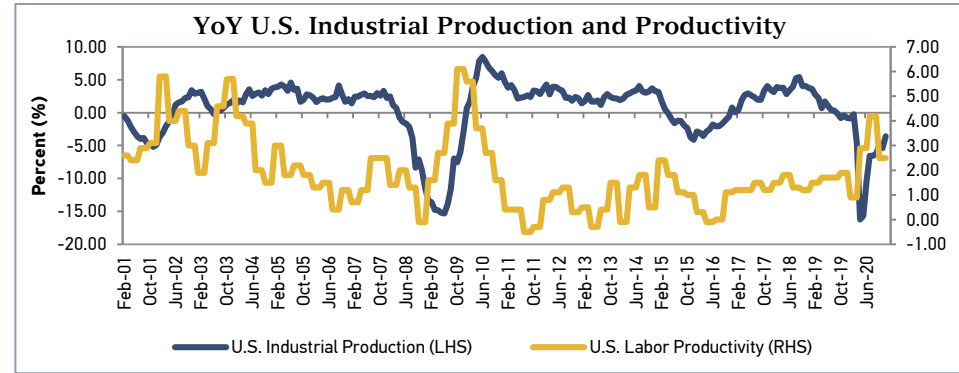
Stock Indexes	YTD	Bond Indexes	YTD	Other Indexes	YTD	U.S. Treasury Yields	Rates/Commodities		
MSCI ACWI IMI	-0.18%	Barclays US Aggregate	-0.72%	US Fund Multialternative	0.20%	6-month	0.07%	Prime Rate	3.25%
Russell 3000	-0.44%	Barclays Gbl Treas xUS Hdg	-0.50%	DJ Equity All REIT	-0.06%	1-year	0.10%	LIBOR (3 Mo)	0.20%
S&P 500	-1.01%	Barclays US TIPS	0.33%	Bloomberg Commodity	2.63%	3-year	0.19%	Oil Price (\$/barrel)	\$52.20
MSCI EAFE	-1.07%	Barclays US High Yield	0.33%			5-year	0.45%	Gold (\$/t oz)	\$1,850.30
MSCI EM	3.07%	Barclays EM Aggregate	-0.85%			10-year	1.11%		
						30-year	1.87%		

As of 01.31.2021; Source: Morningstar, FactSet, Russell Investments, Barclays, U.S. Department of Treasury

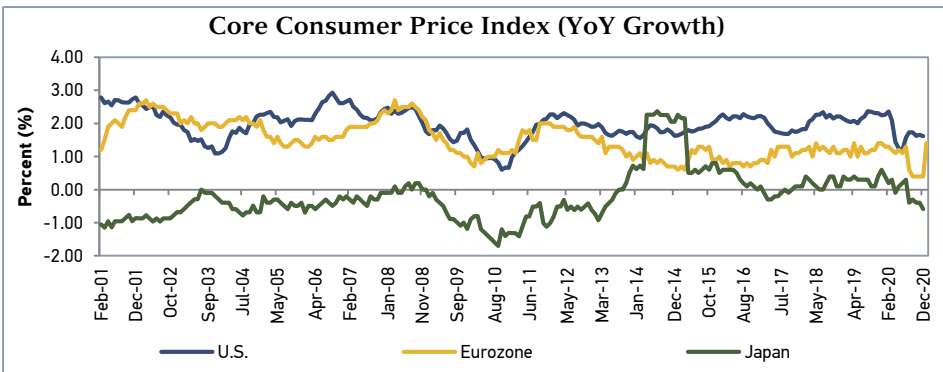
Asset allocation and diversification do not assure a profit or protect against loss in declining financial markets.



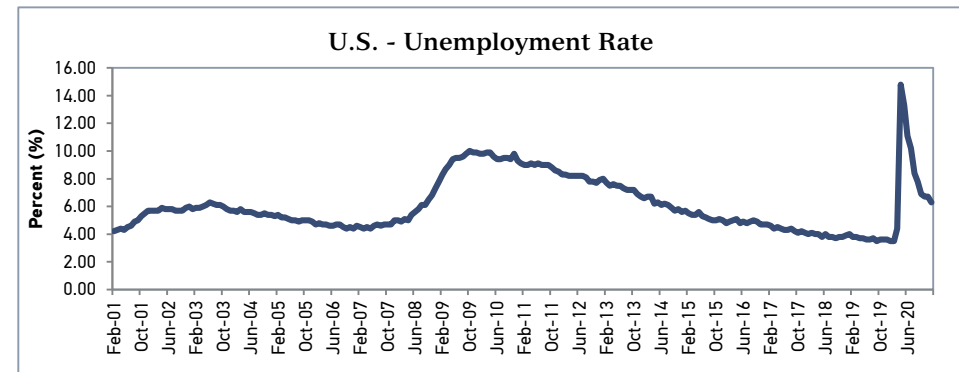
U.S. and Eurozone as of 12.31.2020, Japan as of 09.30.2020; Source: FactSet



As of 12.31.2020; Source: FactSet



U.S. and Japan as of 12.31.2020, Eurozone as of 01.31.2021; Source: FactSet; The sudden increase in Japan CPI growth in 2014 coincided with an increase in national sales tax that impacted final price levels.



As of 01.31.2021; Source: FactSet

- Economic data continues to reflect the recovery from the huge negative impacts of COVID-19, but momentum in some indicators has slowed.
- Employment growth has been weak in recent months but the unemployment rate declined to 6.3% in December.
- After a sharp rebound in the third quarter, the U.S. growth recovery continued at a slower pace in the fourth quarter and remains negative on a year-over-year basis. GDP growth in Europe took a step back in the fourth quarter and is well below U.S. growth.
- On a year-over-year basis, U.S. and European inflation has recovered to fairly normal levels. Inflation in Japan has fallen below zero for the past five months.
- U.S. Industrial Production growth has recovered in recent months and is nearing GDP growth on a year-over-year basis.



Leading	Initial Jobless Claims	<ul style="list-style-type: none"> In the week ending January 29, the four-week moving average of Initial Jobless Claims was 848,250 – a decrease of 750 from the previous week’s revised average.
	Manufacturing	<ul style="list-style-type: none"> ISM Manufacturing registered 58.7% in January – a 1.8 percentage point decrease over the previous reading. A reading below 50.0% indicates contraction. ISM Manufacturing New Orders registered 61.1% in January – a 6.4 percentage point decrease over the previous reading. ISM Non-Manufacturing registered 58.7% in January – a 1.0 percentage point decrease over the previous reading.
	Housing/Construction	<ul style="list-style-type: none"> Building permits rose 4.2% in December and have risen 17.0% over the past year.
Coincident	Consumer Confidence	<ul style="list-style-type: none"> The Consumer Confidence Index rose in January to 89.3 compared to 87.1 in the previous month.
	Nonfarm Payrolls	<ul style="list-style-type: none"> Total Nonfarm Payroll employment rose by 49,000 in January, while the unemployment rate fell to 6.3%.
	Industrial Production	<ul style="list-style-type: none"> Industrial Production rose 1.6% in December and is down 3.6% over the past year.
	Personal Income	<ul style="list-style-type: none"> Real Disposable Personal Income rose 0.2% in December and is up 3.3% over the past year.
Lagging	Ratio of Consumer Installment Credit to Personal Income	<ul style="list-style-type: none"> This ratio remained flat in December and is down 3.6% 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	<ul style="list-style-type: none"> CPI (All Items) rose 0.2% in December and is up 1.3% over the trailing one year period. CPI (Core) was flat in December and is up 1.6% over the trailing one year period.



Nominal Trade-Weighted U.S. Dollar Major Currencies



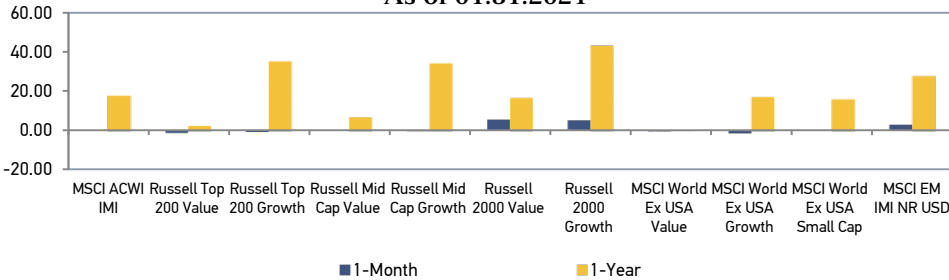
Euro per U.S. Dollar



- The Trade-Weighted U.S. Dollar Index (Major Currencies) rose 0.6% in January and the index rose 0.6% year-to-date. The dollar rose 0.7% versus the Euro in January.



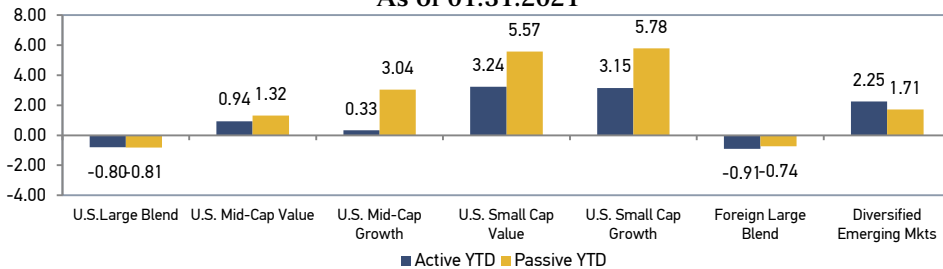
Equity Market Performance
As of 01.31.2021



- Returns were negative across most of the equity opportunity set during January, as a slower-than-anticipated vaccine rollout and a short squeeze-induced rise in volatility soured investor sentiment. Top performers in the opportunity set were the Russell 2000 Value Index, Russell 2000 Growth Index and MSCI Emerging Markets IMI Index. The aforementioned indices returned 5.26%, 4.82% and 2.75% during the month. The MSCI World Ex U.S. Growth Index along with the Russell Top 200 Value Index and Russell Top 200 Growth Index were the worst performers in the opportunity set during the month, returning -1.57%, -1.28% and -0.83%.

Source: Morningstar, Russell Investments

Active vs. Passive
As of 01.31.2021



- Other than U.S. large blend and diversified emerging markets, active manager categories underperformed their passive counterparts during the month of January. Average active underperformance within the active/passive opportunity set was 1.1% during January.

Source: Morningstar, Russell Investments

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

Rolling 5-Year Return Differential
Russell 3000 Growth minus Russell 3000 Value

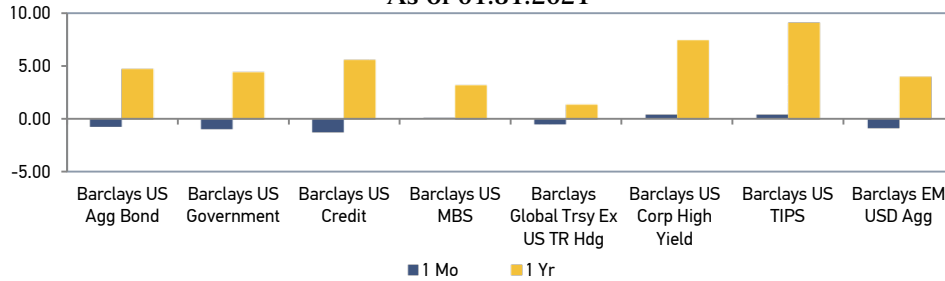


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As of 01.31.2021; Source: Morningstar



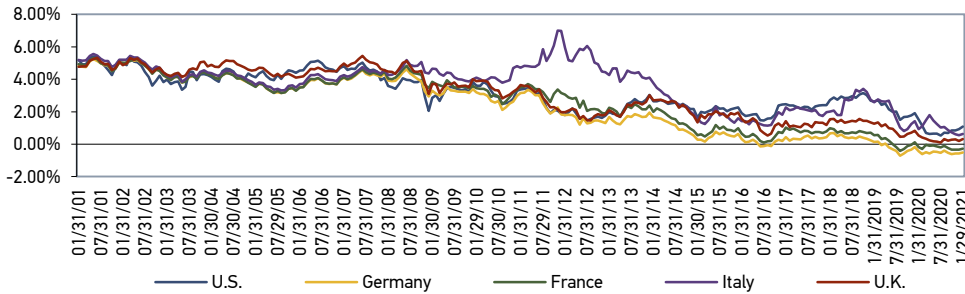
Bond Market Performance
As of 01.31.2021



Source: Morningstar, Barclays

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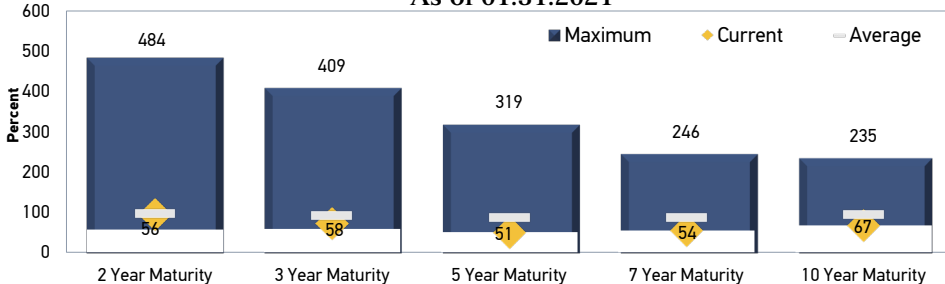
10-Year Government Bond Yields



As of 01.31.2021; Source: FactSet, U.S. Department of Treasury

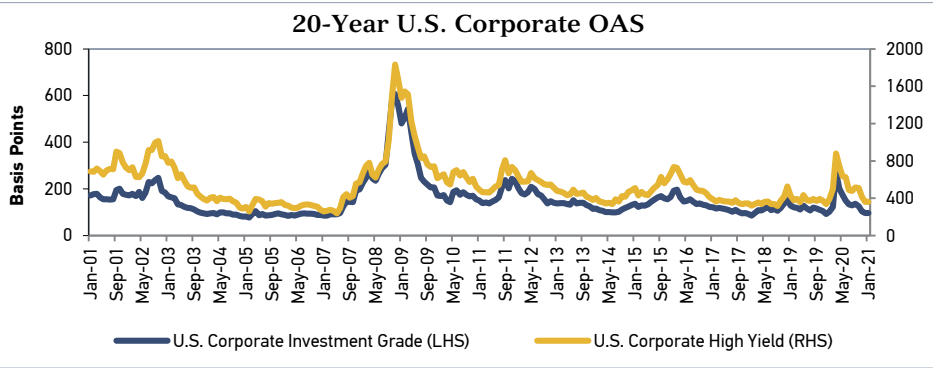
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Municipal/Treasury Yield Ratios Over The Last 5 Years
As of 01.31.2021

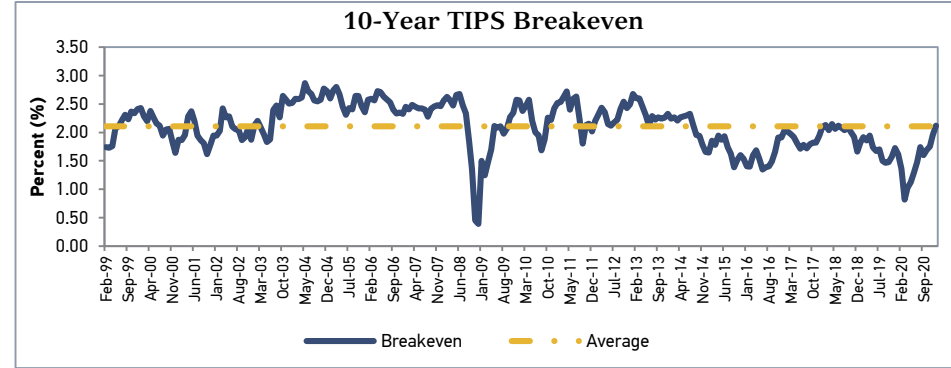


Source: Thompson Reuters; Sterling Capital Management Analytics.

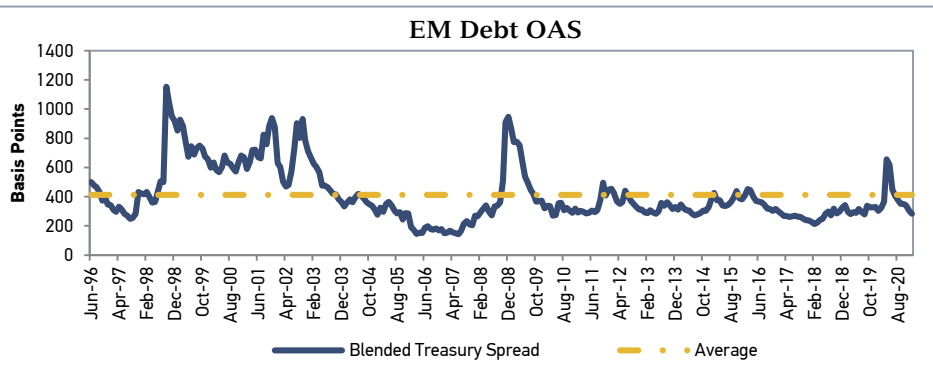
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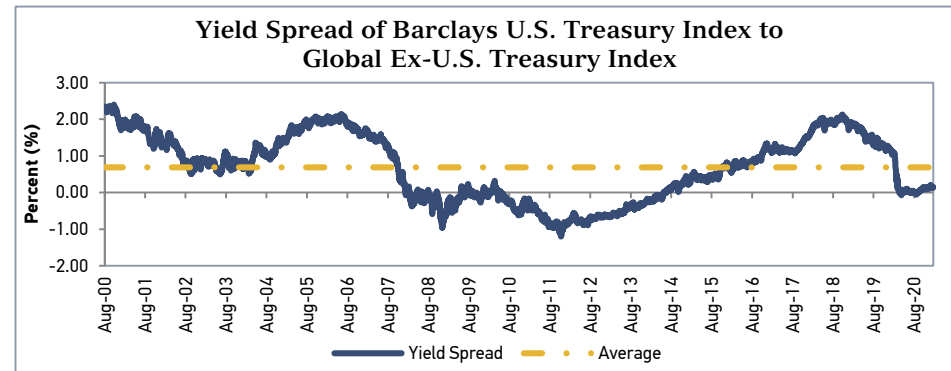
As of 01.31.2021; Source: FactSet



As of 01.31.2021; Source: Federal Reserve Board of Governors



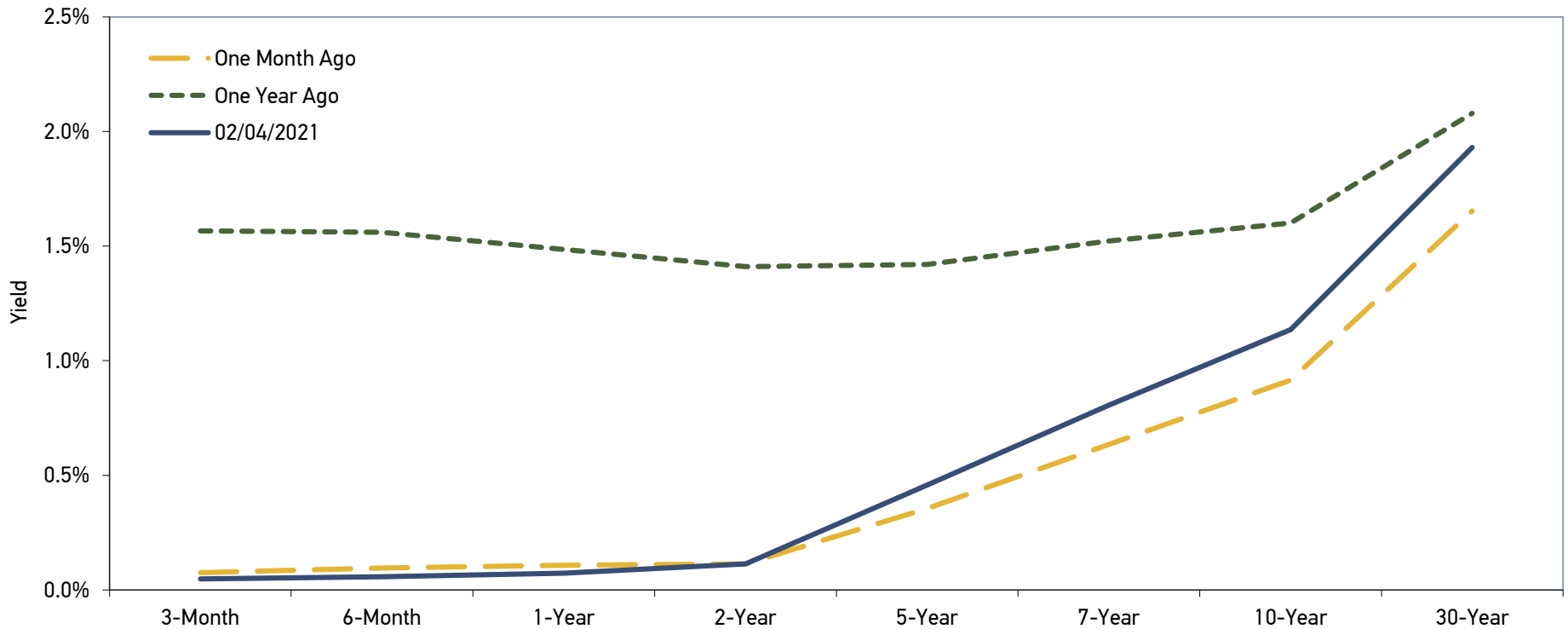
As of 01.31.2021; Source: Barclays



As of 02.04.2021; Source: Barclays

- Investment Grade and High Yield credit spreads were little changed in January and remain well below historical averages.
- Market inflation expectations as measured by TIPS breakeven rates moved significantly higher last month and now match historical averages.
- Emerging market debt spreads were essentially unchanged in January and are tight relative to the historical average. The yield spread of U.S. to Global Treasuries was little changed last month and remains below the historical average.

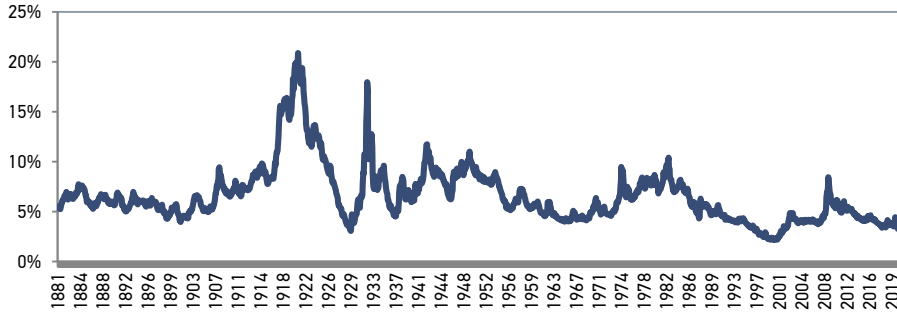
Note: Please see Appendix for important definitions.



- As of 02.04.2021, yields moved lower across the front of the curve and higher across the long end of the curve compared to a month earlier. The six month and one-year yields exhibited the sharpest decrease month-over-month, moving lower by four basis points. The 30-year yield increased by the widest margin month-over-month, increasing by 28 basis points.

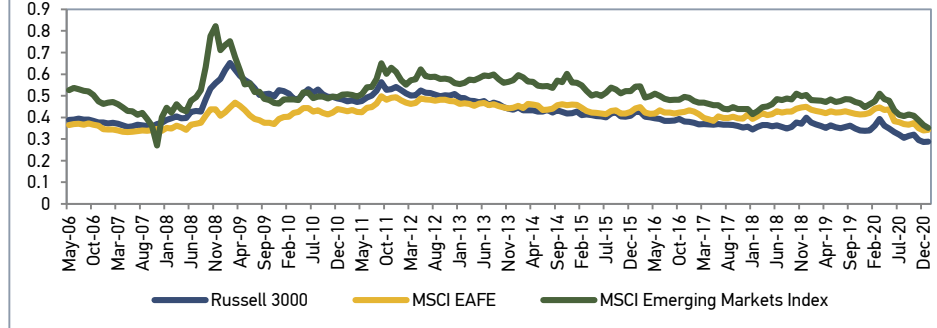


U.S. Cyclically Adjusted Earnings Yield



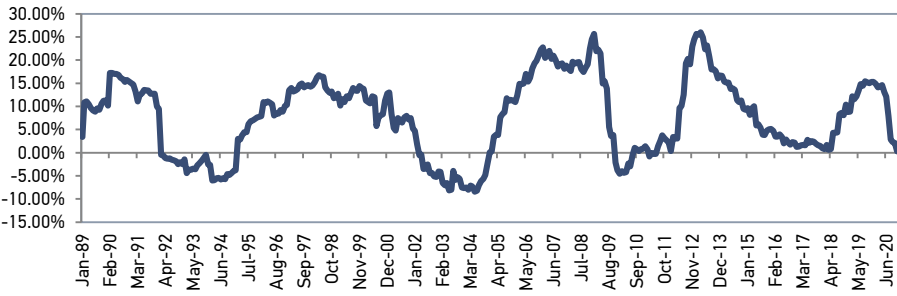
As of 01.31.2021; Source: Bloomberg, Online Data Robert Shiller "US Stock Markets 1871-Present and CAPE Ratio"

Revenue to Firm Value



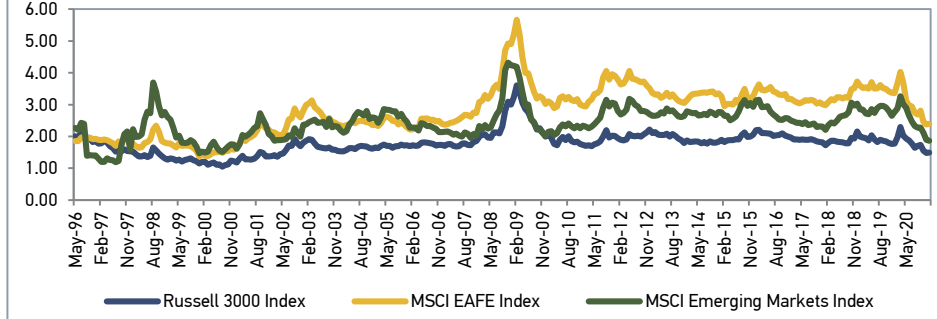
As of 01.31.2021; Source: Russell, MSCI

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



As of 01.31.2021; Source: FactSet, Russell, Bureau of Labor Statistics, Sterling Capital Analytics

Dividend Yield



As of 01.31.2021; Source: Russell, MSCI

- The U.S. cyclically adjusted earnings yield moved slightly higher last month but remains low relative to history.
- Long-term real U.S. sales growth has dropped significantly in recent months and now sits near zero, largely reflecting the impact of COVID-19.
- Global revenue-to-firm value ratios and dividend yields were little changed last month. International Developed and Emerging Market dividend yields provide a significant income advantage over U.S. yields.

Note: Please see Appendix for important definitions.

Appendix



Core Consumer Price Index: a measure of the aggregate price level in an economy

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-Year 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.



The volatility of an index varies greatly; all indices are unmanaged and investments cannot be made directly in an index. Indices are shown for illustrative purposes only and do not represent the performance of any specific investment. The indices selected by Sterling Capital Management to measure performance are representative of broad asset classes. Sterling Capital Management retains the right to change representative indices at any time.

The Bloomberg Barclays Emerging Markets Hard Currency Aggregate Index is a flagship hard currency Emerging Markets debt benchmark that includes USD-denominated debt from sovereign, quasi-sovereign, and corporate EM issuers.

The Bloomberg Barclays Global Treasury Ex US Hedged Index is comprised of securities issued by developed ex. US and emerging market governments. The index is hedged against constituent currencies versus the US dollar.

The Bloomberg Barclays U.S. Aggregate Bond Index is an unmanaged index composed of securities that are SEC-registered, taxable, and dollar denominated. The index covers the U.S. investment grade fixed rate bond market, with index components for government and corporate securities, mortgage pass-through securities, and asset-backed securities. It is not possible to invest in the Bloomberg Barclays U.S. Aggregate Bond Index, which is unmanaged and does not incur fees and charges.

The Bloomberg Barclays U.S. Corporate High Yield Index measures the US corporate market of non-investment grade, fixed-rate corporate bonds. Securities are classified as high yield if the middle rating of Moody's, Fitch, and S&P is Ba1/BB+/BB+ or below.

The Bloomberg Barclays US Credit Index measures the investment grade, US dollar-denominated, fixed-rate, taxable corporate and government related bond markets. It is composed of the US Corporate Index and a non-corporate component that includes foreign agencies, sovereigns, supranationals and local authorities.

The Bloomberg Barclays US Government Index is comprised of securities issued by the US government and its agencies with at least one year until final maturity.

The Bloomberg Barclays U.S. MBS Index covers the mortgage-backed pass-through securities of Ginnie Mae (GNMA), Fannie Mae (FNMA), and Freddie Mac (FHLMC). It is formed by grouping the universe of individual fixed rate MBS pools into generic aggregates.

The Bloomberg Barclays US Treasury Inflation-Linked Bond Index (Series-L) measures the performance of the US Treasury Inflation Protected Securities (TIPS) market. Federal Reserve holdings of US TIPS are not index eligible and are excluded from the face amount outstanding of each bond in the index.

The Bloomberg Commodity Index and related sub-indices are composed of futures contracts on physical commodities and represents 22 separate commodities traded on US exchanges, with the exception of aluminum, nickel and zinc.

The Dow Jones Equity All REIT Index is designed to measure all publicly traded real estate investment trusts in the Dow Jones U.S. stock universe classified as equity REITs according to the S&P Dow Jones Indices REIT Industry Classification Hierarchy. These companies are REITs that primarily own and operate income-producing real estate.

The MSCI ACWI Index is a free float-adjusted market capitalization weighted index that is designed to measure the equity market performance of developed and emerging markets.

The MSCI EAFE Index is a free float-adjusted market capitalization index that is designed to measure the equity market performance of developed markets, excluding the US and Canada.

The MSCI Emerging Markets Index is a free float-adjusted market capitalization index that is designed to measure equity market performance in the global emerging markets.

The MSCI Emerging Markets Growth Index captures large and mid cap securities exhibiting overall growth style characteristics across 26 Emerging Markets (EM) countries. The growth investment style characteristics for index construction are defined using five variables: long-term forward EPS growth rate, short-term forward EPS growth rate, current internal growth rate and long-term historical EPS growth trend and long-term historical sales per share growth trend.

The MSCI Emerging Markets Value Index captures large and mid cap securities exhibiting overall value style characteristics across 26 Emerging Markets (EM) countries. The value investment style characteristics for index construction are defined using three variables: book value to price, 12-month forward earnings to price and dividend yield.

The MSCI ACWI ex USA Growth Index captures large and mid cap securities exhibiting overall growth style characteristics across 22 Developed Markets (DM) countries and 26 Emerging Markets (EM) countries.

The MSCI World ex USA Small Cap Index captures small cap representation across 22 of 23 Developed Markets (DM) countries (excluding the United States). With 2,529 constituents, the index covers approximately 14% of the free float-adjusted market capitalization in each country.

The MSCI World ex USA Value Index captures large and mid cap securities exhibiting overall value style characteristics across 22 of 23 Developed Markets countries.

The Russell 2000® Growth Index measures the performance of growth style of investing in small cap U.S. stocks. The Growth Index contains those Russell 2000 securities with greater-than-average growth orientation.

The Russell 2000® Value Index measures the performance of value style of investing in small cap U.S. stocks. The Value Index contains those Russell 2000 securities with less-than-average growth orientation. Securities in the Value Index generally have lower price-to-book and price-to-earnings ratios than those in the Growth Index.

The Russell 3000® Index measures the performance of the 3,000 largest US companies based on total market capitalization.

The Russell Midcap® Growth Index measures the performance of growth styles of investing in Mid Cap U.S. stocks. The Growth Index contains those Russell Mid Cap securities with greater-than-average growth orientation.

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The Russell Top 200® Growth Index offers measures the performance of the especially large cap segment of the US equity universe represented by stocks in the largest 200 by market cap. It includes Russell Top 200® Index companies with higher growth earning potential as defined by Russell's leading style methodology.

The Russell Top 200 Index is an index of the largest 200 companies in the Russell 3000 index. It is commonly used as a benchmark index for U.S.-based ultra large-cap (mega-cap) stocks with the average member commanding a market capitalization of upwards of \$200 billion.

The S&P 500 is an unmanaged capitalization-weighted index of 500 U.S. stocks designed to measure performance of the broad domestic economy through changes in the aggregate market value of 500 stocks representing all major industries.

The Trade-Weighted US Dollar Index, also known as the broad index, is a measure of the value of the United States dollar relative to other world currencies. It is a trade weighted index that improves on the older U.S. Dollar Index by using more currencies and the updating the weights yearly.



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