



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

- With the exception of U.S. growth indices, returns were positive across the equity opportunity set during the month of May. The MSCI World Ex USA Value and Growth indices, along with the Russell 2000 Value Index, produced the highest returns in the opportunity set during the month with the MSCI World Ex USA Value Index returning 3.73%, the MSCI World Ex USA Growth Index returning 3.18% and the Russell 2000 Value Index returning 3.11%. As noted, U.S. growth indices lagged the rest of the opportunity set during May with the Russell 2000 Growth Index returning -2.86%, Russell Mid Cap Growth Index returning -1.53% and Russell Top 200 Growth Index returning -1.35%.
- Passively-managed funds have outperformed their active counterparts on a year-to-date basis in all categories of the opportunity set, save for Foreign Large Blend and U.S. Large Blend. Year-to-date, active strategies in the opportunity set have underperformed passive strategies by an average of 0.79%.
- U.S. growth outperformance on a rolling five-year basis relative to value moved lower during the month of May, but remains elevated relative to levels seen after 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

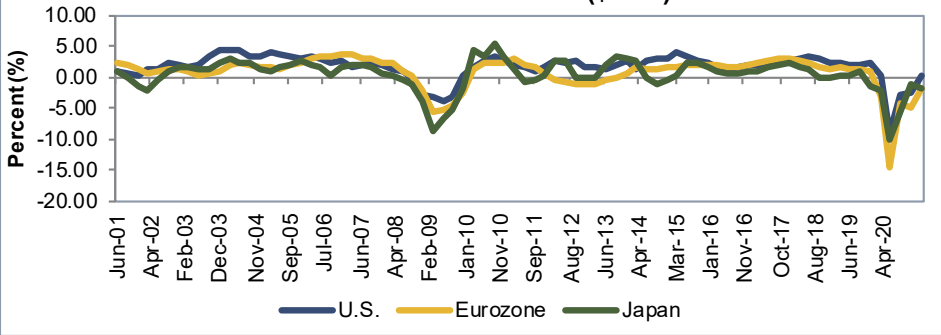
- Returns were mostly positive within the fixed income opportunity set during the month of May with the Bloomberg Barclays U.S. MBS Index being the only constituent to post a negative return for the month. The Bloomberg Barclays U.S. TIPS Index led the opportunity set during the month with a return of 1.21%, followed by the Bloomberg Barclays Emerging Markets USD Aggregate Index, which returned 0.92% and the Bloomberg Barclays U.S. Credit Index, which returned 0.72%. The Bloomberg Barclays U.S. MBS Index with a return of -0.18%, Bloomberg Barclays Global Treasury Ex US Index with a return of 0.12% and the Bloomberg Barclays U.S. Corporate High Yield Index with a return of 0.30% lagged the remaining components of the opportunity set during the month.
- The ten-year yield moved lower during the month of May in the U.S. and U.K. while Germany, France and Italy experienced an increase in the ten-year yield during the month. The ten-year yield in both the U.S. and U.K. decreased by five basis points month-over-month, leaving the ten-year yield as of 05.31.2021 in the U.S. at 1.58% and the U.K. at 0.79%. The German ten-year yield increased by four basis points to -0.17% during May while the French ten-year yield increased by three basis points to 0.19%, and the Italian ten-year increased by one basis point to 0.92%.
- Municipal/Treasury ratios increased across the opportunity set during the month of May with the three-year ratio exhibiting the most pronounced increase, having risen from 56.21 to 69.77 month-over-month in May. Municipal/Treasury ratios remain below their five-year average across the opportunity set as of 05.31.2021.

Stock Indices	YTD	Bond Indices	YTD	Other Indices	YTD	U.S. Treasury Yields	Rates/Commodities		
MSCI ACWI IMI	11.34%	Barclays US Aggregate	-2.29%	US Fund Multialternative	5.47%	6-month	0.03%	Prime Rate	3.25%
Russell 3000	12.34%	Barclays Gbl Treas xUS Hdg	-2.15%	DJ Equity All REIT	17.92%	1-year	0.05%	LIBOR (3 Mo)	0.13%
S&P 500	12.62%	Barclays US TIPS	1.12%	Bloomberg Commodity	18.94%	3-year	0.30%	Oil Price (\$/barrel)	\$66.32
MSCI EAFE	10.07%	Barclays US High Yield	2.25%			5-year	0.79%	Gold (\$/t oz)	\$1,905.30
MSCI EM	7.26%	Barclays EM Aggregate	-1.30%			10-year	1.58%		
						30-year	2.26%		

As of 05.31.2021; Sources: Morningstar, FactSet, Russell Investments, MSCI, S&P, Barclays, U.S. Department of Treasury
Asset allocation and diversification do not assure a profit or protect against loss in declining financial markets.

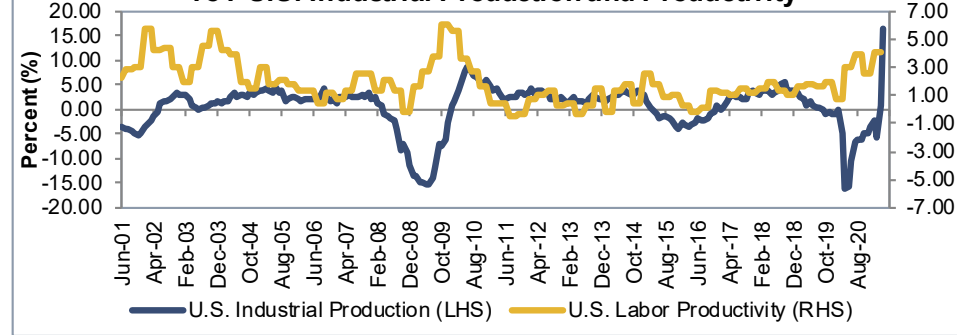


YOY Real GDP Growth (\$U.S.)



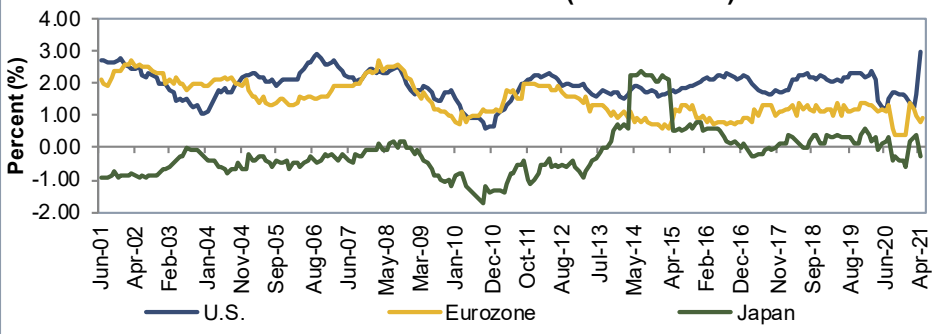
As of 03.31.2021. Source: FactSet.

YoY U.S. Industrial Production and Productivity



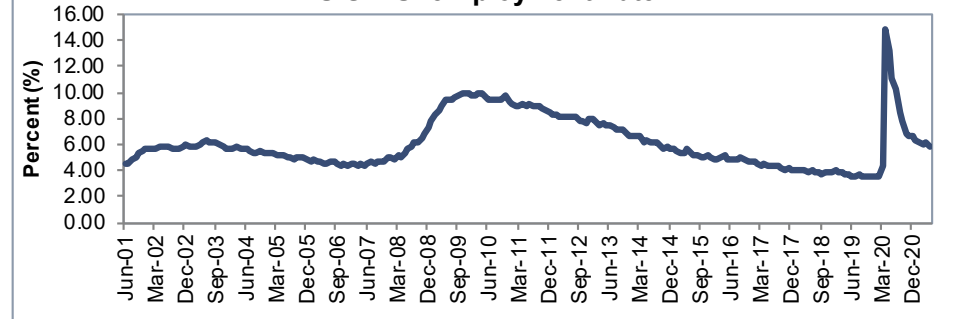
Industrial Production as of 04.30.2021, Labor Productivity as of 03.31.2021. Source: FactSet.

Core Consumer Price Index (YoY Growth)



U.S. and Japan as of 04.30.2021, Eurozone as of 05.31.2021. Source: FactSet. The sudden increase in Japan CPI growth in 2014 coincided with an increase in national sales tax that impacted final price levels.

U.S. - Unemployment Rate



As of 05.31.2021. Source: FactSet.

- Strong employment growth resumed in May, resulting in a drop in the unemployment rate to 5.8%.
- First quarter U.S. economic growth was strong and GDP growth is now positive on a year-over-year basis. Growth in Europe is improving but continues to lag the U.S.
- Inflation metrics continue to be volatile. Core U.S. inflation was very strong in April, resulting in a large jump in year-over-year inflation. European core inflation ticked higher in May after having declined during the three previous months, while year-over-year price growth in Japan turned negative after showing strength in prior months.
- U.S. industrial production data has been volatile in recent months. Year-over-year industrial production spiked to over 16% as the economic recovery continues and due to base effects from the significant weakness last year.

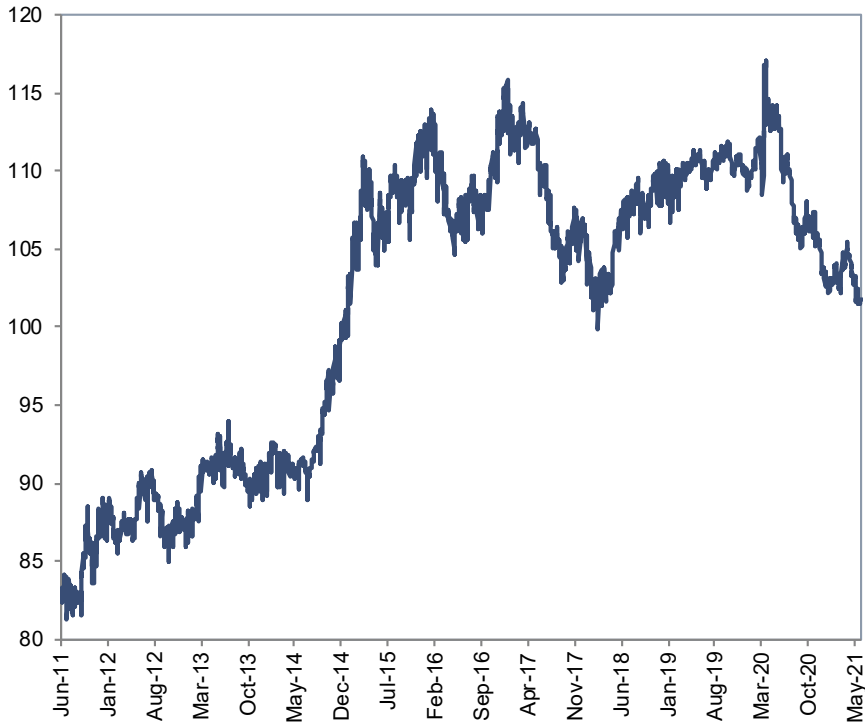


Leading	Initial Jobless Claims	<ul style="list-style-type: none"> In the week ending May 28, the four-week moving average of Initial Jobless Claims was 385,000, a decrease of 30,500 from the previous week's revised average.
	Manufacturing	<ul style="list-style-type: none"> ISM Manufacturing registered 61.2% in April, a 0.4 percentage point increase over the previous reading. A reading below 50.0% indicates contraction. ISM Manufacturing New Orders registered 64.3% in April, a 3.7 percentage point decrease over the previous reading. ISM Non-Manufacturing registered 62.7% in April, a 1.0 percentage point decrease over the previous reading.
Coincident	Housing/Construction	<ul style="list-style-type: none"> Building permits were down -1.3% in April and have risen 58.4% over the past year.
	Consumer Confidence	<ul style="list-style-type: none"> The Consumer Confidence Index declined in May to 117.2 compared to 117.5 in the previous month.
	Nonfarm Payrolls	<ul style="list-style-type: none"> Total Nonfarm Payroll employment rose by 559,000 in May while the unemployment rate decreased to 5.8%.
	Industrial Production	<ul style="list-style-type: none"> Industrial Production increased 0.67% in April and is up 16.49% over the past year.
	Personal Income	<ul style="list-style-type: none"> Real Disposable Personal Income decreased -15.10% in April and is down -4.43% over the past year.
Lagging	Ratio of Consumer Installment Credit to Personal Income	<ul style="list-style-type: none"> This ratio increased 8.4% in April and is down -3.3% 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 0.8% in April and is up 4.2% over the trailing one-year period. CPI (Core) rose 0.9% in April and is up 3.0% over the trailing one-year period.

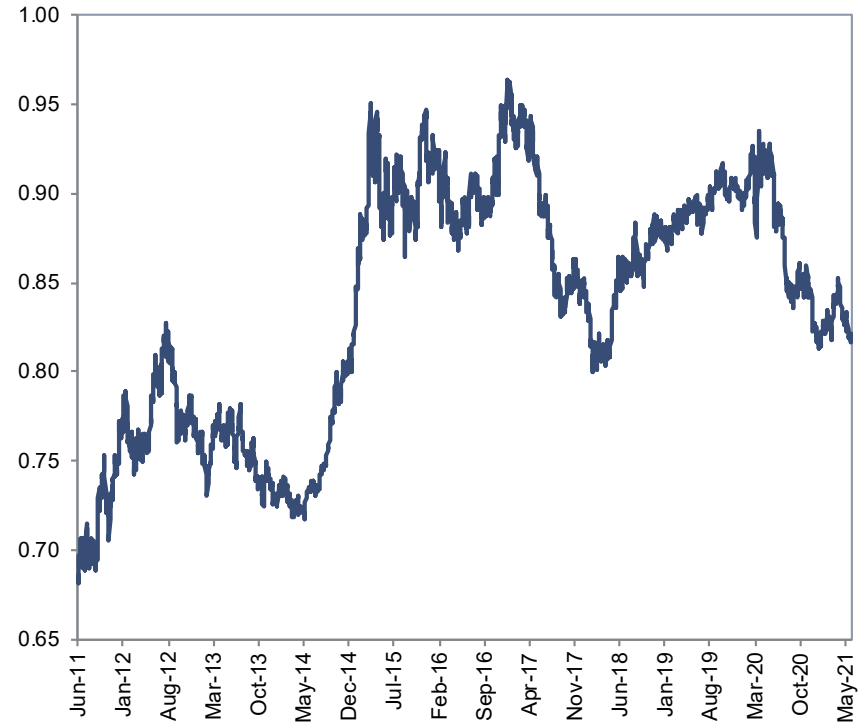
Source: FactSet.



Nominal Trade-Weighted U.S. Dollar Major Currencies



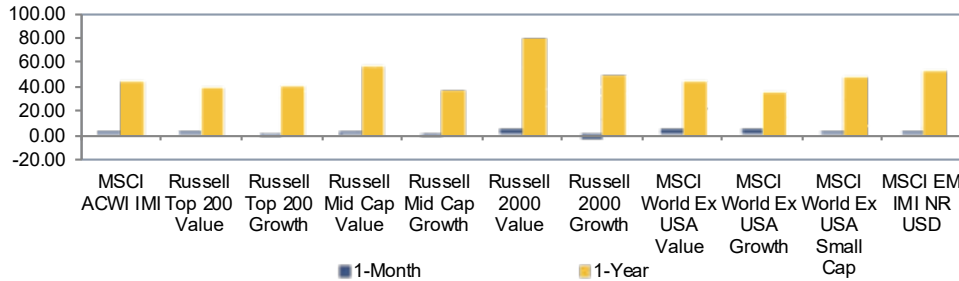
Euro per U.S. Dollar



- The Trade-Weighted U.S. Dollar Index (Major Currencies) declined -1.1% in May and the index declined -2.0% year-to-date. The dollar declined -1.5% versus the Euro in May.



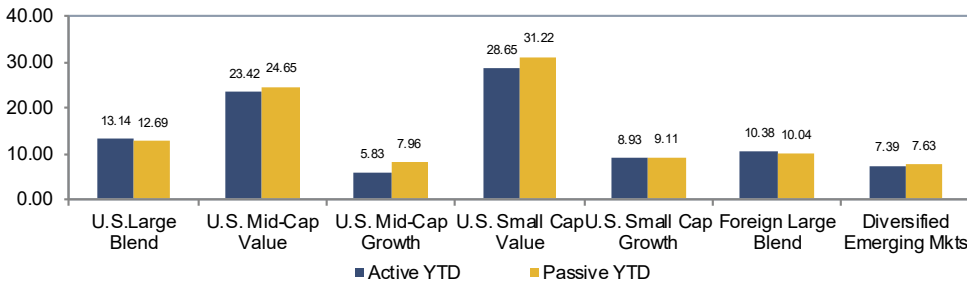
Equity Market Performance



- With the exception of U.S. growth indices, returns were positive across the equity opportunity set during the month of May. The MSCI World Ex USA Value and Growth indices, along with the Russell 2000 Value Index, produced the highest returns in the opportunity set during the month with the MSCI World Ex USA Value Index returning 3.73%, the MSCI World Ex USA Growth Index returning 3.18% and the Russell 2000 Value Index returning 3.11%. As noted, U.S. growth indices lagged the rest of the opportunity set during May with the Russell 2000 Growth Index returning -2.86%, Russell Mid Cap Growth Index returning -1.53% and Russell Top 200 Growth Index returning -1.35%.

As of 05.31.2021. Source: Morningstar, Russell Investments.

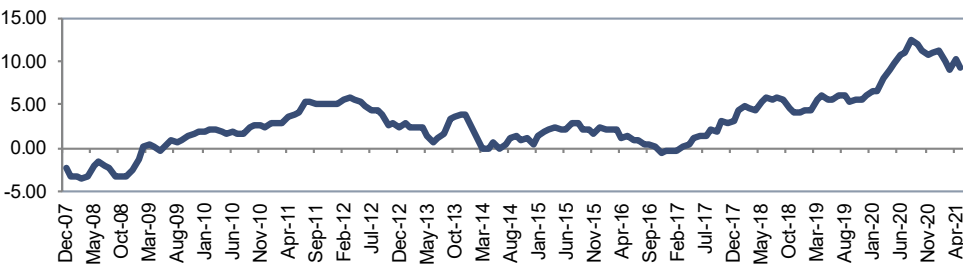
Active vs. Passive



- Passively-managed funds have outperformed their active counterparts on a year-to-date basis in all categories of the opportunity set, save for Foreign Large Blend and U.S. Large Blend. Year-to-date, active strategies in the opportunity set have underperformed passive strategies by an average of 0.79%.

As of 05.31.2021. Source: Morningstar, Russell Investments. Median return of Morningstar open-end fund category (institutional share class). Russell return of U.S. categories.

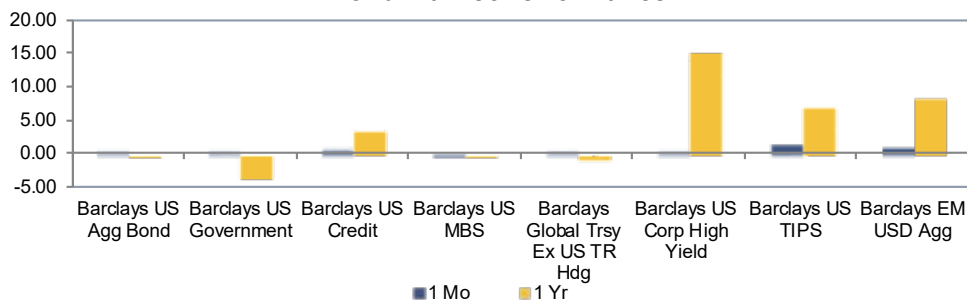
Rolling 5-Year Return Differential Russell 3000 Growth minus Russell 3000 Value



- U.S. growth outperformance on a rolling five-year basis relative to value moved lower during the month of May, but remains elevated relative to levels seen after 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.

As of 05.31.2021. Source: Morningstar.

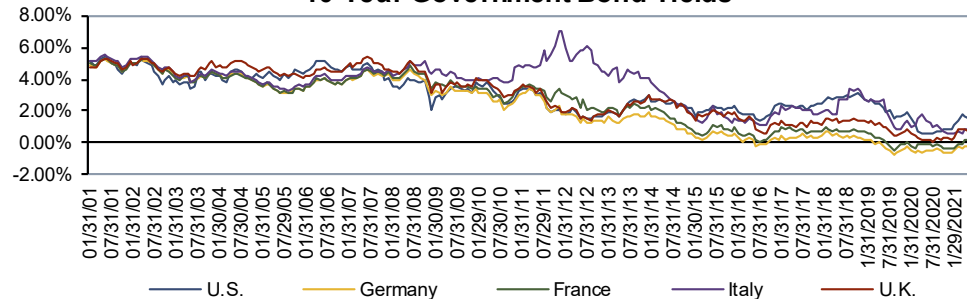
Bond Market Performance



- Returns were mostly positive within the fixed income opportunity set during the month of May with the Bloomberg Barclays U.S. MBS Index being the only constituent to post a negative return for the month. The Bloomberg Barclays U.S. TIPS Index led the opportunity set during the month with a return of 1.21%, followed by the Bloomberg Barclays Emerging Markets USD Aggregate Index, which returned 0.92% and the Bloomberg Barclays U.S. Credit Index, which returned 0.72%. The Bloomberg Barclays U.S. MBS Index with a return of -0.18%, Bloomberg Barclays Global Treasury Ex US Index with a return of 0.12% and the Bloomberg Barclays U.S. Corporate High Yield Index with a return of 0.30% lagged the remaining components of the opportunity set during the month.

As of 05.31.2021. Source: Morningstar, Barclays.

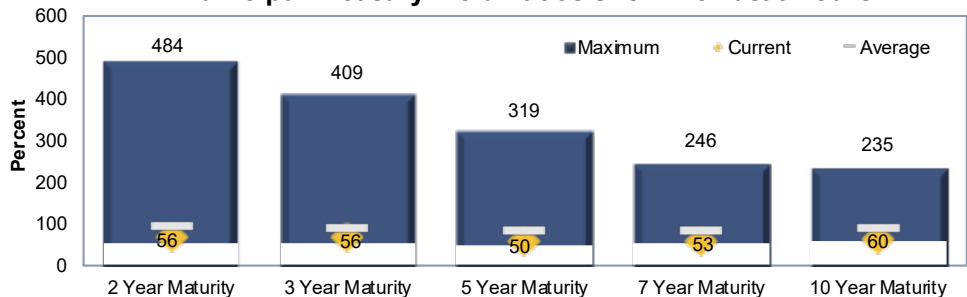
10-Year Government Bond Yields



- The ten-year yield moved lower during the month of May in the U.S. and U.K. while Germany, France and Italy experienced an increase in the ten-year yield during the month. The ten-year yield in both the U.S. and U.K. decreased by five basis points month-over-month, leaving the ten-year yield as of 05.31.2021 in the U.S. at 1.58% and the U.K. at 0.79%. The German ten-year yield increased by four basis points to -0.17% during May while the French ten-year yield increased by three basis points to 0.19%, and the Italian ten-year yield increased by one basis point to 0.92%.

As of 05.31.2021. Source: FactSet, U.S. Department of Treasury.

Municipal/Treasury Yield Ratios Over The Last 5 Years

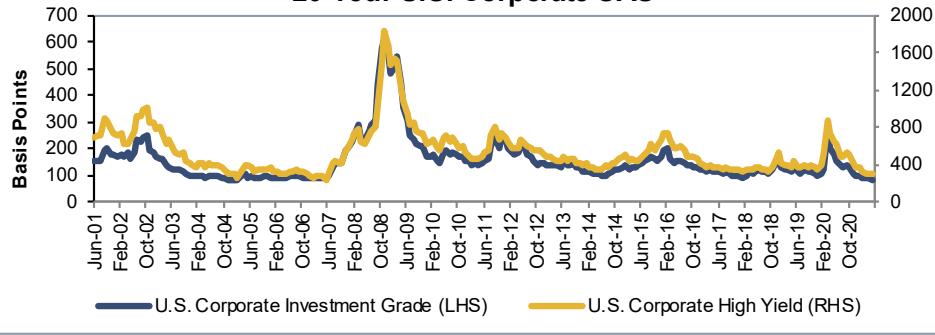


- Municipal/Treasury ratios increased across the opportunity set during the month of May with the three-year ratio exhibiting the most pronounced increase, having risen from 56.21 to 69.77 month-over-month in May. Municipal/Treasury ratios remain below their five-year average across the opportunity set as of 05.31.2021.

As of 05.31.2021. Source: Thompson Reuters; Sterling Capital Management Analytics.

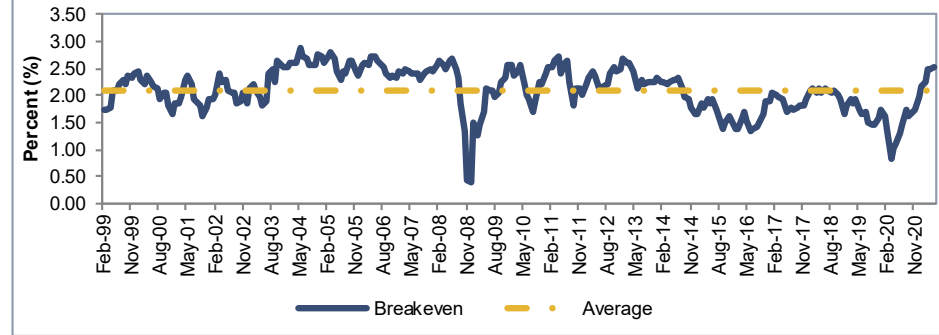


20-Year U.S. Corporate OAS



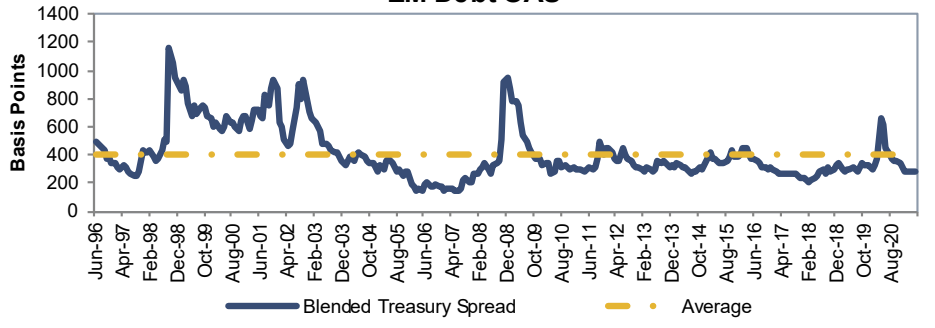
As of 05.31.2021. Source: FactSet.

10-Year TIPS Breakeven



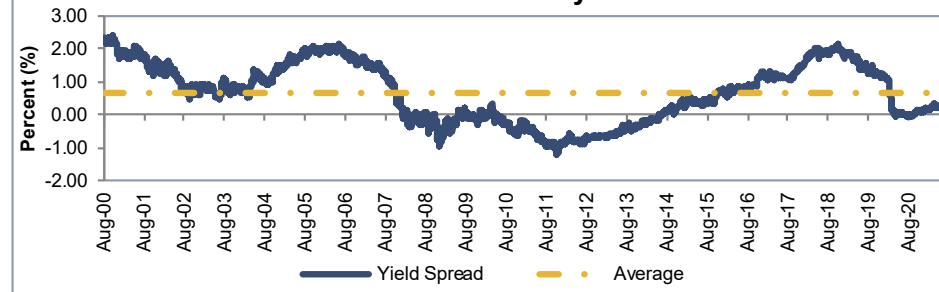
As of 05.31.2021. Source: Federal Reserve Board of Governors.

EM Debt OAS



As of 05.31.2021. Source: Barclays.

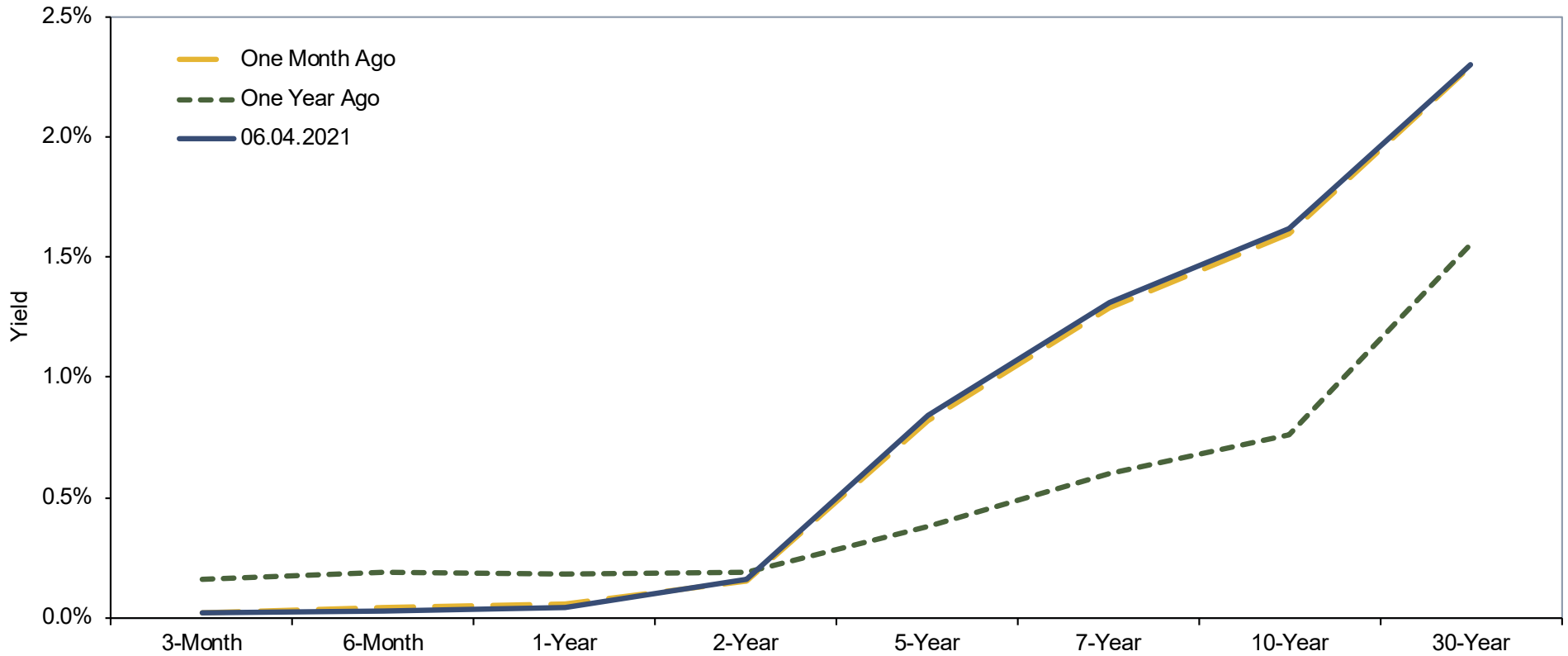
Yield Spread of Barclays U.S. Treasury Index to Global Ex-U.S. Treasury Index



As of 05.31.2021. Source: Barclays.

- Investment grade credit spreads continued to grind tighter in May, but high yield spreads moved mildly higher. Credit spreads remain well below long-term averages.
- Market inflation expectations as measured by TIPS breakeven rates were little changed in May, but have surged higher over the past year.
- Emerging market debt spreads have held steady for several months and remain low relative to the historical average. The yield spread of U.S. to Global Treasuries was little changed in May.

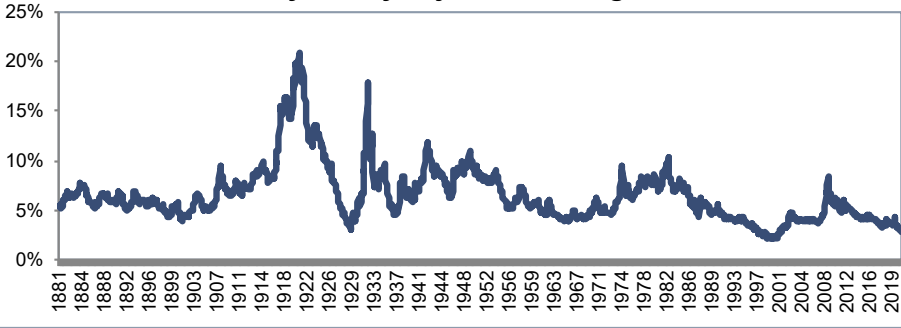
Please see Appendix for important definitions.



- As of 06.04.2021, Treasury yields at the front end of the curve moved slightly lower compared to a month earlier while yields in the belly and long end of the curve moved higher by one to two basis points month-over-month.

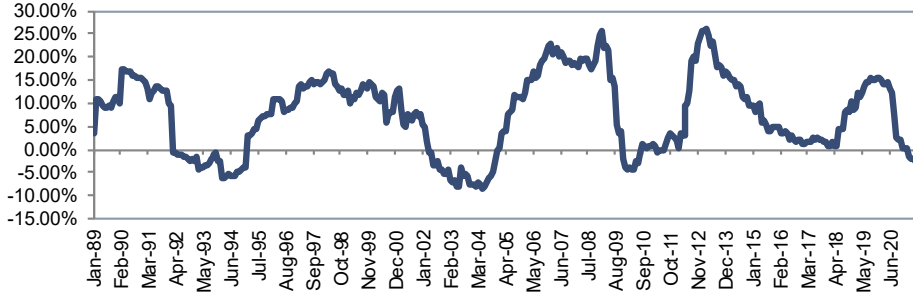


U.S. Cyclically Adjusted Earnings Yield



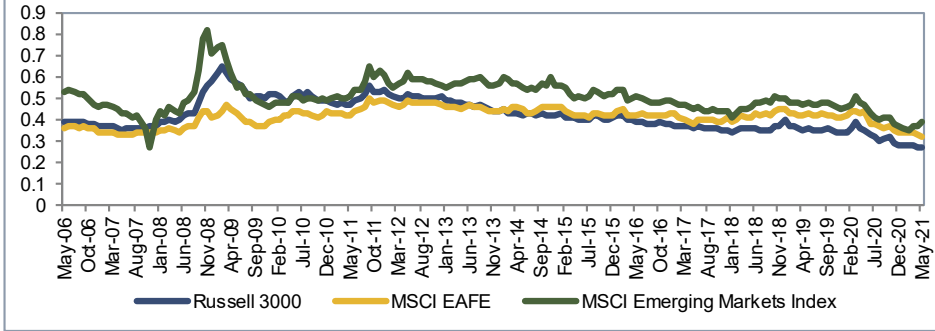
As of 05.31.2021. Source: Bloomberg, Robert Shiller "US Stock Markets 1871-Present and CAPE Ratio."

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



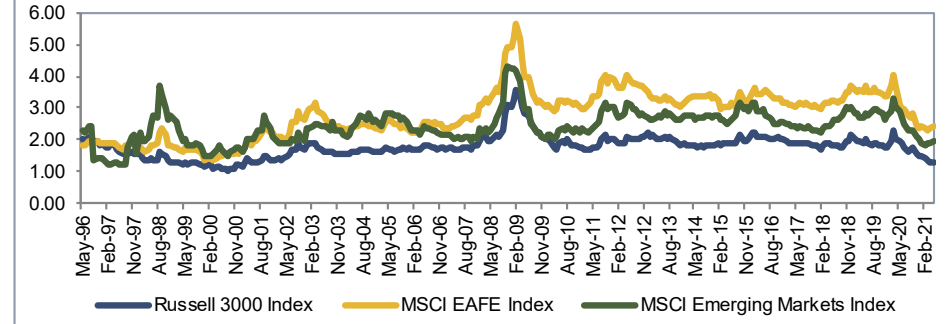
As of 05.31.2021. Source: FactSet, Russell, Bureau of Labor Statistics, Sterling Capital Analytics.

Revenue to Firm Value



As of 05.31.2021. Source: Russell, MSCI.

Dividend Yield



As of 05.31.2021. Source: Russell, MSCI.

- Overall, valuation metrics are rich across global equity markets as price increases are leading the expected continued recovery in sales and profits.
- The U.S. cyclically adjusted earnings yield declined slightly in May and is at very low levels relative to the long-term history.
- Long-term real U.S. sales growth has dropped significantly in recent months and is now mildly negative, largely reflecting the impact of COVID-19. We expect sales growth to improve in coming months as the economic recovery is further reflected in financial results.
- Revenue-to-firm value ratios were little changed in developed markets but moved higher in Emerging Markets in May. For the second consecutive month, dividend yields moved lower in the U.S. but higher in international markets. International developed and emerging market dividend yields provide a significant income advantage over U.S. yields.

Please see Appendix for important definitions. 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.

Appendix



Core Consumer Price Index: a measure of the aggregate price level in an economy, excluding certain volatile items.

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, supnationals 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.

The Russell Midcap® Value Index measures the performance of value style of investing in Mid Cap U.S. stocks. The Value Index contains those Russell Mid Cap 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 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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Disclosures

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

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