



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

- The month of October yielded mixed results for the constituents of the equity opportunity set as markets focused on the upcoming U.S. election and rising COVID-19 cases. Top performers in the opportunity set were the Russell 2000 Value Index, which returned 3.58%, the MSCI Emerging Markets Growth Index, which returned 2.98% and the Russell Mid Cap Value Index, which returned 0.93%. The worst performers in the opportunity set were the Russell Top 200 Growth Index, which returned -4.12%, the MSCI Ex. US Growth Index, which returned -4.07% and the MSCI World Ex. US Value Index, which returned -3.78%.
- Save for the U.S. large blend category, active categories in the active/passive opportunity set continued their year-to-date outperformance of passive categories. Average year-to-date outperformance of active versus passive constituents increased to 4.01% during the month of October.
- U.S. growth outperformance on a rolling five-year basis relative to value decreased month-over-month in October but 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.

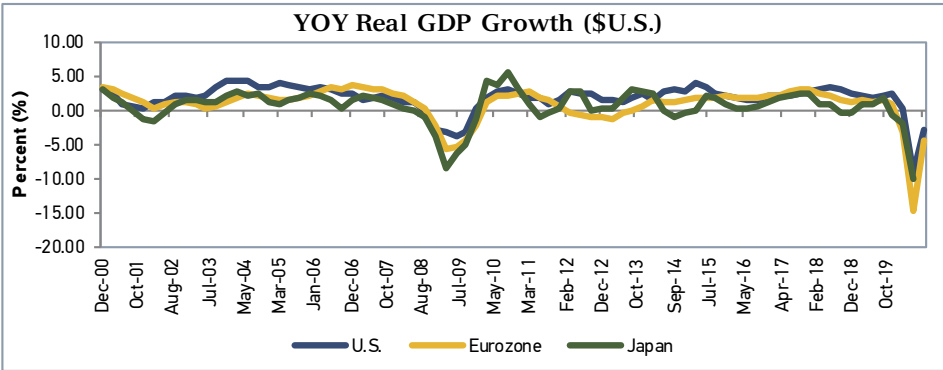
FIXED INCOME HIGHLIGHTS

- Performance within the fixed income opportunity set was primarily negative during the month of October. Top performers within the opportunity set were the Bloomberg Barclays US Corporate High Yield Index, which returned 0.51%, the Bloomberg Barclays Global Treasury Ex. US Hedged Index, which returned 0.27% and the Bloomberg Barclays US Mortgage Backed Index, which returned -0.04%. The worst performers in the opportunity set were the Bloomberg Barclays US Gov. Index, which returned -0.92%, the Bloomberg Barclays US TIPS Index, which returned -0.65% and the Bloomberg Barclays US Agg. Index, which returned -0.45%.
- Ten-year government bond yields moved higher in the U.S. and U.K. during the month of October while ten-year yields moved lower in Italy, Germany and France. The U.S. ten-year yield increased by 17 basis points to 0.85% while the ten-year yield in the U.K. increased by 5 basis points to 0.27%. The ten-year yield in Italy fell by the widest margin having fallen 14 basis points to 0.73% followed by a 9 basis point decrease to -0.62% in Germany and an 8 basis point decrease to -0.33% in France.
- Municipal/Treasury ratios moved higher across the front of the opportunity set and lower across the long end of the opportunity set during October. The two-year Municipal/Treasury ratio exhibited the sharpest increase having increased from 104 to 137.25 in October. The ten-year Municipal/Treasury ratio decreased by the widest margin having declined from 128.51 to 109.15 in October. Save for the five-year, Municipal /Treasury ratios remained above their long term average as of 10.31.20.

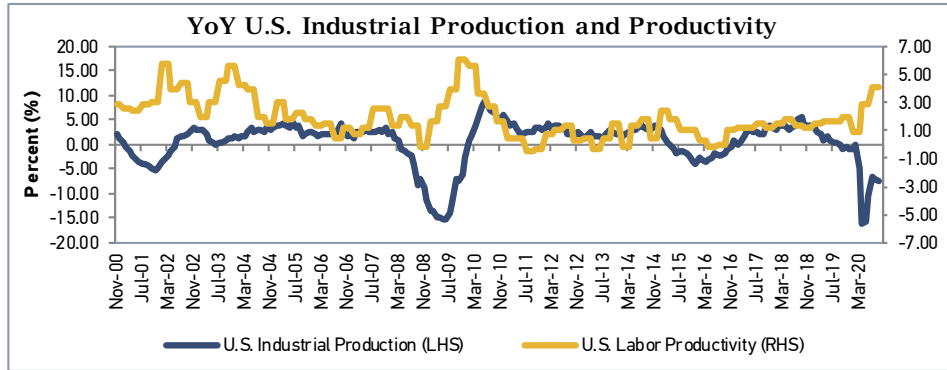
Stock Indexes	YTD	Bond Indexes	YTD	Other Indexes	YTD	U.S. Treasury Yields	Rates/Commodities		
MSCI ACWI IMI	-1.70%	Barclays US Aggregate	6.32%	US Fund Multialternative	-3.02%	6-month	0.11%	Prime Rate	3.25%
Russell 3000	3.14%	Barclays Gbl Treas xUS Hdg	3.26%	DJ Equity All REIT	-14.98%	1-year	0.13%	LIBOR (3 Mo)	0.22%
S&P 500	2.77%	Barclays US TIPS	8.52%	Bloomberg Commodity	-10.85%	3-year	0.19%	Oil Price (\$/barrel)	\$35.79
MSCI EAFE	-10.80%	Barclays US High Yield	1.13%			5-year	0.38%	Gold (\$/t oz)	\$1,879.90
MSCI EM	0.87%	Barclays EM Aggregate	1.81%			10-year	0.88%		
						30-year	1.65%		

As of 10.31.2020; Source: Morningstar, FactSet, Russell Investments, Barclays, U.S. Department of Treasury

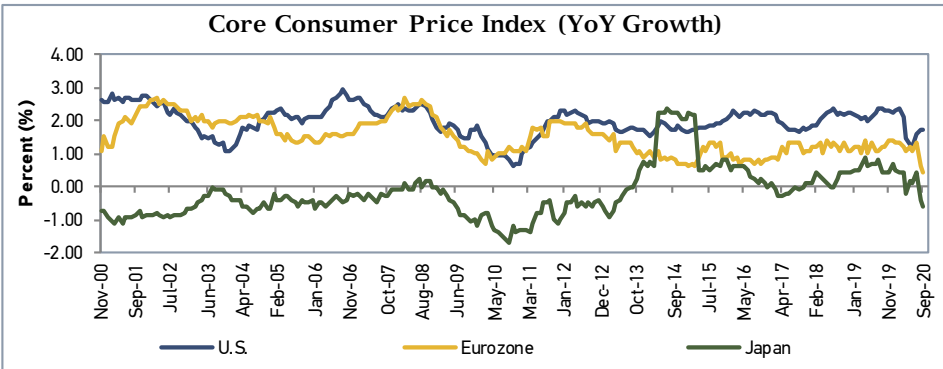
Asset allocation and diversification do not assure a profit or protect against loss in declining financial markets.



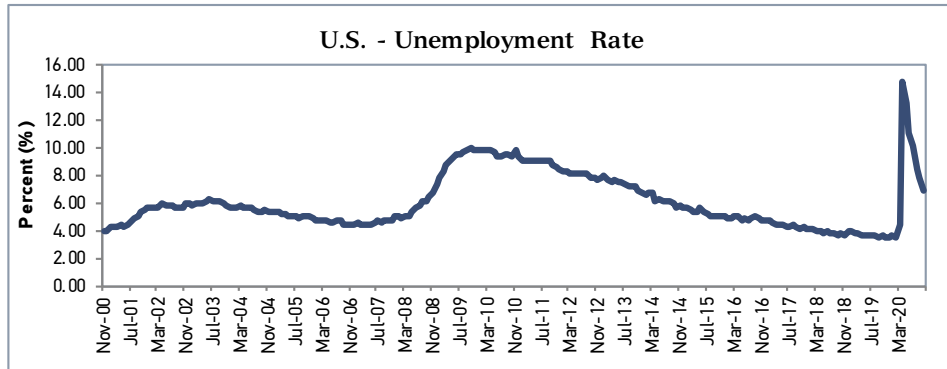
U.S. and Eurozone as of 09.30.2020, Japan as of 06.30.2020; Source: FactSet



As of 09.30.2020; Source: FactSet



As of 09.30.2020; 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 10.31.2020; Source: FactSet

- Economic data continues to reflect the recovery from the huge negative impacts of COVID-19.
- The unemployment rate declined to 6.9% in September, a full percentage point lower than August and well below the peak rate of 14.7% in April.
- GDP Growth bounced back strongly in the third quarter but remains negative on a year-over-year basis. U.S. Growth has exceeded Europe.
- U.S. core inflation was steady in September and remains at normal levels after dropping with the onset of the pandemic. Inflation in Europe and Japan, however, has fallen significantly in the past two months.
- U.S. Industrial production growth was negative for the month of September and is lagging the overall U.S. economic recovery.

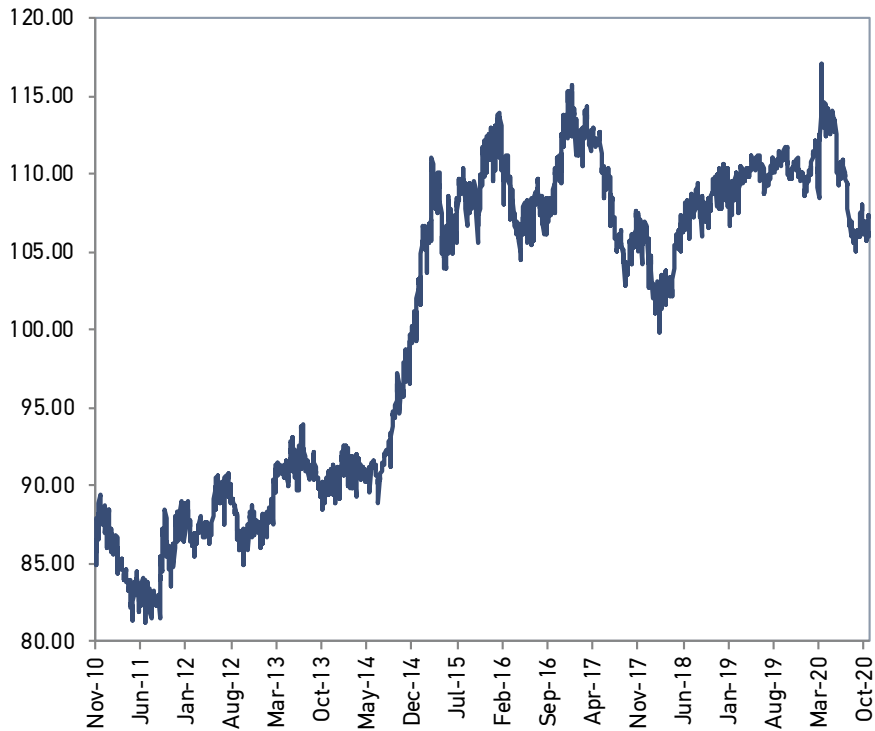
Note: Please see Appendix for important definitions.



Leading	Initial Jobless Claims	<ul style="list-style-type: none">In the week ending October 30th the four-week moving average of Initial Jobless Claims was 787,000 a decrease of 4,000 from the previous week's revised average.
	Manufacturing	<ul style="list-style-type: none">ISM Manufacturing registered 59.3% in October a 3.9 percentage point increase over the previous reading. A reading below 50.0% indicates contraction.ISM Manufacturing New Orders registered 67.9% in October a 7.7 percentage point increase over the previous reading.ISM Non-Manufacturing registered 56.6% in October a 1.2 percentage point decrease over the previous reading.
	Housing/Construction	<ul style="list-style-type: none">Building permits rose 4.7% in September and have risen 7.5% over the past year.
Coincident	Consumer Confidence	<ul style="list-style-type: none">The Consumer Confidence Index fell in October to 100.9 compared to 101.3 in the previous month.
	Nonfarm Payrolls	<ul style="list-style-type: none">Total Nonfarm Payroll employment rose 638,000 in October while the unemployment rate fell to 6.9%.
	Industrial Production	<ul style="list-style-type: none">Industrial Production fell 0.6% in September and is down 7.3% over the past year.
	Personal Income	<ul style="list-style-type: none">Real Disposable Personal Income rose 0.7% in September and is up 5.5% over the past year.
Lagging	Ratio of Consumer Installment Credit to Personal Income	<ul style="list-style-type: none">This ratio was unchanged through September and down 4.2% 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 September and is up 1.4% over the trailing one year period.CPI (Core) rose 0.2% in September and is up 1.7% over the trailing one year period.



Nominal Trade-Weighted U.S. Dollar Major Currencies



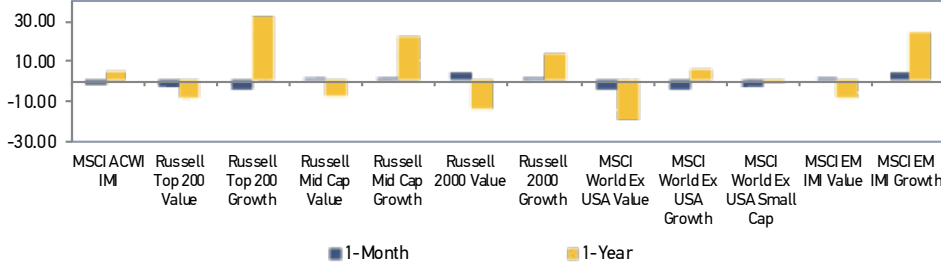
Euro per U.S. Dollar



- The Trade-Weighted U.S. Dollar Index (Major Currencies) fell 0.2% in October and the index rose 1.2% year-to-date. The dollar fell 0.7% versus the Euro in October.



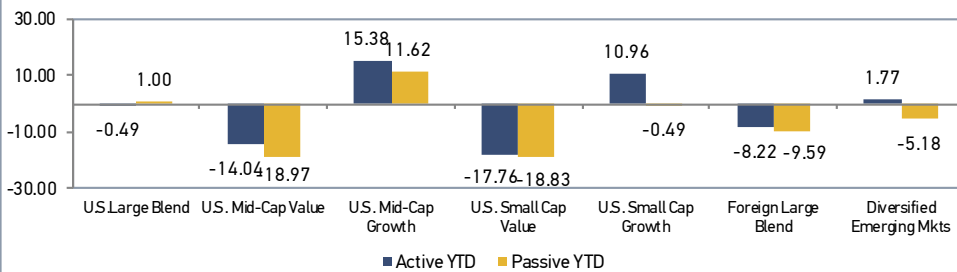
Equity Market Performance
As of 10.31.2020



- The month of October yielded mixed results for the constituents of the equity opportunity set as markets focused on the upcoming U.S. election and rising COVID-19 cases. Top performers in the opportunity set were the Russell 2000 Value Index, which returned 3.58%, the MSCI Emerging Markets Growth Index, which returned 2.98% and the Russell Mid Cap Value Index, which returned 0.93%. The worst performers in the opportunity set were the Russell Top 200 Growth Index, which returned -4.12%, the MSCI Ex. US Growth Index, which returned -4.07% and the MSCI World Ex. US Value Index, which returned -3.78%.

Source: Morningstar, Russell Investments

Active vs. Passive
As of 10.31.2020

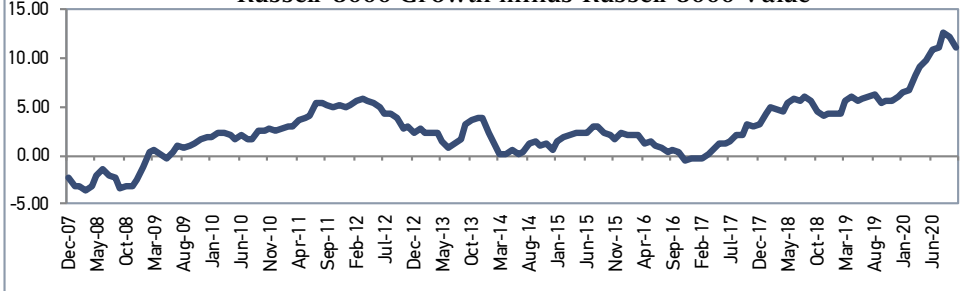


- Save for the U.S. large blend category, active categories in the active/passive opportunity set continued their year-to-date outperformance of passive categories. Average year-to-date outperformance of active versus passive constituents increased to 4.01% during the month of October.

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

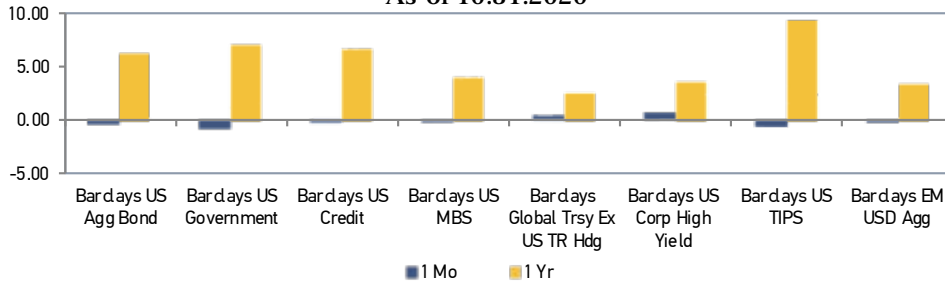


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As of 10.31.2020; Source: Morningstar



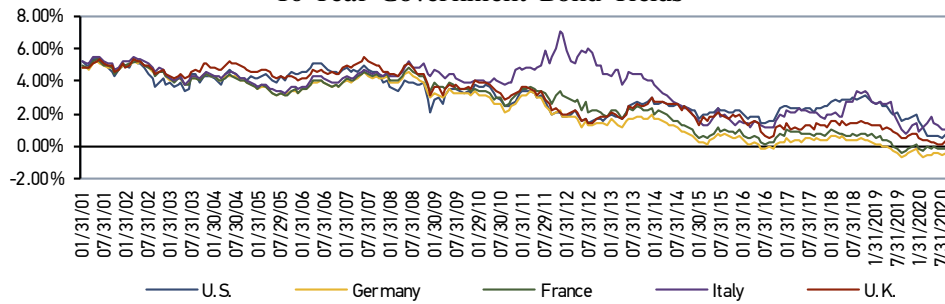
Bond Market Performance
As of 10.31.2020



Source: Morningstar, Barclays

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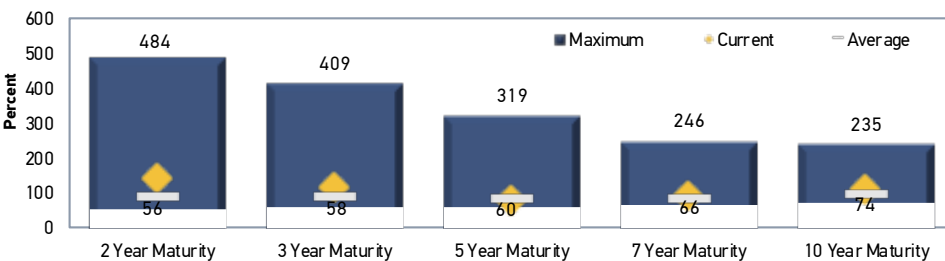
10-Year Government Bond Yields



As of 10.31.2020; Source: FactSet, U.S. Department of Treasury

- Ten-year government bond yields moved higher in the U.S. and U.K. during the month of October while ten-year yields moved lower in Italy, Germany and France. The U.S. ten-year yield increased by 17 basis points to 0.85% while the ten-year yield in the U.K. increased by 5 basis points to 0.27%. The ten-year yield in Italy fell by the widest margin having fallen 14 basis points to 0.73% followed by a 9 basis point decrease to -0.62% in Germany and an 8 basis point decrease to -0.33% in France.

Municipal/Treasury Yield Ratios Over The Last 5 Years
As of 10.31.2020

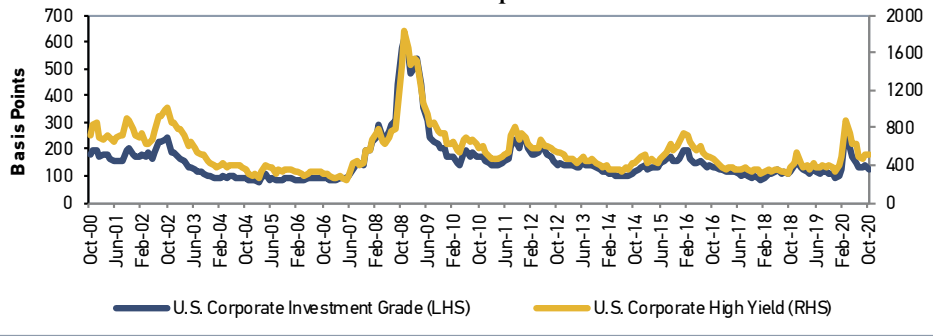


Source: Thompson Reuters; Sterling Capital Management Analytics.

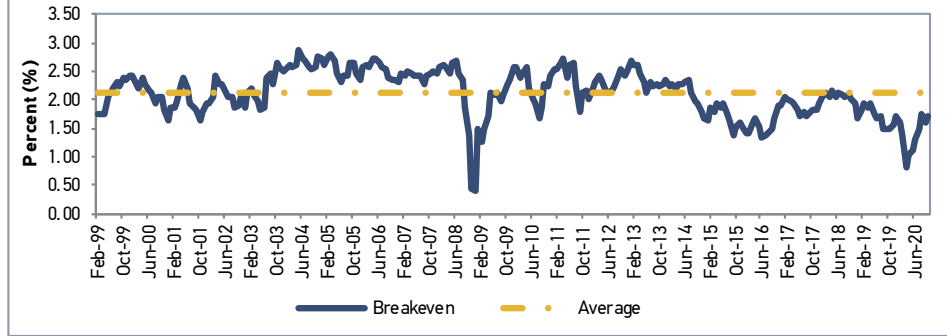
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20-Year U.S. Corporate OAS



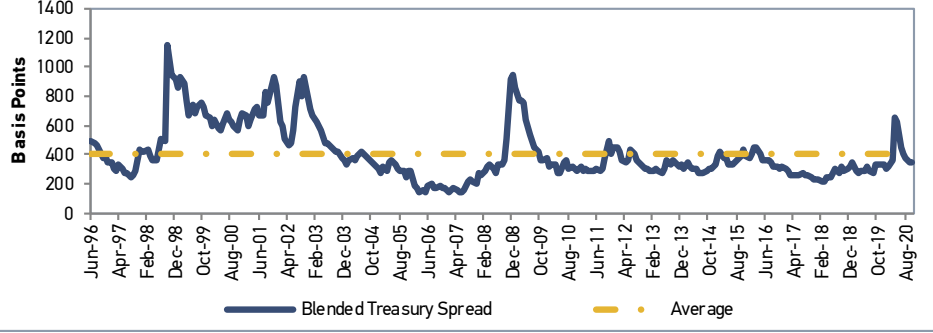
10-Year TIPS Breakeven



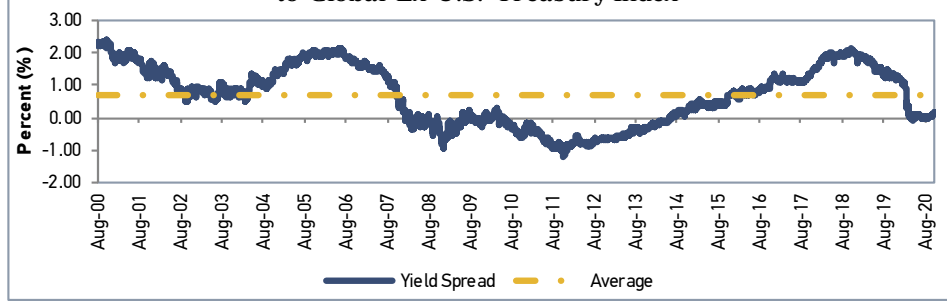
As of 10.31.2020; Source: FactSet

As of 10.31.2020; Source: Federal Reserve Board of Governors

EM Debt OAS



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

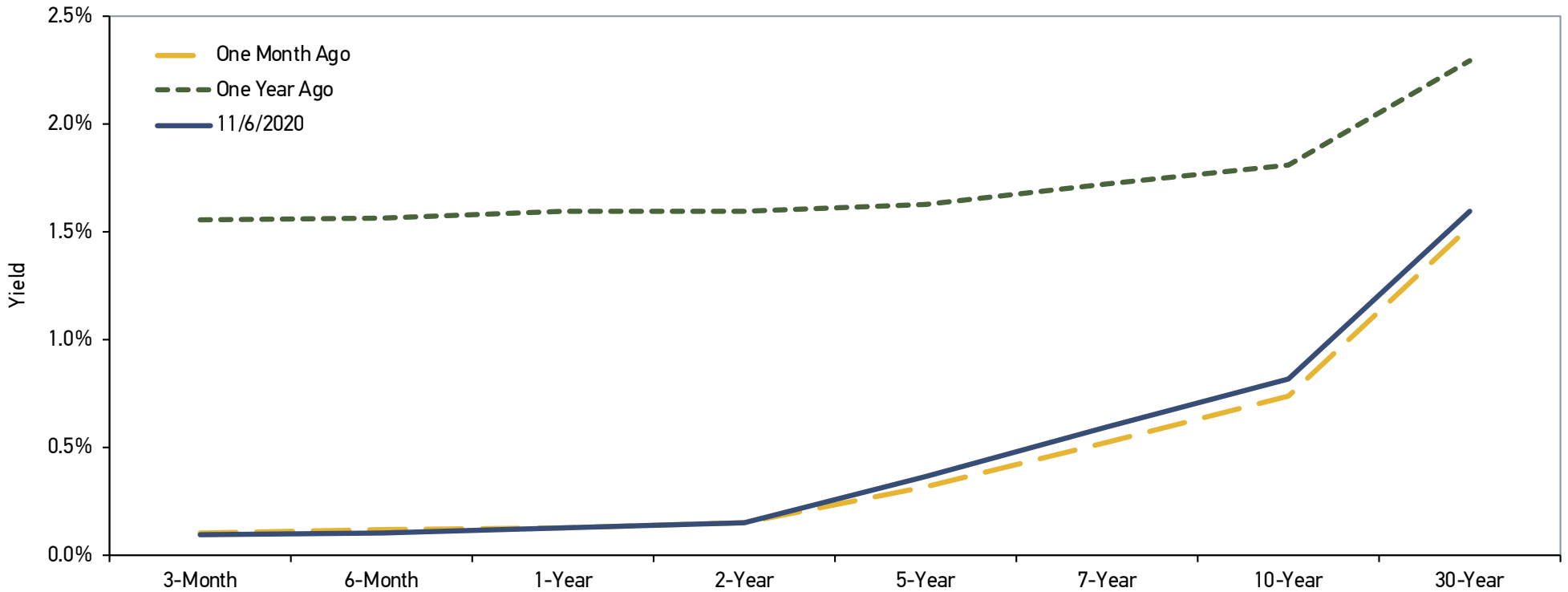


As of 10.31.2020; Source: Barclays

As of 11.06.2020; Source: Barclays

- After a slight pull back in September, Investment Grade and High Yield credit spreads resumed their tightening trend in October.
- Market inflation expectations as measured by TIPS breakeven rates moved higher in October and are well above the lows reached in March.
- Emerging market debt spreads moved tighter in October, continuing their strong recovery from the highs reached in March. The yield spread of U.S. to Global Treasuries increased slightly last month but remains below the historical average.

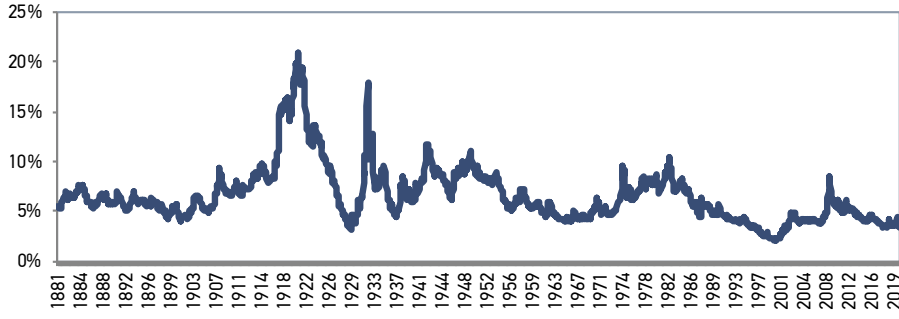
Note: Please see Appendix for important definitions.



- As of 11.6.20, yields along the front end of the curve were relatively unchanged compared to the previous month. However, yields in the belly and long end of the curve increased. The seven, ten and thirty year yields exhibited the sharpest increase having all increased by 7 basis points month over month.

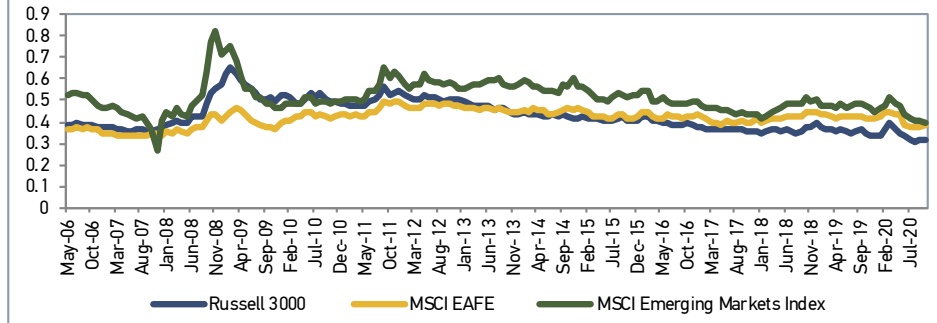


U.S. Cyclically Adjusted Earnings Yield



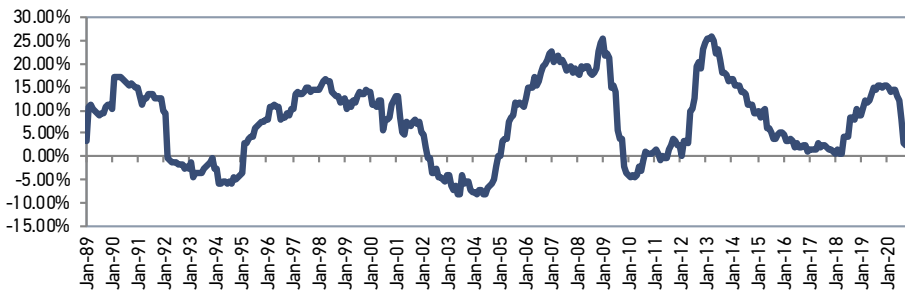
As of 10.31.2020; Source: Bloomberg, Online Data Robert Shiller "US Stock Markets 1871-Present and CAPE Ratio"

Revenue to Firm Value



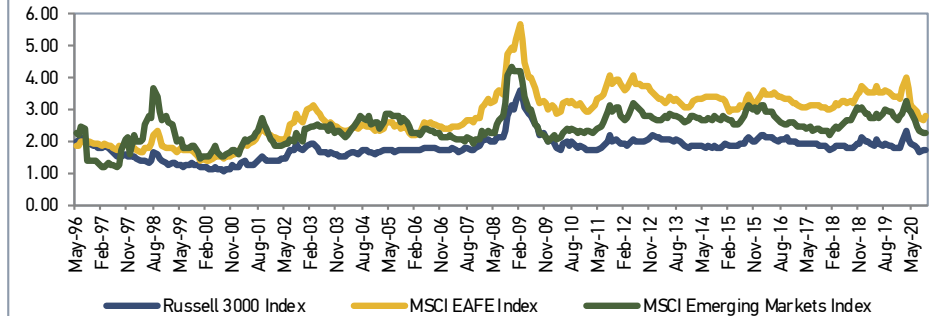
As of 10.31.2020; Source: Russell, MSCI

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



As of 10.31.2020; Source: FactSet, Russell, Bureau of Labor Statistics, Sterling Capital Analytics

Dividend Yield



As of 10.31.2020; Source: Russell, MSCI

- The U.S. cyclically adjusted earnings yield moved higher for the second consecutive month in October but remains well below the long-run average. Long-term real U.S. sales growth has dropped significantly in recent months, largely reflecting the impact of COVID-19.
- Revenue-to-firm value ratios moved higher for the second consecutive month in U.S. and international markets, but the Emerging Market ratio has continued to move lower.
- U.S. and International Developed equity dividend yields moved mildly higher in October, while Emerging Market dividend yields were unchanged. International Developed and Emerging Market yields provide a significant income advantage over U.S. yields.

Note: Please see Appendix for important definitions.

Appendix



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

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

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

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

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

U.S. 3-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.

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 US. Dollar Index by using more currencies and the updating the weights yearly.



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

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