Firm Brochure

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This Brochure provides information about the qualifications and business practices of Sterling Capital Management LLC (Sterling, we or us). If you have any questions about the contents of this Brochure, please contact us at (704) 927-4175 and/or scmcompliance@sterling-capital.com. The information in this Brochure has not been approved or verified by the United States Securities and Exchange Commission (SEC) or by any state securities authority. Although Sterling may use the term "registered investment adviser" or use the term "registered" throughout this Form ADV Part 2A, the use of these terms is not intended to imply a certain level of skill or training.

Additional information about Sterling is also available on the SEC's website at www.adviserinfo.sec.gov.

Item 2 – Material Changes

The following material changes have been made to this brochure since our last Annual Amendment dated March 30, 2017:

- Sterling completed the transfer of the Elite UMA program sponsorship and client accounts to BB&T Securities, LLC (as successor-in-interest to BB&T Investment Services, Inc.).

- The Fees and Compensation section, Item 5, was revised to reflect the current investment strategies and fee schedules offered to clients.

- The Methods of Analysis, Investment Strategies and Risk of Loss section, Item 8, was revised to reflect Sterling's current investment strategies.

- The Other Financial Industry Activities and Affiliations section, Item 10, was revised to reflect related persons for which Sterling has a material relationship.

- The Brokerage Practices section, Item 12, was revised by adding language describing Sterling's trade error policy and amending the language concerning trade rotation and aggregation.

Pursuant to SEC rules, we will ensure that you receive a summary of any material changes to this and subsequent Brochures within 120 days of the close of our business' fiscal year. We may further provide other ongoing disclosure information about material changes as necessary. We will provide you with a new Brochure as necessary based on changes or new information, at any time, without charge.

Our Brochure may be requested by contacting Sterling's Compliance Department at scmcompliance@sterling-capital.com. Additional information about Sterling is also available via the SEC's web site at www.adviserinfo.sec.gov.

Item 3 – Table of Contents

Item 4 – Advisory Business

<u>Organization</u> – Sterling Capital Management LLC ("Sterling") is a registered[1] investment adviser with the U.S. Securities and Exchange Commission (SEC) under the Investment Advisers Act of 1940 (the "Advisers Act"). The firm was founded in 1970. Sterling is an independently operated subsidiary of BB&T Corporation (NYSE: BBT), one of the nation's largest financial services holding companies. Sterling is headquartered in Charlotte, NC, and has additional offices in Raleigh, NC; Atlanta, GA; Washington, DC; King of Prussia, PA; Richmond and Virginia Beach, VA; and San Francisco, CA. Sterling has approximately 135 investment and client services professionals and 158 employees total.

<u>Assets Under Management</u> – As of December 31, 2017, Sterling's assets under management totaled $55,910,902,039. Of that total, we managed, on a discretionary basis, $49,246,005,313 in client assets. Non-discretionary client assets totaled $6,664,896,726.

<u>Advisory Services</u> – Sterling provides investment advisory services to a broad range of individual and institutional clients, including open-end investment companies registered under the Investment Company of 1940. Sterling provides its services in a broad array of fixed income, equity or other investment strategies including in the broad categories of municipal bonds, taxable fixed income, value, growth and core equities and asset allocation.

Sterling provides investment advisory services to investors through separate account management under both direct advisory and sub-advisory mandates ("Separate Accounts"). In addition, Sterling provides advisory services to clients through managed account programs (wrap fee and dual contract) sponsored by broker-dealers and other financial intermediaries ("SMA Accounts"). Although most services are provided on a discretionary basis, Sterling also provides certain services on a non-discretionary and model portfolio basis. When providing any services, we enter into a written agreement with the applicable client or sponsor depending on the nature of the advisory services being provided by Sterling.

Sterling's investment advisory services are provided generally based on the strategy selected by the client, subject to agreed-upon account guidelines. Clients can specify investment guideline restrictions on investing in certain securities or types of securities. The client's securities and cash are held at a qualified custodian selected by the client.

Separate Accounts
Sterling provides investment advisory services to a diversified group of clients. When providing such services, we enter into an investment management agreement with the client. This agreement, among other provisions, describes the client's investment policy statement and/or our investment strategy or mandate pursuant to which we will manage the client's portfolio.

SMA Accounts
Sterling provides investment advisory services to SMA Accounts through wrap fee and dual contract managed account programs. In traditional wrap fee programs, Sterling provides its advisory services pursuant to an advisory agreement with the wrap fee program sponsor.

[1] *Registration does not imply a certain level of skill or training.*

Wrap fee programs typically include custody, financial advisory and certain trading (provided by the program sponsor) and investment advisory services (provided by the manager) for a bundled fee payable to the sponsor ("wrap fee"). Sterling receives a portion of the wrap fees paid by the client for our services.

In a dual contract program, Sterling provides its advisory services pursuant to an advisory agreement directly with the client. A client may separately arrange with one or more third parties for custody, financial advisory and certain trading services to be provided.

For SMA Accounts, Sterling is appointed to act as an investment adviser through a process generally administered or assisted by the program sponsor. Clients participating in a program, generally with assistance from the sponsor, may select Sterling to provide investment advisory services for their account (or a portion thereof) for a particular strategy. Sterling provides investment advisory services in accordance with one or more of our investment strategies.

There are certain differences between how we manage SMA Accounts versus how we manage other client accounts. For example, when participating in SMA Accounts, the sponsor is generally responsible for determining the suitability of the SMA Account, including the use of Sterling and our investment strategy for the client. We typically are only responsible for managing client's assets in accordance with our investment strategy that has been selected and any reasonable restrictions imposed by the client. In certain SMA Accounts, the sponsor may limit the information available to us. In addition, we may be restricted by sponsors from communicating directly with clients with any communications with or to the client being directed through the sponsor.

In evaluating a wrap fee arrangement, the client should consider the amount of portfolio activity and the value attributed to monitoring, custodial and any other services provided.

Investment Companies

Sterling also provides investment management services to investment companies. Investment companies are pooled investments registered under the Investment Company Act of 1940. Sterling is the investment adviser to the Sterling Capital Funds (the "Affiliated Funds"). Sterling manages and supervises the investment of the Affiliated Funds' assets on a discretionary basis, subject to oversight by the Affiliated Funds' independent Board of Trustees. In addition, Sterling may act as sub-adviser to other investment companies.

Non-Discretionary and Model Portfolios

For certain strategies Sterling provides certain non-discretionary or model portfolio investment services to clients that may include banks, broker-dealers and other financial services firms, and other investors. Such services may include asset allocation advice, equity and fixed income research and model portfolio recommendations for a variety of investment styles. Model portfolios may relate to the same strategies that are also offered or utilized through discretionary accounts.

Where Sterling participates in a model-based managed accounts program, the model-based program sponsor or overlay manager is generally responsible for investment decisions and performing many other services and functions typically handled by Sterling in a traditional discretionary managed account program. In these model-based program accounts, Sterling does not have an advisory relationship with clients of the sponsor or overlay manager of the model-based program, and Sterling generally does not have the investment discretion or trading responsibilities. Similarly, in these programs, Sterling does not manage our model portfolios on the basis of the financial situation or investment objectives of individual clients. In certain cases, Sterling provides model portfolios to an overlay manager and Sterling effects the trades resulting from the model portfolio changes.

Outsourced Chief Investment Officer (OCIO) Services

For clients seeking comprehensive asset allocation and investment selection solutions, Sterling provides OCIO services by offering to clients an asset allocation framework with a comprehensive investment manager search and selection methodology to create unique, client-specific portfolios. These open architecture multi-asset class portfolios are constructed using specific investment objectives, risk tolerance, goals and circumstances of the client with a goal of delivering consistent, long-term, risk-adjusted performance for our clients.

While the asset allocation ranges included in an account's investment objectives will provide a guide for Sterling's asset allocation services, the account's actual asset allocation may, at any time, vary from the client's investment objectives for various reasons, including, but not limited to, fund flows into or out of the account, market movements, and asset allocation decisions.

Item 5 – Fees and Compensation

Sterling is compensated for providing investment advisory services by charging an investment management fee. Generally, the investment management fee is based on an annual rate on total assets under management (or advisement for model-based or other non-discretionary services). Occasionally Sterling may consult on a small percentage of accounts that are not actively managed by Sterling. Fixed fees may be set when the amount of work involved is not directly related to the assets under management. Sterling does not receive compensation from the sale of securities or other investment products.

Investment management fees may be negotiated under certain circumstances. These negotiations are entered into only when such factors as account size, type of investments and activity are taken into consideration. The negotiations may result in a reduced, higher or fixed fee.

The specific manner in which fees are charged by Sterling is established in a client's written agreement with Sterling. Clients may be billed in advance or arrears depending on the specific client relationship. Sterling will generally bill its fees on a quarterly basis. Clients may elect to be billed directly for fees or to authorize Sterling to debit fees from the client's managed accounts. In some instances, clients calculate their own fee and initiate payment to Sterling.

Sterling's investment management agreement may be cancelled by either party upon written notice. For clients that pay fees in advance, in the event of a termination, fees are refunded on a pro-rata basis for the portion of the quarter (or applicable billing period) during which the portfolio is no longer under management. For clients that pay in arrears, any earned unpaid fees in the event of a termination will be billed on a pro-rata basis payable and due to Sterling.

The minimum account size generally required to open or maintain an account varies by type of account. Under certain circumstances, Sterling may waive the stated minimum.

Sterling's advisory fees are exclusive of brokerage commissions, transaction fees, and other related costs and expenses which shall be incurred by the client. Clients may incur certain charges imposed by custodians, brokers and other third parties such as fees charged by other managers, custodial fees, deferred sales charges, odd-lot differentials, transfer taxes, wire transfer and electronic fund fees, and other fees and taxes on brokerage accounts and securities transactions. Mutual funds and exchange traded funds also charge internal management fees, which are disclosed in a fund's prospectus. Such charges, fees and commissions are in addition to Sterling's advisory fee.

Item 12 further describes the factors that Sterling considers in selecting or recommending broker-dealers for client transactions and determining the reasonableness of their compensation (*e.g.*, commissions).

Sterling, where appropriate, may recommend to its clients that they purchase shares of the Affiliated Funds. Clients should note that Sterling has a conflict of interest in these cases because Sterling receives fees from the Affiliated Funds. Clients have the right, at any time, to prohibit us from investing any of their managed assets in the Affiliated Funds.

Below are Sterling's standard fee schedules. Existing and future clients of Sterling may have different fee arrangements or minimum investments from those stated below.

FEE SCHEDULE – PRIVATE CLIENT ACCOUNTS

Investment management fees are based on the following annual rate on total assets under management. Fees may be paid in advance or arrears depending on the client relationship. Minimum investment required is $10 million in the aggregate.

Investment Strategy	Fee Schedule
Equity	1.00% on the first $5,000,000 0.75% on the next $10,000,000 0.65% on the next $10,000,000 0.50% over $25,000,000
Fixed Income	0.50% on the first $5,000,000 0.40% on the next $5,000,000 0.25% over $10,000,000
Minimum Annual Fee	$10,000
Unified Investment Strategy Fee	A 0.50% fee will be added to the market value of equity assets managed through the Unified Managed Account Platform.

Additional Services: From time to time, Sterling may charge a flat fee for services rendered other than investment management. This fee is negotiable and will be determined at the time of service.

FEE SCHEDULE – INSTITUTIONAL SEPARATE ACCOUNTS

Investment Strategy	Fee Schedule	Minimum Initial Investment
Small Cap Value, Stratton Small Cap Value, Small-Mid Cap Value Equity	1.00% first $25 million 0.75% on all incremental assets above $25 million	$10 million
Small Cap Value Focused Factor	0.60% first $50 million 0.55% next $50 million 0.50% on all incremental assets above $100 million	$10 million
International Focused Factor	0.60% first $250 million 0.50% next $250 million 0.40% on all incremental assets above $500 million	$10 million
Large Cap Value Focused Factor	0.45% first $250 million 0.35% next $250 million 0.25% on all incremental assets above $500 million	$10 million
Mid Cap Value Equity, Stratton Mid Cap Value, Stratton Real Estate	0.85% first $10 million 0.70% next $15 million 0.60% on all incremental assets above $25 million	$10 million
Special Opportunities, Equity Income, Insight, Global Leaders, SMID Opportunities, Focus Equity, Enhanced Equity	0.70% first $25 million 0.60% next $25 million 0.50% next $25 million 0.40% on all incremental assets above $75 million	$10 million

Investment Strategy	Fee Schedule	Minimum Initial Investment
Cash/Enhanced Cash Fixed Income	0.15% first $100 million 0.125% next $100 million 0.10% on all incremental assets above $200 million **Accounts with less than $50 million may be charged a higher asset-based fee, or a flat quarterly fee, which may result in a higher asset-based fee.*	$50 million
Short Term Fixed Income	0.15% first $100 million 0.125% next $100 million 0.10% on all incremental assets above $200 million **The minimum annual fee for all short term fixed income portfolios is $62,500.*	$25 million
Intermediate, Core or Long Duration Fixed Income	0.25% first $50 million 0.20% on all incremental assets above $50 million ** Accounts with less than $20 million may be charged a higher asset-based fee, or a flat quarterly fee, which may result in a higher asset-based fee.*	$20 million
Intermediate or Core Fixed Income Municipal	0.35% first $10 million 0.25% next $40 million 0.15% on all incremental assets above $50 million ***** *Accounts with less than $20 million may be charged a higher asset-based fee, or a flat quarterly fee, which may result in a higher asset-based fee.*	$20 million
High Yield Portfolios	0.50% first $50 million 0.45% on all incremental assets above $50 million ** Accounts with less than $20 million may be charged a higher asset-based fee, or a flat quarterly fee, which may result in a higher asset-based fee.*	$20 million

FEE SCHEDULE – MANAGED LADDER SMA

Investment Strategy	Fee Schedule	Minimum Initial Investment
Short Government SMA Short Corporate SMA Short Government/Credit SMA	0.20%	$250,000
Enhanced Cash	0.20%	$1,00,0000
Intermediate Government SMA Intermediate Corporate SMA Intermediate Government/Credit SMA	0.20%	$250,000
Core SMA	0.20%	$500,000
Enhanced Cash Tax Free SMA	0.20%	$1,00,0000
Short Term National Tax Free SMA	0.20%	$500,000
Limited Term National Tax Free SMA	0.20%	$250,000
Limited Term State Specific Tax Free SMA Intermediate State Specific Tax Free SMA	0.20%	$500,000
Intermediate National Tax Free SMA	0.20%	$250,000

FEE SCHEDULE – MANAGED ACCOUNTS

Wrap Programs – Fees charged by Sterling to affiliated and unaffiliated wrap fee program sponsors for Sterling's portfolio management service.

Minimum Investment: $100,000
Fee: 0.60% on all program assets

Investment Models – Fees charged by Sterling to model program sponsors do not include underlying manager fees. Sterling's fees are charged directly to individual clients or the external investment platform sponsors.

Fee: 0.50% for all investment models

Sterling UMA Platform Fees – Fees charged by Sterling to internal affiliate partners are for internal use only and are subject to negotiation. The entities include but are not limited to affiliates such as BB&T Wealth and BB&T Retirement and Institutional Services. These entities engage Sterling for its open architecture investment platform products and services. Fees may or may not be passed through to the client in part or in whole by affiliate partners. The client may pay additional fees to affiliate partners for the same or other products and services.

Item 6 – Performance-Based Fees and Side-By-Side Management

In addition to the asset-based fees described above, Sterling may charge certain qualified clients a performance-based fee. The amount of a performance-based fee can vary depending on factors such as the account relative return to a particular benchmark return. Sterling will take into consideration the investment objectives of the client as well as what Sterling deems to be reasonable performance goals.

Portfolio managers responsible for the management of performance-based accounts may also be responsible for the management of accounts with an asset-based fee or other fee arrangement. Performance-based fee arrangements may create an incentive for Sterling to recommend investments which may be riskier or more speculative than those which would be recommended under an asset-based fee or other fee arrangement. Such fee arrangements also create an incentive to favor higher fee paying accounts over other accounts in the allocation of investment opportunities.

Sterling has procedures designed and implemented to ensure that clients are treated fairly and equally and to prevent this potential conflict of interest from influencing the allocation of investment opportunities among clients. Reasons for non-pro rata allocations may include differing investment objectives, restrictions, risk characteristics, tax implications and other factors.

Item 7 – Types of Clients

Sterling provides investment advisory services to a diversified group of clients including individuals, high net worth individuals, trusts, estates, banking or thrift institutions, investment companies (including mutual funds), investment advisers, pension and profit sharing plans (other than plan participants), charitable organizations, corporations and other business entities, insurance companies, state and municipal government entities, churches, wrap programs and managed investment pools (*e.g.*, a hedge fund).

Account minimums vary by type of client (*e.g.*, wealth management, institutional, wrap, managed investment pools), investment type (*e.g.* fixed, equity), and product (*e.g.*, small cap, mid cap, balanced, short term fixed, intermediate fixed). For specific account minimums, please refer to Item 5 – Fees and Compensation.

Item 8 – Methods of Analysis, Investment Strategies and Risk of Loss

Methods of Analysis and Investment Strategies – Sterling's security analysis methods include: charting, fundamental, technical, quantitative, behavioral, qualitative and cyclical. In conducting security analysis, we utilize a broad spectrum of information, including but not limited to financial publications, third-party research materials, annual reports, prospectuses, regulatory filings, company press releases, corporate rating services, inspections of corporate activities and meetings with management of various companies.

Sterling offers various investment strategies to its clients; in doing so, Sterling may invest in a wide range of securities and other financial instruments, unless expressly limited by written direction or our client's guidelines and policies. We employ a range of investment strategies to implement the advice we give to clients including but not limited to long-term purchases, short-term purchases, trading, short sales, option strategies (e.g., covered options, uncovered options or spreading strategies) and over-the-counter derivative strategies.

Risks of Loss – The specific risk associated with a particular strategy depends on the securities used and the extent to which the strategy employs certain portfolio management techniques. Not all of risks apply to each strategy. For a summary of each risk, see **Summary of Material Risks** at the end of this item.

Fixed income investment strategies involve a number of material risks, including one or more of the following: Management Risk, Interest Rate Risk, Credit Risk, Income Risk, Counterparty Risk, Liquidity Risk, Estimated Maturity Risk, Prepayment/Call Risk, High-Yield/High-Risk Debt Securities, U.S. Government Securities Risk, Foreign Investment Risk, Derivatives Risk, Mortgage-Backed and Asset-Backed Securities Risk, Fixed Income Market Risk, Focused Investment Risk, Variable and Floating Rate Instrument Risk, Foreign Currency Transaction Risk, Convertible Securities Risk, Yankee Bond Risk, Private Placement Risk, Preferred Stock Risk, Municipal Securities Risk, State-Specific Risk, Tax Risk, and Operational and Technology Risk.

Equity investment strategies involve a number of material risks, including one or more of the following: Market Risk, Investment Style Risk, Small Capitalization Company Risk, Mid-Capitalization Company Risk, Company-Specific Risk, Foreign Investment Risk, Interest Rate Risk, Preferred Stock Risk, Emerging Markets Risk, Exchange-Traded Fund (ETF) Risk, Operational and Technology Risk, Focused Investment Risk, Security Selection Risk, Foreign Currency Transaction Risk, Management Risk, Dividend Risk, Convertible Securities Risk, Derivatives Risk, Counterparty Risk, Options Risk, Real Estate –Related Investment and REIT Risk and Concentration Risk.

Mixed asset or multi-class investment strategies involve a number of material risks, including those listed above for Equity and Fixed Income Strategies.

Principal Investment Strategies – A brief summary for each principal investment strategy listed below is included along with the methods of analyses.

Taxable and Tax- Exempt Fixed Income – Depending on client objectives, Sterling will invest in one or all of the following fixed income securities: securities issued or guaranteed by the U.S. government, its agencies or instrumentalities, corporate bonds, preferred stock, taxable and tax-exempt municipal securities, asset-backed securities, mortgage-backed securities, including commercial mortgage-backed securities, and convertible securities.

Sterling's portfolio manager combines elements of both "top-down" as well as "bottom-up" investment management strategies in constructing portfolios. The "top-down" macro view drives the manager's interest rate risk and sector allocation decisions, while "bottom-up" credit fundamentals drive the manager's security selection decisions. For yield curve management, in addition to the trend in interest rates, other factors such as future inflation expectations, supply factors, and forward curve analysis are considered. Sector weightings are driven by a combination of the firm's macro view on the economy, sector fundamentals, interest rates and volatility as well as relative spread analysis. The portfolio manager then selects individual securities by utilizing fundamental analysis and looking for the best relative values within particular sectors. The analysis includes an attempt to understand the structure and embedded features of potential securities. Features that are analyzed include puts, calls, sinking fund requirements, prepayment and extension risk, debt limitations, lien baskets, restricted payments baskets and other covenants and individual company financial data for potential corporate holdings. Scenario analysis is the primary tool employed for these assessments.

Small Cap, SMID and Mid Cap Value – Sterling's team of portfolio managers and analysts utilize quantitative and qualitative tools to examine the fundamental and investment characteristics of a particular company. The analysis is focused on finding undervalued businesses producing strong cash flows, high returns on invested capital, and sustainable competitive advantages. We seek businesses run by capable managers with a track record of good capital allocation and shareholder-aligned incentives. The team seeks attractive risk/reward investment opportunities and broad diversification across uncorrelated economic sectors.

Sterling's investment process attempts to analyze and define the intrinsic value of the business using both quantitative and qualitative fundamental analysis. We emphasize the five key factors listed below:

- Free cash flow
- Return on invested capital
- Sustainable competitive advantages
- Capable management
- Balance sheet strength

Stratton Small Cap Value and Stratton Mid Cap Value – The portfolio management team uses a value investment approach to invest primarily in common stock of small or mid-capitalization companies. We believe that undervalued companies with good earnings prospects have superior appreciation potential with reasonable levels of risk. Quantitatively, we focus on a stock's fundamental valuation relative to its peers, with particular emphasis on cash-flow valuation metrics. Other quantitative measures such as earnings momentum and relative price strength are also considered. Qualitatively, we seek to identify business catalysts which will serve to drive future earnings growth, increase investor interest and expand valuation. Management seeks to control risk through broad diversification across economic sectors.

Advisory Solutions – Sterling's Advisory Solutions team provides open architecture-based solutions for wealth and institutional clients seeking comprehensive asset allocation and investment selection. Solutions are achieved by blending multiple investment strategies and asset classes. This combination can include domestic and international equities and fixed income. The investment process includes:

- Developing an asset allocation framework.
- Actively managing asset allocation, employing both quantitative and qualitative principles.

- Utilizing a blend of active and passive managers, striving to achieve above-average returns with below-average risk.
- Seeking to identify investment managers for each allocation within the portfolio.

Focused Factor (Small Cap Value, Large Cap Value, and International) – The Focused Factor suite of products consist of three strategies that employ techniques seeking to capitalize upon behavioral finance-based principles and to take advantage of inefficiencies within the market. Investors are prone to certain biases and heuristics (mental shortcuts) as well as greed and fear that often times lead to anomalies within the financial markets. Our investment process, from the valuation and momentum factors we use to the portfolio construction techniques we employ, is specifically designed to capitalize upon investor behavior.

The Small Cap Value Focused Factor portfolio seeks to invest in U.S. small capitalization stocks that will potentially offer greater capital appreciation than its applicable benchmark. The Large Cap Value Focused Factor portfolio seeks to invest in U.S. large and mid-capitalization stocks that will potentially offer greater capital appreciation than its applicable benchmark. The International Focused Factor portfolio seeks to invest in developed market (ex- U.S. and Canada) large and mid-capitalization stocks that will potentially offer greater capital appreciation than its applicable benchmark.

Equity Opportunities (Equity Income, Special Opportunities, SMID Opportunities, Insight, Global Leaders, Enhanced Equity and Focus Equity) – The Equity Opportunities portfolios consist of seven strategies, each using a stock selection multi-cap, multi-style approach to build a diversified, but concentrated portfolio holdings. The Equity Income portfolio is primarily larger-cap equities and focused on total return, selecting stocks with increasing dividend payouts. The Special Opportunities portfolio has a quality bias that tends to focus stock selection away from smaller capitalization issues, while seeking capital appreciation typically found in faster growing companies. The SMID Opportunities portfolio focuses on small- and mid-cap stocks. The Insight portfolio focuses on corporate insiders' stock purchasing activities or existing ownership based on SEC filings. The Global Leaders portfolio primarily consists of larger cap equities that are seen as industry leaders, with a focus on tax efficiency. The Enhanced Equity portfolio is designed for investors who seek the long-term capital growth of equity markets and who are comfortable with the risks inherent in selling call options against the underlying common stock positions, while emphasizing short-term cash-flows as part of a total return strategy. The Focus Equity portfolio retains the ability to concentrate the strategy's exposure across growth and value, large- and small-capitalization companies, and various capital forms including equity, debt, and derivatives.

In managing each of these portfolios, the Equity Opportunities team will place a strong emphasis on identifying companies with the following characteristics: strong profitability, attractive valuation, below average debt, above average return on equity and skilled management. Both quantitative and qualitative analysis is used in identifying investment opportunities. The focus will be on companies perceived to have a quality business model, strong balance sheet and good management. Valuation analysis of each security is conducted relative to its historical range, peers, growth rate and the market. A long-term investment horizon allows portfolios to take advantage of transitory weakness which creates potential buying opportunities. To implement the Enhanced Equity strategy, out-of-the-money covered call options are written opportunistically against positions in the portfolio which provide income to the portfolio.

Large Cap Equity (Core Equity, Focused Equity, and Dividend Advantage) – The Large Cap Equity products consist of three separate strategies, each using a disciplined approach and a common fundamentally-driven, multi-factor quantitative model to identify attractively valued equity securities with an emphasis on large capitalization stocks with above average financial quality. Factors used to manage the portfolios include earnings growth, forward earnings yield, cash flow, debt levels, price momentum and dividend yield.

The portfolio management team will at times overlay strategies that emphasize certain segments of the market in order to position the portfolios to participate in attractive trends developing in the market. These decisions are driven by several factors including the current macro-economic environment and business cycle events. The strategies have the ability to invest a portion of the portfolio in attractively valued mid-cap stocks when appropriate. However, the portfolios will consistently maintain exposure to all sectors of the market, and be positioned as large cap strategies at all times.

The Core Equity portfolio is a broadly diversified portfolio of 40-50 equity holdings across all market sectors. Focused Equity is a more concentrated portfolio of 20-30 individual holdings; however, the portfolio maintains broad diversification across all market segments. The Dividend Advantage portfolio is diversified across all market sectors and has a target dividend yield of 150% of the yield of the S&P 500. All three Large Cap Equity strategies are comprised of publicly- traded equities with minimal cash levels.

The Large Cap Equity strategies take a long-term approach to the markets, and the portfolio team closely monitors the tax impact throughout the portfolio management process. This tax awareness approach includes attention to holding periods (long vs. short term), pending tax legislation, impact on after-tax returns and ex-dividend timing. These factors are balanced against the benefits associated with portfolio changes.

***Stratton Real Estate* –** The Real Estate strategy employs a combination of quantitative and qualitative measures, including underlying real estate values, earnings multiples, geographic and tenant concentrations, balance sheet metrics, company strategies, and management track record to identity the most attractive securities on a relative valuation basis within each property subsector. Based on the aforementioned criteria, stocks that appear undervalued relative to peers, and have identifiable fundamental catalysts, are buy candidates.

***Diversified Income* –** The Diversified Income strategy seeks income and capital appreciation by investing in broad range of income-generating asset classes and strategies. To pursue this objective, assets will be allocated among (i) the Affiliated Funds and (ii) registered open-end and closed-end investment companies (including ETFs) that are not a part of the Sterling Capital Fund group (collectively, with the Affiliated Funds, the “Underlying Funds”). The portfolio management team will make allocation decisions according to its outlook for the economy, financial market and relative market valuation of the Underlying Funds.

<u>Summary of Material Risks</u> – Investing in securities involves risk of loss that clients should be prepared to bear. All investments carry a certain amount of risk and Sterling cannot guarantee that it will achieve its investment objective. An investment is not a deposit or obligation of any bank, is not endorsed or guaranteed by any bank and is not insured by the Federal Deposit Insurance Corporation (FDIC) or any other government agency. **You may lose money**. Below is a summary of principal risks of investing in securities.

Company-Specific Risk: The possibility that a particular investment may lose value due to factors specific to the company itself, including deterioration of its fundamental characteristics, an occurrence of adverse events at the company, or a downturn in its business prospects.

Concentration Risk: The risk that a strategy’s concentration in specific securities may produce a greater risk of loss than a more diversified strategy.

Convertible Securities Risk: Convertible securities are securities that may be converted or exchanged into shares of an underlying stock or other asset at a stated exchange ratio or predetermined price. The market value of convertible securities tends to decline as interest rates increase and may be affected by changes in the price of the underlying security.

Counterparty Risk: The possibility that a counterparty to a contract will default or otherwise become unable to honor a financial obligation.

Credit Risk: The possibility that an issuer cannot make timely interest and principal payments on its debt securities such as bonds. The lower a security's rating, the greater its credit risk.

Derivatives Risk: The possibility of suffering a loss from a use of derivatives. The primary risk with many derivatives is that they can amplify a gain or loss, potentially earning or losing substantially more money than the actual cost of the derivative instrument. Use of derivatives for non-hedging purposes is considered a speculative practice and involves greater risks.

Dividend Risk: Companies that issue dividend-yielding securities are not required to continue to pay dividends on such securities. Therefore, there is the possibility that such companies could reduce or eliminate the payment of dividends in the future.

Emerging Markets Risk: The risks associated with foreign investments are particularly pronounced in connection with investments in emerging markets.

Estimated Maturity Risk: The possibility that an underlying security issuer will exercise its right to pay principal on an obligation earlier or later than expected. This may happen when there is a rise or fall in interest rates. These events may shorten or lengthen the duration (*i.e.*, interest rate sensitivity) and potentially reduce the value of these securities.

Exchange-Traded Fund (ETF) Risk: The risks associated with investing in ETFs include the risks of owning the underlying securities the ETF is designed to track. Lack of liquidity in an ETF could result in being more volatile than the underlying portfolio of securities.

Fixed Income Market Risk: Fixed income securities markets may, in response to governmental intervention, economic or market developments (including potentially a reduction in the number of broker-dealers willing to engage in market-making activity), or other factors, experience periods of increased volatility and reduced liquidity.

Focused Investment Risk: Investments focused in sectors, industries, or issuers that are subject to the same or similar risk factors and investments whose prices are strongly correlated are subject to greater overall risk than investments that are more diversified or whose prices are not as closely correlated.

Foreign Currency Transaction Risk: Fluctuations in exchange rates can adversely affect the market value of foreign currency holdings and investments denominated in foreign currencies.

Foreign Investment Risk: Foreign securities involve risks not typically associated with investing in U.S. securities. Foreign securities may be adversely affected by various factors, including currency fluctuations and social, economic or political instability. These risks are particularly pronounced for emerging markets.

High-Yield/High-Risk Debt Securities: High-yield/high-risk debt securities are securities that are rated below investment grade by the primary rating agencies. These securities are considered speculative and involve greater risk of loss than investment grade debt securities.

Income Risk: The possibility that the portfolio's income will decline due to a decrease in interest rates. Income risk is generally high for shorter-term bonds and low for longer-term bonds.

Insurance-Linked Securities Risk: Insurance-linked securities may include event-linked securities (also known as insurance-linked bonds or catastrophe bonds), quota share instruments (also known as reinsurance sidecars), collateralized reinsurance investments, industry loss warranties, event-linked swaps, securities of companies in the insurance or reinsurance industries, and other insurance and reinsurance-related securities.

Interest Rate Risk: The possibility that the value of the investment will decline due to an increase in interest rates. Interest rate risk is generally higher for longer-term debt instruments and lower for shorter-term debt instruments.

Investment Manager Risk: The possibility that an investment manager may underperform relevant benchmarks and fail to produce the intended results.

Investment Style Risk: The possibility that the market segment on which a strategy focuses will underperform other kinds of investments or market averages. An investment's value may decrease or remain unchanged if other investors fail to recognize the company's value. In addition, expected positive catalysts or other events may not occur.

Liquidity Risk: The possibility that certain securities or derivatives may be difficult or impossible to sell at the time and the price that would normally prevail in the market. The seller may have to lower the price, sell other securities instead or forego an investment opportunity, any of which could have a negative effect on performance.

Loan Risk: Investments in loans are generally subject to the same risks as investments in other types of debt securities, including, in many cases, investments in high-yield/junk bonds. They may be difficult to value and may be illiquid.

Management Risk*:* The risk that a strategy may fail to produce the intended result.

Market Risk: The value of an investment may decline in price because of a broad stock market decline. Markets generally move in cycles, with periods of rising prices followed by periods of falling prices. The value of the investment will tend to increase or decrease in response to these movements.

Master Limited Partnership ("MLP") Risk: Investments in MLPs are generally subject to many of the risks that apply to partnerships. For example, holders of the units of MLPs may have limited control and limited voting rights on matters affecting the partnership. MLPs that concentrate in a particular industry or region are subject to risks associated with such industry or region. Investments held by MLPs may be illiquid. Certain MLPs may also be subject to leverage risk.

Mid-Capitalization Company Risk: Investments in middle capitalization companies may be riskier, more volatile and more vulnerable to economic, market and industry changes than investments in larger, more established companies. As a result, price changes may be more sudden or erratic than the prices of other equity securities, especially over the short term.

Mortgage-Backed and Asset-Backed Securities Risk: Mortgage-backed and other asset-backed securities may be particularly sensitive to changes in prevailing interest rates. Rising interest rates tend to extend the duration of mortgage-backed securities, making them more sensitive to changes in interest rates, and may reduce the market value of the securities. Mortgage-backed securities are also subject to pre-payment risk. Due to their often complicated structures, various mortgage-backed and asset-backed securities may be difficult to value and may constitute illiquid securities. Furthermore, debtors may be entitled to the protection of a number of state and federal consumer protection credit laws with respect to these securities, which may give the debtor the right to avoid or reduce payment.

Municipal Securities Risk: Municipal obligations are issued by or on behalf of states, territories and possessions of the United States and their political subdivisions, agencies and instrumentalities and the District of Columbia to obtain funds for various public purposes. Municipal obligations are subject to more credit risk than U.S. government securities that are supported by the full faith and credit of the United States. The ability of municipalities to meet their obligations will depend on the availability of tax and other revenues, economic, political and other conditions within the state and municipality, and the underlying fiscal condition of the state and municipality. As with other fixed income securities, municipal securities also expose their holders to market risk because their values typically change as interest rates fluctuate.

Operational and Technology Risk: Cyber-attacks, disruptions, or failures that affect service providers, counterparties, market participants, or issuers of securities may adversely affect the investment.

Options Risk: There are significant differences between the securities and options markets that could result in an imperfect correlation between these markets, causing an option transaction not to achieve its objectives. A decision as to whether, when and how to use options involves the exercise of skill and judgment, and even a well-conceived transaction may be unsuccessful to some degree because of market behavior or unexpected events. There can be no assurance that a liquid secondary market will exist for any particular option at a particular time; as a result, it may be costly to liquidate options. There is also no assurance that a liquid market will exist for any particular option contract on an exchange.

Prepayment/Call Risk: When mortgages and other obligations are prepaid and when securities are called, the portfolio manager may have to reinvest in securities with a lower yield or fail to recover additional amounts *(i.e.*, premiums) paid for securities with higher interest rates, resulting in an unexpected capital loss. Call risk is the possibility that, during periods of declining interest rates, a bond issuer will "call" or repay higher-yielding bonds before their stated maturity date. In both cases, investors receive their principal back and are typically forced to reinvest it in bonds that pay lower interest rates.

Preferred Stock Risk: Preferred stock represents an interest in a company that generally entitles the holder to receive, in preference to the holders of common stock, dividends and a fixed share of the proceeds resulting from a liquidation of the company. Preferred stocks are generally subordinated in right of payment to all debt obligations and creditors of the issuer.

Private Placement Risk: Privately issued securities are restricted securities that are not publicly traded, and may be less liquid than those that are publicly traded.

Real Estate-Related Investment and REIT Risk: Real estate-related investments may decline in value as a result of factors affecting the real estate industry. Risks associated with investments in securities of companies in the real estate industry include decline in the value of the underlying real estate, default, prepayment, changes in value resulting from changes in interest rates and demand for real and rental property, and the management skill and creditworthiness of REIT issuers.

Security Selection Risk: Core factors utilized by the model may fall out of favor and underperform versus the overall stock market and/or the benchmark index.

Small Capitalization Company Risk: Investing in smaller, lesser-known companies involves greater risk than investing in those that are more established. A small company's financial well-being may, for example, depend heavily on just a few products or services. In addition, small company stocks tend to trade less frequently and in lesser quantities than those of larger firms.

State-Specific Risk*:* By concentrating investments in securities issued by on political subdivision, a strategy may be more vulnerable to unfavorable developments then strategies that are more geographically diversified.

Tax Risk: The risk that the issuer of securities will fail to comply with certain requirements of the Internal Revenue Code, which would cause adverse tax consequences.

U.S. Government Securities Risk: Although U.S. government securities issued directly by the U.S. government are guaranteed by the U.S. Treasury, other U.S. government securities issued by an agency or instrumentality of the U.S. government may not be. No assurance can be given that the U.S. government would provide financial support to its agencies and instrumentalities if not required to do so by law.

Variable and Floating Rate Instrument Risk: Variable and floating rate instruments are generally less sensitive to interest rate changes than other fixed rate instruments; however, the value of floating rate instruments may decline if their interest rates do not rise as quickly, or as much, as general interest rates.

Valuation Risk: Certain securities may be difficult to value, and there can be no assurance that the valuation placed on a security will reflect that actual price at which the security might be sold in a market transaction.

Yankee Bond Risk: Yankee bonds are subject to the same risks as other debt instruments, notably credit risk, market risk, currency and liquidity risk. Other risks include adverse political and economic developments, the extent and quality of government regulations of financial markets and institutions, the imposition of foreign withholding or other taxes, and the expropriation or nationalization of foreign issuers.

Item 9 – Disciplinary Information

Sterling currently has no disciplinary events or matters to disclose.

Sterling is the successor-in-interest to BB&T Asset Management LLC ("BBTAM") in the following two cases following the merger of BBTAM into Sterling in October 2010:

- *Francis P. Maybank v. BB&T Corporation, Branch Banking and Trust Company, successor in merger to Branch Banking and Trust Company of SC, and Sterling Capital Management LLC, successor in merger to BB&T Asset Management LLC.* The original complaint was filed in South Carolina in December 2011. Following the appeal of a trial court judgment in November 2014, the South Carolina Supreme Court issued an opinion in June 2016 and remitted the case back to the trial court in July 2016. The matter was finally settled in January 2017, with no admission of liability by Sterling. This matter related to an investment in a variable prepaid forward contract and did not involve any current Sterling employee or any current Sterling investment product or strategy.

Sterling was only a party to this matter based on its merger with BBTAM, and the settlement was immaterial to Sterling's ongoing financial operations.

- *Effie C. S. Bowers v. Branch Banking and Trust Company, successor in merger to Branch Banking and Trust of SC and Sterling Capital Management LLC, successor in merger to BB&T Asset Management LLC.* The original complaint was filed in Georgia in January 2015. Similar to *Maybank*, this matter related to an investment in a variable forward contract and did not involve any current Sterling employee or any current Sterling investment product or strategy. This matter was settled in December 2015 to avoid the distraction, costs and uncertainty of ongoing litigation, with no admission of liability by Sterling. Sterling was only a party to this matter based on its merger with BBTAM, and the settlement was immaterial to Sterling's ongoing financial operations.

Item 10 – Other Financial Industry Activities and Affiliations

A. Certain employees of Sterling are registered representatives of Sterling Capital Distributors, LLC, a limited purpose broker-dealer and distributor to the Sterling Capital Funds.

B. Neither Sterling, nor any of its employees, are registered, or have an application pending to register, as a futures commission merchant, commodity pool operator, a commodity trading adviser, or an associated person of the foregoing entities.

C. Sterling is an independently operated subsidiary of BB&T Corporation and related to the following subsidiaries of BB&T Corporation under common control with Sterling, unless otherwise noted:

1) Broker-Dealers

i. BB&T Securities, LLC, including its divisions BB&T Scott & Stringfellow, BB&T Capital Markets, Sterling Advisors and BB&T Investments (collectively, "BB&T Securities"), a wholly-owned subsidiary of BB&T Corporation, is a registered self-clearing broker-dealer and an SEC registered investment adviser. BB&T Securities provides retail distribution for the Affiliated Funds. BB&T Securities serves as custodian of certain accounts for which Sterling advises.

BB&T Securities is a registered municipal adviser. In addition, BB&T Securities is registered with the National Futures Association and is a commodity trading adviser.

Sterling generally does not act as principal or broker in connection with client transactions. However, Sterling may exercise its discretion under the investment agreement with the client to effect transactions in securities or other instruments through BB&T Securities. In connection with such transactions in which BB&T Securities will act as principal, Sterling will disclose to the client that the trade will be conducted on a principal basis and obtain client consent in accordance with Section 206-3 of the Advisers Act.

Sterling may from time to time purchase, on behalf of clients, securities in offerings with respect to which BB&T Securities serves as an underwriter. In such cases, the purchase is generally made from a party unaffiliated with Sterling, but BB&T Securities may nevertheless benefit indirectly from such transactions.

2) Investment Companies or Other Pooled Investment Vehicles

   i. Sterling serves as investment adviser to the Sterling Capital Funds (the "Affiliated Funds"). The Affiliated Funds are open-end investment management companies (mutual funds) registered under the Investment Company Act. Sterling is the administrator to the Affiliated Funds. The Affiliated Funds and Sterling have entered into an investment advisory agreement whereby Sterling serves as the investment adviser to the Affiliated Funds. Pursuant to this agreement, the Affiliated Funds pay Sterling an advisory fee based on the Affiliated Funds' average daily net assets each month. Sterling has voluntarily agreed to limit certain fees. Please refer to the Sterling Capital Funds' Prospectus, for the current fee schedule of the Affiliated Funds.

      Sterling, where appropriate, may purchase or recommend to its clients that they purchase shares of the Affiliated Funds. Clients should note that Sterling has an incentive to introduce clients to the Affiliated Funds over other investment management companies in these cases because Sterling receives fees from the Affiliated Funds. Clients have the right, at any time, to prohibit Sterling from investing any of their managed assets in the Affiliated Funds.

3) Other Investment Advisers or Financial Planners

   i. Sterling Capital (Cayman) Limited, a wholly-owned subsidiary of Sterling Capital Management LLC, provides investment advisory services to non-U.S. companies.

   ii. Clients of Sterling who are retirement plan sponsors will frequently offer shares of one or more of the Affiliated Funds as investment options for their plan participants. It is customary in these situations that a bank, broker-dealer, or other financial institution will serve as a retirement plan trustee and/or custodian. These entities act in the capacity of service providers by offering participant education, record-keeping, marketing, or other shareholder services. In these arrangements, the prospectus of the Affiliated Funds allows the mutual fund portfolios to pay these service providers for shareholder recordkeeping services rendered by the service provider. From time to time, Sterling may choose to supplement these payments made by the Affiliated Funds with additional cash payments made directly from Sterling to the service provider for shareholder services rendered by the service provider.

   iii. Please also refer to item C.1.i. (BB&T Securities) above.

4) Futures Commission Merchant, Commodity Pool Operator, or Commodity Trading Adviser.

   i. Please refer to Item C.1.ii. (BB&T Securities) above.

5) Banking or Thrift Institution

   i. Sterling is an independently operated subsidiary of BB&T Corporation. BB&T Corporation is a diversified banking and financial holding company and operates banking subsidiaries across several states and Washington, D.C.

ii. Branch Banking and Trust Company, a North Carolina banking company, is a wholly-owned subsidiary of BB&T Corporation. Branch Banking and Trust Company, including its divisions BB&T Wealth Management and BB&T Retirement and Institutional Services, serves as trustee and/or custodian of certain accounts for which Sterling advises.

D. Sterling does not receive direct compensation from other investment advisers for recommending or selecting the other investment adviser. However, employees of Sterling may attend conferences partially or fully paid for by prospective of excising third party investment managers. Other investment advisers recommended or selected may include affiliated advisers listed above. While Sterling does not receive compensation for the recommendation of affiliates, it may nonetheless cause a conflict of interest.

Item 11 – Code of Ethics, Participation or Interest in Client Transactions and Personal Trading

A. We strive to adhere to the highest industry standards of conduct based on principles of professionalism, integrity, honesty and trust. Sterling has adopted a Code of Ethics (the "Code") to help meet these standards. The Code includes provisions relating to the confidentiality of client information, a prohibition on insider trading, restrictions on the acceptance of significant gifts and the reporting of certain gifts and business entertainment items, and personal securities trading procedures, among other things. Annually, employees certify that they have read, understand and will comply with the Code.

   Section 204A of the Advisers Act requires the establishment and enforcement of policies and procedures reasonably designed to prevent the misuse of material, nonpublic information by investment advisers. Sterling has a policy generally restricting its employees from purchasing or selling securities for their own accounts or for accounts of family members over which they have control prior to the full satisfaction of clients' needs with respect to such securities. Each employee is required to complete a Personal Transaction Report which provides the details of all personal security transactions made by employees and which is reviewed for compliance by Sterling.

   A copy of our Code of Ethics will be provided to any client or prospective client upon request. Please contact Sterling's Compliance Department at scmcompliance@sterling-capital.com.

B. If in appropriate circumstances and consistent with the clients' investment objectives, Sterling may use or recommend to clients the purchase or sale of securities in which Sterling on behalf of its clients and/or its affiliates may have a position of interest.

   i. Sterling, where appropriate, may purchase or recommend to our clients that they purchase shares of registered investment companies for which we serve as investment adviser (*i.e.*, the Affiliated Funds). Clients should note that Sterling has a conflict of interest in these cases because Sterling receives fees from the Affiliated Funds. Clients have the right, at any time, to prohibit Sterling from investing any of their managed assets in the Affiliated Funds.

   ii. When Sterling purchases a mutual fund in a client account, Sterling will select the lowest cost share class of such mutual fund in which the client is eligible to invest.

iii. Sterling generally does not act as principal or broker in connection with client transactions. Sterling may, however, exercise its discretion under the investment management agreement with the client, to effect transactions in securities or other instruments for the client through an affiliated broker-dealer. If an affiliated broker-dealer will act as principal, Sterling will disclose to the client that the trade will be conducted on a principal basis and obtain client consent.

iv. On behalf of its clients, Sterling does from time and time purchase securities in offerings with respect to which an affiliate of Sterling serves as an underwriter. The purchase is generally made from a party unaffiliated with Sterling, but Sterling's affiliate may nevertheless benefit indirectly from the transactions.

v. Sterling employees may invest their personal funds in investment strategies that are offered to clients, including Affiliated Funds offered through Sterling's 401(k) plan. In this regard, employees will have interests in securities owned by or recommended to Sterling's clients.

vi. Sterling may from time to time take an active role in portfolio companies on behalf of clients. This may take various forms, including company Board of Director participation, solicitation of potential buyers for portfolio companies; and solicitation of other shareholders within the guidelines established by various regulatory bodies. Sterling believes there are occasions when such participation is consistent with Sterling's fiduciary duty.

- Robert Bridges, CFA was elected to the Board of Directors of Bridges Investment Counsel, Inc. ("BIC"), a Nebraska corporation, in November 2006 and he remains a director. In January 2018 BIC de-registered as a registered investment adviser with the SEC and has substantially ceased all business activity.

  Mr. Bridges was elected to the Board of Directors of Bridges Investment Fund, Inc. ("BIF"), a Nebraska corporation, in February 2007, and he remains a director. BIF is an open-end investment company or mutual fund. BIF's investment adviser is Bridges Investment Management ("BIM"). Mr. Bridges does not, nor has had, a board seat with BIM.

  Mr. Bridges was elected to the Board of Directors of Provident Trust Company ("PTC"), a state-chartered (non-bank) Nebraska trust company in March 2007. On July 31, 2017, PTC was acquired by Bridges Holding Company ("BHC"). Commensurate with the acquisition PTC was renamed Bridges Trust Company ("BTC") and Mr. Bridges remains a director.

  Mr. Bridges was elected to the Board of Directors of Bridges Holding Company ("BHC"), a newly formed Delaware corporation, in July 2017. BHC was formed for the purpose of acquiring the assets of PTC, BIM, and the advisory clients of BIC.

  Mr. Bridges receives compensation for serving as a director on the boards for BIC, BIF, BTC and BHC. This compensation is immaterial to Mr. Bridges' overall compensation from Sterling.

vii. Sterling, on occasion, assists with sponsoring client conferences organized by wrap sponsors who recommend Sterling to their clients. In addition, employees of Sterling attend conferences partially or fully paid for by prospective or existing third party investment managers.

C. Employees of Sterling and its affiliates may trade for their own accounts in securities which are recommended to and/or purchased for Sterling's clients. The Code is designed to assure that the personal securities transactions, activities and interests of the employees of Sterling will not interfere with (i) making decisions in the best interest of advisory clients and (ii) implementing such decisions while, at the same time, allowing employees to invest for their own accounts. Under the Code certain classes of securities have been designated as exempt transactions, based upon a determination that these would not interfere materially with the interest of Sterling's clients. In addition, the Code requires pre-clearance of many transactions, and restricts trading in close proximity to client trading activity. Nonetheless, because the Code in some circumstances would permit employees to invest in the same securities as clients, there is a possibility that employees may benefit from market activity by a client in a security held by an employee. Employee trading is continually monitored under the Code to reasonably prevent conflicts of interest between Sterling and its clients.

D. Sterling, or its related persons, may recommend securities to clients, or buy or sell securities for client accounts, at or about the same time that Sterling, or a related person, buys or sells the same securities for their own account. Please refer to Items 11. A and 11.C above for a description of the Code.

Item 12 – Brokerage Practices

As a general rule, Sterling receives discretionary authority from its clients through its investment management agreements at the onset of an advisory relationship. Included in Sterling's authority is the ability to:

- Determine securities to be bought or sold,
- Determine the amount of the securities to be bought or sold,
- Select brokers and dealers through which to execute transactions on behalf of its clients; and
- Determine commission rates, if any, at which transactions are effected.

There are several factors considered when selecting or recommending broker-dealers for client transactions and determining the reasonableness of their compensation. The list of approved broker-dealers is reviewed at least quarterly and revised as appropriate. Criteria considered in evaluating broker-dealers include, but are not limited to:

- Appropriate facilities and technology,
- Competitive commission rates,
- Prompt payment and/or delivery of securities,
- Receipt of accurate confirmations and recordkeeping,
- The business reputation and financial strength of the firm,
- The firm's ability and responsiveness in executing orders, and
- The quality of research services provided by the firm (when applicable).

The major consideration in allocating brokerage business is the pursuit of best execution on all transactions effected for all accounts. Brokerage is at times allocated to firms that supply research, statistical data and other services when the terms of all transactions and the capabilities of different broker-dealers are consistent with the guidelines set forth in Section 28(e) of the Securities Exchange Act of 1934.

Sterling has negotiated custodial arrangements with several brokerage firms that Sterling considers competitive in terms of mitigating the total cost of transaction and other fees (custodial) incurred by clients. In some of these arrangements, Sterling is afforded the ability to deal competitively with firms of its choice in negotiating the purchase and sale of bonds for their clients and the broker acting as custodian will make or take delivery of such bonds without charge to their clients. In exchange, the majority of stock transactions that may occur in this type of account are transacted with the broker acting as custodian. In other arrangements, Sterling clients receive discounted brokerage rates on stock transactions with a minimum ticket charge. In some cases, bond sales or purchases delivered to/from a client account incur a charge.

Wrap Trading – Sterling manages accounts in a number of wrap fee programs that are not traded through the firm's trade order management system. Instead, these accounts are traded through each wrap program sponsor's system and shares are not allocated to these accounts using the firm's trade order management system's computer-generated methods.

Clients of wrap sponsors typically pay the sponsor a single fee based on assets held at the sponsor for all trading, custodial, and other services provided by sponsor. This fee precludes a client from paying sponsor commissions on a per transaction basis. When Sterling selects another broker-dealer to effect a trade other than the Sponsor, an additional handling fee may be assessed by the Sponsor. While Sterling would normally expect to trade directly with the sponsor in most instances, there may be circumstances where Sterling may choose to trade away if doing so provides better pricing and an overall benefit to the client even after any additional client fees are assessed by the sponsor.

It is important that these accounts receive equitable treatment in regards to block trading activities. To accomplish this, Sterling's wrap traders, alternate the participation order of the wrap accounts in a rotational basis on the trading platforms.

Mutual Funds – The prospectuses for the Affiliated Funds set forth the types and amounts of securities that may be bought or sold by Sterling on behalf of the Affiliated Funds. The investment advisory agreement entered into by Sterling and the Affiliated Funds gives Sterling the authority to select the brokers or dealers that will execute the purchases and sales of the securities of the Affiliated Funds' portfolios managed by Sterling. This agreement also directs Sterling to use its best efforts to obtain the best available price and most favorable execution of these transactions. Sterling is given the authority to effect transactions at commission rates that are in excess of the minimum available commission rates when deemed appropriate by Sterling.

Research and Other Soft Dollar Benefits – Sterling uses research materials in making recommendations to a broad range of clients. To the extent consistent with achieving best overall execution, Sterling allocates orders to broker-dealers that provide research information as part of their general customer service. These research services may include information on individual securities, markets, the economy, statistical information, risk measurement analysis, performance studies and other appropriate research products and services.

We receive research products and services from both proprietary (created or developed by a broker-dealer) and third-party research firms in connection with managing client portfolios. Proprietary broker-dealer research typically includes analyst research reports, sales brokerage coverage, conferences, and one-on-one meetings with both analysts and companies. For proprietary broker-dealer services that are "bundled" (*e.g.* offer trade execution and research products for one commission rate), we consider a portion of the commission for trade execution and the remainder for research services.

For third-party ("soft dollar") research services, we predominantly use client commission arrangements ("CCAs") with participating broker-dealers and also allocate a portion of the commission to trade execution and the remainder to research services. Third-party research is reviewed by representatives of the investment groups and Sterling's Best Execution Committee. All third-party research and trading services are reviewed by our compliance department to ensure compliance with the safe harbor section 28(e) of the Securities Exchange Act of 1934, which requires Sterling to determine in good faith that the commission paid is reasonable in relation to the value of the research provided (the "Safe Harbor").

We periodically review our total commission structure with an industry survey of comparable managers. Use of client commissions for research and other soft dollar benefits can create a conflict of interest between the client and its adviser. For example:

- It directly reduces Sterling out-of-pocket costs for those services,
- It creates an incentive to select a certain broker-dealer or research product or service,
- Clients may pay commission rates that are higher than would otherwise be the case if they traded solely for execution purposes,
- Sterling may invest client assets in securities issued by broker-dealers or their affiliates, and
- Sterling may provide investment management services to broker-dealers or their affiliates.

In some cases, research services are generated by third parties but provided to Sterling by or through broker-dealers. Although it is not possible to assign an exact dollar value to these services, they may reduce our expenses. The fees paid to us, however, are not reduced because we receive such services.

We believe that using soft dollars to obtain the type of research services mentioned above enhances our investment research process, thereby increasing the prospect for higher investment returns. Research services received pursuant to soft dollar arrangements may be used to benefit the account that generates the commissions, as well as other accounts. In some instances, research products or services received by Sterling may also be used for functions that are not research related. Where such product or service has a soft dollar/hard dollar "mixed use" we will make a reasonable allocation according to its use and will pay for the non-research function in hard dollars using our own funds.

Sterling uses client soft dollar commissions for the service of its clients. Not all research commissions generated by a client's trade will necessarily benefit a particular client's account and soft dollar benefits are not proportionate to soft dollar commissions generated.

In accordance with the Safe Harbor, Sterling has entered into arrangements for research and/or brokerage services. To facilitate payment of these services, Sterling has CCAs in place, directing the transacting broker-dealer to collect and pool commissions generated by client trades and then periodically directing the broker-dealer to pay research invoices from that pool. Justifications for each arrangement are reviewed or monitored by Sterling's Best Execution Committee periodically to determine if the product or service meets the eligibility criteria of "research" or "brokerage" in the Safe Harbor; that the product or service provides lawful and appropriate assistance in Sterling's investment decision-making responsibilities and makes a good faith determination that the client commissions paid are reasonable in relation to the value of the services received. Non-research usage, overhead and ineligible brokerage services do not fall under the Safe Harbor. If a product/service is determined to be a "mixed-use" item, Sterling makes best efforts to make a reasonable cost allocation between hard and soft dollars to split the payment for this service accordingly. Sterling is not contractually obligated to direct trades to any broker-dealers in connection with these CCA arrangements. When we execute orders through these broker-dealers, clients may pay commissions higher than those obtainable from other brokers. Research products or brokerage services provided by these commission credits may benefit all clients including those not participating in a given transaction.

Sterling uses a commission aggregation platform to aggregate and reconcile commission credits in one location so that all credits are housed in a segregated account.

Sterling's procedure for working with broker-dealers or third-party research providers using client commissions is multi-faceted. Portfolio managers and analysts "vote" for broker-dealers with proprietary research services annually. Considerations typically include, but are not limited to:

- Number of company or analyst meeting opportunities,
- Quality of the analysts and their research reports,
- Sales coverage, and
- Conference participation.

Third-party research services are vetted within the investment group and must be approved by the Best Execution Committee before they can be purchased. Third party research services are purchased through broker-dealers using CCAs. In a CCA, a trade execution commission rate is established and an additional commission rate is added to be retained by the broker-dealer to pay for the research services. Sterling on occasion directs fixed income securities transactions to a broker-dealer that provides specialized research services, generally paying a small premium on those transactions in recognition of the value of the research services provided.

Brokerage for Client Referrals – Sterling does not consider broker-dealer or third party referrals in selecting or recommending broker-dealers.

Advisory Solutions Multi-Strategy Models – Trading for multi-strategy models provided to unaffiliated entities is generally not performed by Sterling. In these cases, Sterling provides the investment models through a third-party platform. The providers in turn may apply the investment models and make trade recommendations based on the model information provided by Sterling.

Trade Aggregation and Allocation – Investment decisions deemed appropriate for one client may also be deemed appropriate for other clients so that the same security may be purchased or sold at or about the same time for more than one client. When this is the case, Sterling may (but is not required to) aggregate same security, same side (*i.e*,. buy or sell) trades for multiple clients, including clients of Sterling's affiliates, and execute the trade as a single block. When transactions are so aggregated, the securities purchased or sold will be allocated in a fair and equitable manner. The prices applicable to the aggregate transactions on a given day will be averaged, and the accounts generally will be deemed to have purchased or sold their proportionate share of the security involved at the average price. Sterling will not aggregate transactions unless it believes that it is in the best interests of the clients and consistent with seeking best execution. Nevertheless, there is no assurance that the aggregation of transactions will benefit all clients equally, and in some instances combined orders could adversely affect the price or volume of a security. In addition, under certain circumstances, clients may not be charged the same commission in connection with an aggregated order. Finally, Sterling may choose not to aggregate trades in circumstances where it is or might be beneficial to do so.

Directed Brokerage Clients – It is not possible for Sterling to aggregate trades for clients where Sterling does not have the authority to trade securities on the client's behalf or where Sterling does not have discretion as to which broker(s) to use. Examples of these include wrap accounts where trades are routed to sponsoring custodian(s)/broker(s) who then execute the trades, and for model portfolio clients where Sterling simply provides changes to the model portfolio. In these instances, the model recipients trade when and with whom they deem appropriate, or they may choose to not execute a trade. Sterling refers to these clients as "non-discretionary."

Directed brokerage transactions may result in higher commissions, greater spreads or less favorable execution on some transactions than would be the case if Sterling were free to choose the broker- dealer. Under certain circumstances, and in an attempt to secure best execution, a security may be purchased away from the custodian brokerage firm and a minimal charge could apply for accepting such delivery, so long as Sterling believes the net result would be advantageous to the client. Sterling generally does not monitor or evaluate the nature and quality of the services clients obtain from a directed broker or sponsor. For this reason, it is possible that the sponsors provide less advantageous executions than if Sterling had selected another broker-dealer to execute the transactions.

Other Trading Procedures – The following procedure describes the sequencing practices designed to ensure that all clients are treated in a fair and equitable manner over time.

***Trade Rotation*:** Given the nature of a non-discretionary account, discretionary account trades executed by Sterling's trading desk for a given strategy are not aggregated with non-discretionary trades, including those executed by the trading desk of the unaffiliated manager, sponsor or financial adviser. Thus, client orders placed by Sterling's trading desk for a given security could potentially compete with client orders placed by the trading desk of the unaffiliated manager, sponsor or financial adviser. Timing delays or other operational factors associated with trade implementation may result in Sterling's client orders being executed at the same time, before, or after the client orders of the unaffiliated manager, sponsor, or financial adviser. This may result in some clients receiving materially different prices relative to other clients.

Sterling will use a trade rotation when the same trade that is being made for discretionary accounts is also being provided to non- discretionary accounts. Sterling will start the aggregated trade for discretionary accounts and the trade rotation for non-discretionary accounts contemporaneously. The trade rotation may be either random or sequential as Sterling deems appropriate. An example of when a sequential rotation may be more appropriate is the case where there are just two clients in a rotation. An exception to this process may occur if a security is extremely illiquid, as it may be beneficial to wait until one or more clients have, or appear to have, completed trading before releasing the trade information farther down the rotation.

When a new client is added to a rotation, it is added to the bottom of the list without restarting the rotation. When a client is removed from a rotation, the process will continue in successive order without restarting the rotation.

***Cross-Trades*:** A cross-trade is a practice where buy and sell orders for the same security from two client accounts are executed without placing that security trade on an exchange.

Sterling will typically trade these orders separately and not cross them as there are many instances where cross-trading is prohibited. When a security is not traded on an exchange, there is a risk that one or both clients did not get the best price based on prevailing market conditions. Nevertheless, there may be circumstances where Sterling may choose to cross-trade if Sterling believes that a cross-trade is beneficial to both parties, and where doing so is compliant with any client directions and applicable regulations.

Trade Error Policy: In the event of a trade error loss caused by Sterling, the firm will seek to restore the client's account to the position it should have been in, had the trading error not occurred. Corrective actions may include canceling the trade, adjusting an allocation, and/or reimbursing the client. In the event the error results in a gain, the client will retain the profit.

Item 13 – Review of Accounts

Depending on the nature of the client's portfolio, the client's own monitoring capabilities, the type of advice and the arrangements made with the client, the frequency of reviews with a client range from daily to quarterly. The level of review may encompass the entire portfolio, a section of the portfolio or a specific transaction or investment. The frequency of the review depends upon a variety of factors such as the risk profile of the account, the account's activity level, the volatility of the asset allocation sectors in which the account is invested and the client's preferences, if any. Additional review may be triggered by changes in the investment objectives or guidelines of a particular client or specific arrangements with the particular clients. There is no minimum or maximum number of accounts assigned for each reviewer.

Portfolio evaluations and analyses are furnished to our clients in writing or electronically on a periodic basis as requested (usually monthly or quarterly periods). These reports generally include a list of all assets held in the account and a current market value along with account transactions and other portfolio details. The portfolio investment performance results are provided for various time periods, and if applicable with appropriate market indices for comparative purposes. Formal client review meetings are generally conducted on a regular basis at intervals selected by the client. During these reviews, the investment results and portfolio strategy are discussed. In addition, client objectives and risk tolerance are reviewed.

Please refer to Item 15 – Custody for reports provided to clients regarding custody. We suggest to our clients that the information they receive from Sterling, including invoices and periodic statements, be compared to the statements clients receive from their custodians.

Item 14 – Client Referrals and Other Compensation

Sterling does not receive an economic benefit from anyone who is not a client in exchange for investment advice or other advisory services.

We will from time-to-time compensate persons and companies for client referrals, including any affiliates under BB&T Corporation. You will be informed in writing of such compensation prior to the initiation of the account, and we will not charge an additional fee for any such referred accounts.

Item 15 – Custody

Client assets will be held at a qualified custodian such as a broker-dealer, bank, or other qualified custodian, and Sterling will not serve as the client's custodian. Regardless of this custodial arrangement, Sterling may still be "deemed" to have custody of client assets if:

- Sterling serves as adviser to accounts held at an affiliated custodian,
- Sterling has the authorization to deduct or draft advisory fees from a client's investment or bank account,
- A Sterling employee serves as a trustee for a non-family member's account,
- Sterling has been given client authorization to transfer funds or securities from a client's account to a pre-designated third party,

- Sterling has access to client's other investment accounts; and
- Sterling receives cash or securities from a client and forwards them to the client's custodian.

Clients should receive statements at least quarterly from the broker-dealer, bank or other qualified custodian that holds their assets. Sterling urges clients to carefully review such statements and compare such official custodial records to the account statements that Sterling may provide. Sterling's statements may vary from custodial statements based on accounting procedures, reporting dates, or valuation methodologies of certain securities.

Item 16 – Investment Discretion

Sterling manages securities portfolios on a discretionary basis. We accept discretionary authority when a client signs an investment advisory agreement at the onset of the advisory relationship. This investment advisory agreement allows Sterling, without obtaining client consent, to implement investment decisions. In making decisions as to which (and the amount of) securities are to be bought and sold, Sterling is guided by the investment objectives, guidelines, and restrictions that are developed in consultation with clients. These guidelines usually include the investment objective, risk level, and the types and amounts of securities that will make up the portfolio. For registered investment companies, Sterling's authority to trade securities may also be limited by certain federal securities and tax laws that require diversification of investments and favor the holding of investments once made.

We generally will not manage accounts on a non-discretionary basis. However, exceptions may be made on a case-by-case basis.

Included in our discretionary authority is the ability to select broker-dealers through which to execute transactions on behalf of clients, and the commission rates, if any, at which transactions are effected. We may accept direction from the client or agree to limitations with respect to our discretion regarding which broker-dealers are to be used and what commissions are to be paid.

If a client directs us or limits us by providing specific instructions to use a particular broker-dealer or by providing us with particular instructions for trading, the client should be aware that Sterling may have opportunity risk and may not be in a position to freely negotiate commission rates or spreads, obtain volume discounts on aggregated orders, or to select broker-dealers on the basis of best price and execution. As a result, these accounts with special instructions may result in higher commissions, disparity in portfolio investment for some executions, greater spreads or less favorable execution on some transactions than would be the case if we were free to choose the broker-dealer. For best execution, a security may be purchased away from the custodian brokerage firm and a minimal charge could apply for accepting such delivery, so long as the net result to the client would be advantageous. In situations where the client directs our firm to effect portfolio transactions through a particular broker-dealer, we will require the client to provide these directions in writing.

The major consideration in allocating brokerage business is the pursuit of best execution on all transactions effected for all accounts. As discussed in Item 12 - Brokerage Practices, Sterling may allocate brokerage to firms that supply research, statistical data and other services when the terms of all transactions and the capabilities of different broker-dealers are consistent with the guidelines set forth in the Safe Harbor.

Item 17 – Voting Client Securities

Proxy Voting

Sterling's investment advisory agreement generally states that decisions on the voting of proxies will be made by Sterling with regard to discretionary assets unless the client otherwise reserves the right to vote. Clients may provide written direction to Sterling with respect to voting in a particular proxy.

Sterling engages a third-party service provider to assist with the functions related to voting client proxies as it deems appropriate. Sterling has adopted and implemented written proxy policies and procedures reasonably designed to ensure that proxies are voted solely in clients' interests, or plan participants and beneficiaries for ERISA accounts. The policies include provisions to resolve material conflicts of interests that may arise between Sterling and clients.

Sterling has adopted proxy guidelines which assist the members of Sterling's Proxy Committee in evaluating relevant facts and circumstances and enable Sterling to vote in a manner consistent with its fiduciary responsibility.

Sterling may be unable to vote or may determine to refrain from voting in certain circumstances. The following highlights some potential instances in which a proxy may not be voted:

- Voting in certain countries requires "share blocking." Shareholders wishing to vote their proxies must deposit their shares shortly before the date of the meeting with a designated depositary. During this blocking period, shares that will be voted at the meeting cannot be sold until the meeting has taken place and the shares are returned to the client's custodian banks. Sterling may determine that the value of exercising the vote is outweighed by the detriment of not being able to sell the shares during this period. In cases where Sterling wants to retain the ability to trade shares, Sterling may abstain from voting those shares. A list of the countries that meet this description is available upon request.

- In limited circumstances, other market-specific impediments to voting shares may limit Sterling's ability to cast votes, including, but not limited to, late delivery of proxy materials, untimely vote cut-off dates, power of attorney and share re-registration requirements, or any other unusual voting requirements. In these limited instances, Sterling will vote securities on a best efforts basis.

- If a client lends securities, Sterling will vote the securities' shares as reported by client's custodian. There may be instances, depending on the portfolio, for which Sterling does not vote proxies. In addition, clients may direct a vote for a particular solicitation.

Sterling's voting guidelines provide a general framework for voting proposals in the best interest of clients. The key element underlying any evaluation of the interests of a client in a proposal, election or issue presented to a shareholder vote is the effect, if any, the proposal, election or issue could have on the current or future value of the investment.

If you would like to obtain a copy of Sterling's proxy policies and procedures and/or a report summarizing how your securities were voted, contact Sterling's Compliance Department at scmcompliance@sterling-capital.com. Annual Form N-PX for Sterling Capital Funds show how Sterling voted proxies for the 12-month period ending June 30th are filed with the SEC no later than August 31st of each year.

Class Action Settlements

Although we may be authorized to vote proxies in client accounts as described above, Sterling will not handle or otherwise process any potential “class action” claims or similar settlements that clients may be entitled to for securities held in client accounts. Clients will receive the paper work for such claims directly from their account custodians. Each client should verify with its custodian or other account administrator whether such claims are being made on the client’s behalf by the custodian or if the client is expected to file such claims directly.

We do not believe our firm possesses the necessary legal expertise or the obligation to advise clients on legal matters including class actions and proofs of claim regarding securities held in clients’ accounts. We do, however, believe that our fiduciary duty to our clients binds us to act in their best interests and to assist in these matters to the best of our ability. Sterling will provide such assistance to clients or their agents and advisers as it is reasonably capable of providing, but does not accept ultimate responsibility for responding to class action notifications and expressly disclaims liability for the failure to respond to such notifications.

From time to time, our clients may be eligible to participate in a class action lawsuit relating to securities they own or have owned during the period we managed their account. In these cases, Sterling’s general policy is to work with client custodians to assist the custodian to gather information about the applicable class, the applicable lawsuit and/or any applicable award or settlement and inform the client of the same. In certain circumstances, when authorized and instructed to do so by a client, Sterling may file a claim with respect to a class action lawsuit, settlement or award on behalf of a client.

Item 18 – Financial Information

Registered investment advisers are required in this Item to provide you with certain financial information or disclosures about Sterling’s financial condition. ***Sterling has no financial commitment that impairs its ability to meet contractual and fiduciary commitments to clients and has not been the subject of a bankruptcy proceeding.***