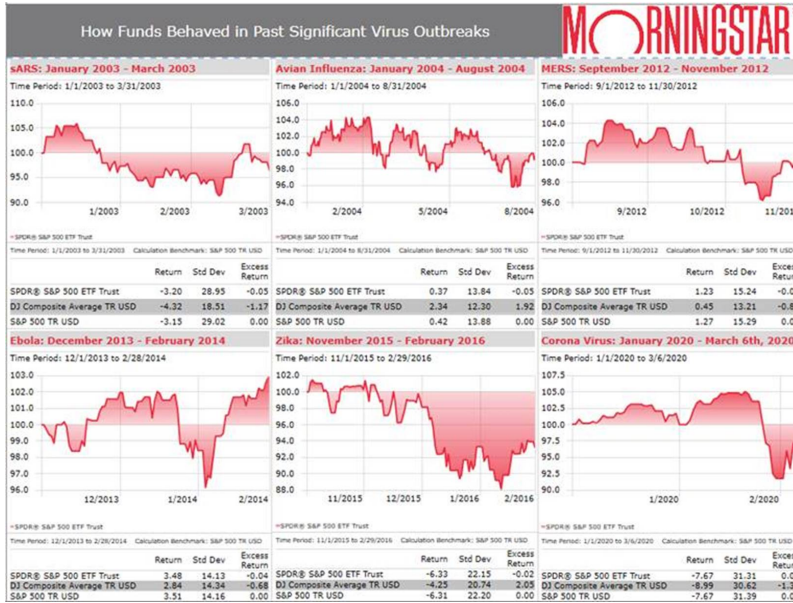


“Price is what you pay, value is what you get.”

- Warren Buffett



Source: Morningstar

Perhaps it is because our investment teams are located outside cities where the typical investment firm is housed, but our team has several views on market opportunities that appear divergent from the mainstream, in the current market environment. First, we have focused our attention on the potential duration of the COVID-19 impact as much as its potential reach. The chart from Morningstar above highlights not only the extent of prior virus outbreaks on the U.S. stock markets, but also the duration that lasted from three to nine months in these examples. Note, the Zika example included a global trade slowdown, at the same time that was remedied in early 2016 through a significant fiscal stimulus plan by China.

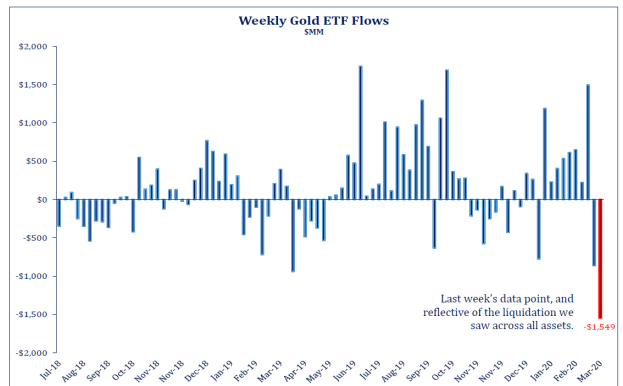
The emphasis on duration has been reflected in how we are playing offense in the current market dislocation, as we have been able to buy long-admired companies with advantaged competitive positions. These franchises should prove not only resilient should the crisis extend for longer than expected, but they should be gaining market share and are potentially poised for success when we emerge from the virus concerns. How is it that we can be excited about the valuations we are paying for these great companies? During a recent call with the investment team, our Head of Fixed Income, Mark Montgomery, noted that many of the price moves in

fixed income (and we believe in equities) have been driven by liquidity issues as much as fundamentals. The “sell what you can” observation was confirmed a few days later in the following graphic by Strategas Research that shows outflows in “safe haven” asset classes, such as gold. In the equity markets, for example, the Invesco S&P Low Volatility ETF ironically underperformed the S&P 500 in March. By taking advantage of apparent liquidity dislocations, we believe we are getting more value than the price we’re paying, as Mr. Buffett states in the quote above.

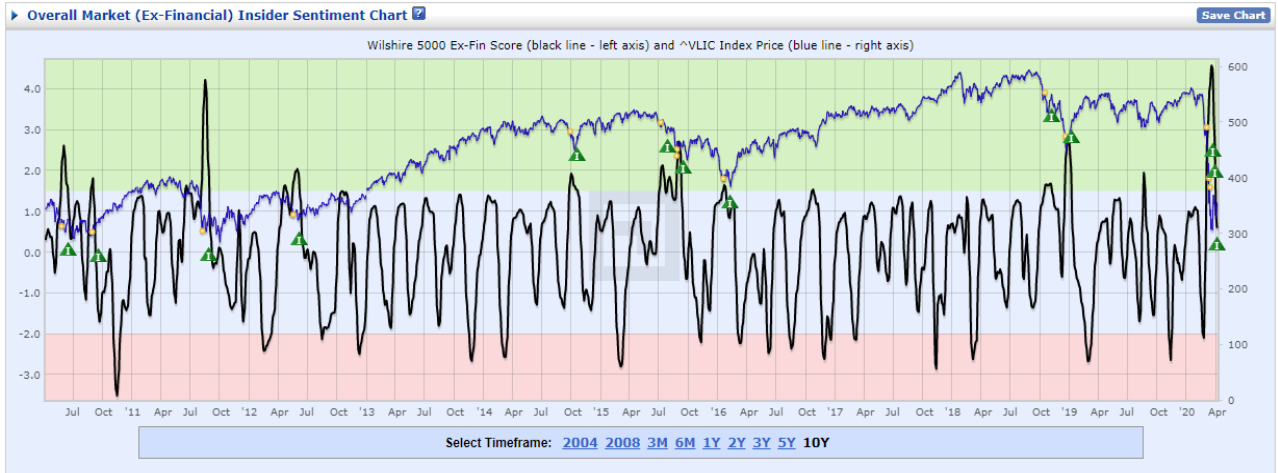


3/26/2020

THIS IS WHAT “SELL WHAT YOU CAN” LOOKS LIKE



Source: Strategas



Source: InsiderScore

How are we building the conviction to make our investments? Again, getting back to some hard numbers helps. Recently, one component has been the level of insider buying. The InsiderScore chart, shown above, was sent by Adam Bergman, who runs a strategy employing insider buying, with the understanding that the executives who run their businesses probably know the most about their prospects. As seen in the visual, the level of insider buying recently hit a new high across the market.

A final aspect that reconfirms our conviction is that we are investing in companies that are funding and finding solutions for the virus. Many of our healthcare holdings are demonstrating their leadership and innovation by introducing testing devices, finalizing potential treatments, and funding vaccines for final approval. In doing so, they are rising to the challenge to help both the country and the world get back onto firmer ground.

As always, thank you for your interest and trust managing your investments.

Charles J. Wittmann, CFA®, Executive Director, joined Sterling Capital Management in 2014 and has investment experience since 1995. Chip is an equity portfolio manager. Prior to joining Sterling, he worked for Thompson Siegel & Walmsley as a portfolio manager and (generalist) analyst. Prior to TS&W, he was a founding portfolio manager and analyst with Shockoe Capital, an equity long/short hedge fund. Chip received his B.A. in Economics from Davidson College and his M.B.A. from Duke University's Fuqua School of Business. He holds the Chartered Financial Analyst® designation.



The Chartered Financial Analyst® (CFA) charter is a graduate-level investment credential awarded by CFA Institute — the largest global association of investment professionals. To earn the CFA charter, candidates must: 1) pass three sequential, six-hour examinations; 2) have at least four years of qualified professional investment experience; 3) join CFA Institute as members; and 4) commit to abide by, and annually reaffirm, their adherence to the CFA Institute Code of Ethics and Standards of Professional Conduct.

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