

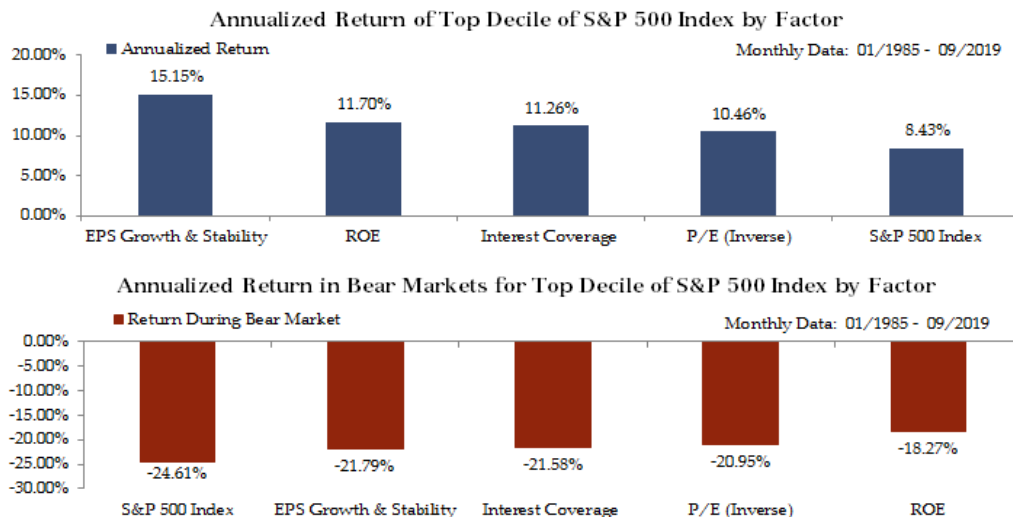


“It’s far better to buy a wonderful company at a fair price than a fair company at a wonderful price.”

- Warren Buffett, 1989 Berkshire shareholder letter



Seek Capital Appreciation and Risk Reduction by Constructing Portfolios with Attractive Valuations (P/E), Robust Operating Growth (EPS Growth/Stability), High Profitability (ROE), & Strong Balance Sheets (Interest Coverage)



Source: Ned Davis Research, S&P Dow Jones Indices. The views expressed represent the opinions of Sterling Capital Management. Any type of investing involves risk and there are no guarantees that these methods will be successful.

Source: Ned Davis Research, S&P Dow Jones Indices, Sterling Capital

Last week was Thanksgiving, when 400 years ago the early Pilgrims celebrated a good harvest in Charles City County, Virginia, not far from our office. Those early settlers knew that hard work experience was required for a bountiful harvest, but many other factors can impact the final product, from weather, disease, to the health of the harvesters.

This year, the Equity Opportunity strategies overall are benefitting from a favorable investing environment. During a recent due diligence session with a potential new client, the manager research team asked a provocative question: “what is the greatest lesson you have learned over your investment career?” The first answer from the team was, “we have learned to invest in quality stocks.” What is interesting from a performance perspective is how well quality tends to perform in both up and down markets.

The graphic above was developed by our teammate, Whitney Stewart, and illustrates the four pillars of our investment philosophy and how they perform not only over time (in blue above), but also how these factors perform in a down market (in red above). As seen, ROE (return on equity), which is a common quantitative assessment of quality, is among the best contributors in both environments.

Year-to-date, with November marking the longest bull market on record and with eleven months under our belt, the S&P 500 and MSCI World equity indices are up 24.1% and 20.4%, respectively. How has quality fared in 2019? In a strong upmarket, quality stocks more than doubled the performance of lower quality stocks in 2019 domestically, as Merrill Lynch highlights on the second page. Their letter grade ratings are based on S&P quality rankings with “A” the highest.



Merrill Lynch Investment Strategy Selected Proprietary Indices (Price Performance as of October 2019)

Quality Indices (1)	1 M	3 M	6 M	12 M	YTD	2 Year Performance		3 Year Performance	
						Gross	Anlzd	Gross	Anlzd
A+	0.56%	2.88%	3.39%	11.25%	17.66%	33.34%	15.47%	46.93%	13.69%
A	-0.96%	0.72%	3.80%	16.88%	22.98%	27.29%	12.82%	46.21%	13.50%
A-	0.89%	2.39%	3.66%	14.79%	21.45%	19.03%	9.10%	40.55%	12.02%
B+	1.48%	1.86%	3.23%	12.15%	21.76%	16.29%	7.84%	35.30%	10.60%
B	1.35%	1.23%	-0.35%	7.15%	18.83%	6.92%	3.40%	27.61%	8.47%
B-	0.99%	-2.31%	-6.05%	-0.28%	12.13%	-1.55%	-0.78%	21.09%	6.59%
C&D	1.99%	-5.69%	-9.15%	-7.88%	8.60%	1.97%	0.98%	26.37%	8.11%
Not Ranked	-0.01%	-4.95%	-6.75%	0.33%	14.10%	3.83%	1.89%	22.23%	6.92%
B+ or Better	0.94%	1.94%	3.48%	13.51%	21.65%	19.68%	9.40%	39.01%	11.61%
B or Worse	0.55%	-3.22%	-5.30%	1.37%	14.61%	3.73%	1.85%	23.91%	7.41%

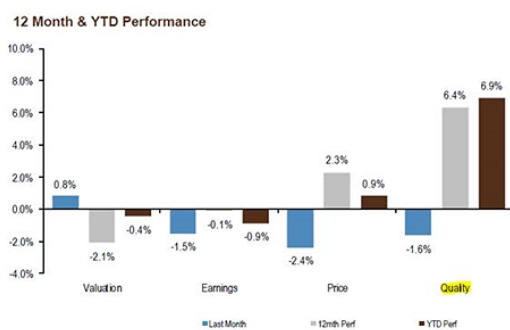
Source: Bank of America Merrill Lynch

The story is similar globally as of the end of November, with J.P. Morgan noting quality has been a strong contributor to returns year-to-date. Quantitative measurements can confirm the qualitative assessments the investment team makes. Before making a new investment or discussing current positions through a Quintiles process, the team assesses a company's industry leadership, market share, its mission critical characteristics and revenue model.

For example, during our client meeting, we discussed our attraction to recurring revenue models in businesses such as subscription software companies, franchise models that receive royalties in the restaurant industry and cell tower owners that receive rent. We believe these businesses should receive consistent and growing revenue streams in good times and bad. What will the market return in 2020? We don't make market predictions, but we believe there is a good chance owning quality companies should put clients in an advantaged position as we head into the New Year.

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

Chip Wittmann, CFA®
Executive Director
(757) 417-4901
cwittmann@sterlingcapital.com



Source: MSCI, FactSet, Reuters, J.P. Morgan Macro QDS

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.

The opinions contained in the preceding commentary reflect those of Sterling Capital Management LLC, and not those of BB&T Corporation or its executives. The stated opinions are for general information only and are not meant to be predictions or an offer of individual or personalized investment advice. They also are not intended as an offer or solicitation with respect to the purchase or sale of any security. This information and these opinions are subject to change without notice. Any type of investing involves risk and there are no guarantees. Sterling Capital Management LLC does not assume liability for any loss which may result from the reliance by any person upon any such information or opinions.

Investment advisory services are available through Sterling Capital Management LLC, a separate subsidiary of BB&T Corporation. Sterling Capital Management LLC manages customized investment portfolios, provides asset allocation analysis and offers other investment-related services to affluent individuals and businesses. Securities and other investments held in investment management or investment advisory accounts at Sterling Capital Management LLC are not deposits or other obligations of BB&T Corporation, Branch Banking and Trust Company or any affiliate, are not guaranteed by Branch Banking and Trust Company or any other bank, are not insured by the FDIC or any other government agency, and are subject to investment risk, including possible loss of principal invested.