Focus Equity SMA Commentary

3rd Quarter 2026

Quarterly Review

Performance	QTR	YTD	1YR	3YR	5YR	10YR	Since Inception[1]
Sterling (Gross)	4.93%	-4.10%	-2.94%	12.03%	2.64%	13.29%	13.14%
Sterling (Net)	4.17%	-6.22%	-5.78%	8.78%	-0.35%	10.01%	9.86%
Index	2.46%	11.78 %	13.78%	24.41%	13.13%	17.18%	16.56%

Performance and Market Update

The U.S. equity market extended its advance in the third quarter with the S&P 500 returning 2.3%, bringing its year-to-date return to 12.7%. In 3Q26, the Focus Equity strategy returned 4.93% on a gross basis and 4.17% on a net of fee basis. Businesses benefiting from the Artificial Intelligence (AI) buildout continued to drive strong growth in corporate earnings, while rising interest rates weighed on valuations and sentiment. Beneath headline numbers that were largely stable, dynamics at the stock level were anything but, with large drawdowns in higher risk and momentum areas of the market stemming from a unique combination of excessive leverage, rising interest rates, and a maturing business cycle. Despite a quarter end close less than 2% below the S&P 500's all-time highs, 43% of constituents were at least 20% off their 52-week highs. After a macroeconomic environment with an early cycle feel drove a risk-on, low-quality rally for the better part of 2026, the latest shift has, in our view, reinforced Sterling Capital's longstanding philosophy of owning high-quality businesses with pricing power and strong free cash flow generation.

Exceptional growth paired with a broad rise in interest rates defined much of the third quarter. The 10-year Treasury yield climbed from 4.44% to 5.29%, an increase of 85 basis points (bps), closing above 5% and ending the quarter at its highest level since 2002. While much of the move was induced by energy-driven inflation, we believe accelerating growth may have also contributed. The war with Iran, now in its seventh month, has disrupted shipping through the Strait of Hormuz, pushing oil prices to new highs and lifting gasoline prices more than 27% from a year ago. This is one of the factors that may have contributed to the move higher in the Consumer Price Index (CPI), which rose 3.4% over the twelve months ending in August, outpacing the Federal Reserve's (Fed) 2.0% target. Despite persistent inflation and rising energy costs, second quarter real Gross Domestic Product (GDP) growth was revised up to 2.2%, August payrolls rose by 162,000 against a forecast of 60,000, unemployment held at 4.1%, and retail sales jumped 1.2% versus the prior month. The strong economy and rising inflation prompted a hike from the Federal Reserve (Fed) in September for the first time since 2023. The market largely anticipated this with rates rising consistently across the yield curve both in the U.S. and globally, lifting mortgage, auto, and corporate borrowing costs and contributing to investor uncertainty. Ahead of the November midterm elections we believe the market may remain choppy, but given the broad economic strength, higher rates and energy costs may act more as a governor for growth than a brake.

[1]Inception date is 12.31.2015. Data is as of 09.30.2026. The benchmark is the Bloomberg U.S. 1000 Growth. The net of fee performance reflects the deduction of the maximum SMA bundled fee of 3.00% annually for all periods presented. Performance is preliminary and is annualized for periods longer than one year. Net of fees performance returns are presented net of the SMA bundled fee, which includes all charges for trading costs, advisory services, portfolio management, custody and other administrative fees. "Pure" gross of fees performance returns do not reflect the deduction of any fees including trading costs: a client's return will be reduced by the management fees and other expenses it may incur. Investment management fees are described in SCM's Form ADV 2A. Performance reflects the reinvestment of interest income and dividends and realized capital gains. The performance presented represents past performance and is no guarantee of future results. Performance is compared to an index: however, the volatility of an index varies greatly and investments cannot be made directly in an index. Market conditions vary from year to year and can result in a decline in market value due to material market or economic conditions. Please refer to the attached GIPS Composite Report for additional disclosures. Sources: Bloomberg L.P.; eVestment Alliance; Sterling Capital Management Analytics.

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Against this backdrop, the AI build-out continues to accelerate, and it remains a significant force in both the economy and the equity market. NVIDIA's most recent quarter delivered revenue of $96 billion, more than double the prior year. The largest cloud providers now plan to spend nearly $750B on capital investment in 2026 alone, propelling technology investment to over half of all capital investment within the U.S. economy. The broader impact of this spending is showing up in corporate profits. According to FactSet, S&P 500 earnings are expected to grow 29% in the third quarter, which would mark the third consecutive quarter of growth above 25%. While technology-related companies account for much of that growth, the median company in the Russell 3000 grew earnings per share over 14%, the strongest rate in nearly five years. Even after a strong run, the S&P 500 trades at about 19x forward earnings, in line with its ten-year average, because profits have outgrown stock prices by a wide margin in 2026. We believe the productivity benefits of AI are in their early innings and could broaden beyond the semiconductor and infrastructure suppliers to the businesses that deploy these tools well. A build-out of this scale may not proceed in a straight line, however, and we remain selective about where and how we participate.

During the quarter we made a number of changes to potentially reduce the risk and improve the quality of the portfolio. We will continue to do so as we seek to best position for the current market dynamic.

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3Q26 Attribution

Leading Contributors	Portfolio Weight	Total Return	Gross Contribution to Return
Microsoft Corp.	6.66%	37.76%	2.14%
Shopify, Inc.	4.83%	29.88%	1.20%
Meta Platforms Inc	4.23%	28.83%	1.10%
Workday, Inc.	0.79%	39.38%	0.70%
ServiceNow, Inc.	2.38%	34.98%	0.68%

Sources: FactSet; Sterling Capital Management Analytics.

Microsoft (MSFT) rallied as its results demonstrated that cloud capacity expansion and AI usage were translating into revenue, with Azure growing 43% in the July earnings report, ahead of expectations. Infrastructure efficiencies and faster deployment increased available capacity, which was quickly monetized, while GitHub Copilot consumption exceeded expectations following its move toward usage-based pricing. September's Copilot overhaul added another catalyst by combining Office applications, coding and autonomous tasks in a unified offering, with advanced features billed according to usage; the launch strengthened expectations for enterprise AI adoption and commercial growth.

Shopify (SHOP) — Shopify's August earnings report was the principal catalyst, sending shares higher after revenue and adjusted earnings exceeded expectations. Revenue growth and free cash flow (FCF) surprised market analysts, demonstrating that rapid expansion was accompanied by cash generation. Growth was supported by increased merchant activity and deeper monetization, with Shopify Payments rising as a percentage of global merchandise volume, and business-to-business merchandise volume growth was strong.

Meta Platforms (META) — Meta's gains were concentrated in a September reassessment of its consumer AI opportunity following the launch of Muse, with shares rising more than 20% after the release as the app overtook ChatGPT in the free iOS rankings. That enthusiasm followed a difficult July earnings reaction, when AI spending of potentially $145B for the year weighed on the shares. The underlying advertising business continued to expand, with second-quarter advertising revenue rising strongly as both impressions and pricing increased. Muse's early adoption also demonstrated the value of Meta's existing distribution: the vast majority of its initial users were already Facebook users, suggesting that the company could channel its audience into new AI products.

Workday (WDAY) — Workday's positive quarterly results and speculation that private equity firm Silver Lake was discussing an acquisition in the software space contributed to strong share price performance. The company completed its repurchase program six months ahead of schedule and authorized an additional multi-billion dollar program. The takeover discussions remained unconfirmed and carried no assurance of a transaction, leaving part of the share-price recovery potentially dependent on a potential deal.

ServiceNow (NOW) — ServiceNow's July results strengthened confidence in its growth outlook, with subscription revenue growth exceeding the top of guidance. AI adoption provided additional support: deal volume among first-time buyers of its agentic AI products increased strongly, while upgrades generated price increases. Company management raised its full-year subscription-revenue outlook and projected healthy operating and FCF margin. Some of the quarterly upside came from federal customers bringing purchases forward, but the higher annual revenue outlook also reflected better new-contract performance.

Leading Detractors	Portfolio Weight	Total Return	Gross Contribution to Return
ASML Holding NV Sponsored ADR	3.32%	-8.83%	-0.75%
Old Dominion Freight Line, Inc.	3.07%	-19.62%	-0.65%
Stryker Corporation	1.17%	-18.03%	-0.38%
Broadcom Inc.	4.78%	-6.86%	-0.30%
Vistra Corp.	1.94%	-12.64%	-0.28%

Sources: FactSet; Sterling Capital Management Analytics.

ASML (ASML) — ASML faced uncertainty over its access to China, with export restrictions potentially affecting an important market while China's push for domestic chipmaking equipment raised questions about future competition. Company reports of progress in Chinese lithography alternatives added to the competitive debate, although September reporting stressed that one advanced deep ultraviolet (DUV)-based process remained experimental and had not demonstrated commercial-scale production. The weakness occurred despite second-quarter sales exceeding guidance, highlighting the contrast between current operating performance and uncertainty over future market access.

Old Dominion Freight Line (ODFL) — Old Dominion lagged as concerns about softer freight volumes weighed on confidence in its recovery. The September operating update showed that August tonnage per day declined slightly and shipments per day fell modestly, suggesting that underlying shipment demand remained subdued. Pricing remained resilient, with higher revenue per hundredweight and yield growth providing an offset even as the lack of shipment growth limited evidence of a broader operating recovery.

Please refer to the Performance Disclosure found on page 8. Please refer to the preceding table titled "Performance", which provides the gross and net of fee returns of the composite, including performance results for the prescribed 1-year, 5-year, and 10-year periods (or since inception, as applicable).

Stryker (SYK) — Stryker's quarter was overshadowed by production and supply problems, with its July earnings call identifying peripheral-vascular disruptions even as company-wide organic sales grew high single-digit (HSD) and recovery from the cybersecurity incident in March continued. In September, company management disclosed that the peripheral-vascular manufacturing problem was taking longer to resolve than expected and would extend into the fourth quarter. The shortage constrained deliveries to existing customers and prevented the business from pursuing new sales as planned, weakening the expected second-half recovery. U.S. hip and knee procedures also experienced more summer seasonality than company management had anticipated, potentially adding another source of pressure to near-term growth expectations.

Broadcom Inc. (AVGO) — Broadcom's late-quarter slide was driven mainly by its fiscal third-quarter report. Strong revenue growth was overshadowed by somewhat softer fourth-quarter guidance and market skepticism about whether that growth can be sustained, in our view. We believe Broadcom's growth prospects are not fully reflected in its valuation, appears to be in line with the S&P 500 on some measures and at a discount on free cash flow–based metrics.

Vistra (VST) — Vistra faced a weaker Texas power-price outlook, with company management reporting that The Electric Reliability Council of Texas (ERCOT) forward prices had fallen materially and that higher PJM (largest power grid operator in the U.S.) prices, hedging and nuclear tax credits did not fully offset the earnings headwind. Consequently, the company indicated that its existing 2027 adjusted earnings before interest, taxes, depreciation, and amortization (EBITDA) opportunity was trending toward the lower end of guidance. A pause in some Texas large-load connection reviews added uncertainty around the timing of data-center demand, although company management did not expect its Comanche Peak project's planned late-2027 energization to be affected. Vistra maintained its 2026 guidance, while the existing 2027 range still excluded contributions from the pending Cogentrix acquisition and premium pricing under its Meta power agreements, leaving potential offsets that may help mitigate the weaker Texas outlook.

Purchases

AutoZone, Inc. (AZO) — AutoZone is a leading retailer and distributor of automotive replacement parts, serving both individual vehicle owners and professional repair shops across the Americas. Its expanding distribution network places more inventory closer to customers, improving parts availability and delivery speed while supporting market-share gains in the commercial business. We believe the combination of distribution scale, commercial expansion and additional store openings may provide a durable path for growth.

Badger Meter, Inc. (BMI) — Badger Meter provides water-metering technology, communications and software that help utilities monitor and manage their water systems. Its expanding software business and adoption of cellular-connected "smart" meters may provide opportunities to deepen customer relationships and increase recurring revenue. Although second-quarter sales declined as utility projects progressed unevenly, company management reported that awarded projects were entering deployment and expected a better revenue run-rate in the second half. We believe the long-term opportunity remains attractive, supported by a debt-free balance sheet and company management's five-year framework targeting HSD sales growth and 10–15% earnings growth.

For a full discussion of portfolio changes, please refer to our stock writeups issued in the month after the activity.

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- **Hexcel Corporation (HXL)** — Hexcel supplies advanced lightweight composite materials used in commercial aircraft, defense and space applications, including carbon fiber and engineered structures. Its sole-source positions, high barriers to entry and long-standing customer relationships may provide advantages as aircraft manufacturers expand production. Sales tied to the Airbus A350 and Boeing 787 reached their highest quarterly levels since before the pandemic, prompting company management to raise its full-year sales and earnings outlook. We believe recently extended Boeing supply agreements and the restart of existing capacity may support participation in a multiyear aerospace production recovery.
- **Lincoln Electric Holdings (LECO)** — Lincoln Electric supplies welding equipment, consumables and industrial automation systems to manufacturers around the world. Its expertise in materials science, software and automation supports what we believe is its competitive position, while the previous five-year strategy doubled both automation sales and that business's operating margin. We believe the combination of recovering industrial spending, a growing automation business and high returns on invested capital may support an attractive long-term compounding opportunity.
- **Ferrari (RACE)** — Ferrari's investment appeal rests on its luxury positioning, controlled supply and emphasis on exclusivity, which we believe support pricing power and customer demand for highly personalized vehicles. Its order book extended through all of 2027, providing visibility during a period of model transitions and new product introductions. Higher-value vehicle mix and personalization contributed to an approximately 10% increase in second-quarter operating profit and a higher full-year outlook. We believe Ferrari may continue growing earnings through the value of each vehicle and its broader product offering while preserving the scarcity that underpins the brand.
- **Rollins, Inc. (ROL)** — Rollins provides pest-control services through brands including Orkin, serving more than 2.8M residential and commercial customers across a global network. Recent weakness was concentrated in parts of the residential business dependent on inbound customer inquiries, while customer retention remained stable and commercial and termite services continued to grow. We believe these operating challenges are addressable through improvements in customer acquisition, sales productivity and local execution, which company management had already begun implementing. The longer-term opportunity combines recurring service revenue and organic expansion with acquisitions in a fragmented market, which we believe may support company management's objective of sustainable double-digit earnings growth.
- **Stryker Corporation (SYK)** – Stryker combines orthopedic and medical-technology businesses with an expanding robotic-surgery platform, benefiting from aging populations and hospitals' need to improve clinical productivity. Its Mako platform delivered record second-quarter installations, with rising utilization and more than 2.5M procedures performed globally. The launch of the handheld Mako RPS system broadens access to robotic-assisted knee replacement and may create another opportunity to extend the company's orthopedic franchise. We believe the product portfolio and expanding robotics adoption may support long-term growth, despite near-term production disruptions that the company was working to resolve.
- **Texas Instruments Incorporated (TXN)** – Texas Instruments supplies analog and embedded-processing semiconductors across a broad range of applications, supported by a diversified product portfolio and long-lived customer positions. Its ownership of manufacturing technology and investment in 300-millimeter production provide supply-chain control and a structural cost advantage, with unpackaged chips costing approximately 40% less than those produced on 200-millimeter wafers. We believe available capacity and lower-cost manufacturing may provide the company an opportunity to translate recovering demand into higher FCF per share.

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Sells

- **IDEXX Laboratories, Inc. (IDXX)** — IDEXX continued to execute well, delivering approximately 10% organic growth in recurring diagnostics revenue and raising its earnings outlook, but underlying veterinary traffic remained soft. U.S. same-store clinical visits continue to decline, with weakness in wellness visits leaving growth dependent on greater diagnostic testing per visit, pricing and customer gains. We sold the holding as we believed the risk/reward appears less attractive as continued diagnostic-spending gains may be needed to offset an uncertain recovery in clinic traffic.
- **Mobility Global Inc. (MBGL)** — Mobility Global became an independent company through S&P Global's July spin-off, bringing together automotive information businesses including CARFAX, automotiveMastermind and Polk Automotive Solutions. The separation introduced additional standalone infrastructure costs and execution requirements, alongside $2 billion of senior notes issued principally to fund a payment to S&P Global. We sold the small position rather than establish a separate long-term holding while the company demonstrated its earnings and cash-generation profile as an independent business.
- **Workday, Inc. (WDAY)** — Workday's fiscal 2027 subscription-revenue outlook suggested further moderation in its core business. Customers were applying greater scrutiny to purchases, extending sales cycles and making smaller increases in employee-count commitments at renewal, particularly in sectors dependent on federal funding. Although adoption of its AI products was increasing, the company maintained its annual subscription outlook, leaving the timing of a broader growth acceleration uncertain. We sold the holding as we preferred businesses with clearer near-term growth drivers and less dependence on an improvement in enterprise purchasing activity.

Outlook and Conclusion

As we enter the final quarter of the year, economic and geopolitical crosscurrents remain dynamic. The Fed is tightening, long-term interest rates are at their highest levels in more than 20 years, an overseas conflict is keeping energy prices elevated, and an election looms. At the same time, corporate earnings are growing at a pace few anticipated a year ago, the labor market is healthy, and a transformative technology is driving significant investment across the economy. As this period of exceptional growth normalizes, we believe the market may likely rate quality companies higher as their relative stability and compounding effects could become positive differentiators. We remain steady in our conviction to own high-quality businesses with wide economic moats, strong balance sheets, and durable free cash flow. As always, we seek to buy them at sensible prices and with patience to give them time to compound. We remain confident in the resilience of the portfolio and our investment approach across economic cycles.

Thank you for your continued trust and support of Sterling Capital.

Casey Nelsen, CFA®
Co-Portfolio Manager

Charles Radtke, CFA®
Co-Portfolio Manager

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September 30, 2026 Positions[1]

GOOG	8.6%
MSFT	7.4%
AMZN	6.1%
NVDA	5.8%
SHOP	5.3%
ADYEY	4.9%
META	4.9%
AVGO	4.4%
ETN	4.0%
SNPS	3.7%
PANW	3.2%
SPGI	3.2%
MELI	3.1%
TSM	2.9%
NOW	2.6%
ODFL	2.6%
COST	2.4%
ASML	2.4%
LECO	2.4%
CTAS	2.4%
TJX	2.1%
APH	2.0%
VST	1.8%
SYK	1.7%
TXN	1.5%
WM	1.4%
AZO	1.3%
RACE	1.0%
BMI	1.0%
HXL	0.8%
ROL	0.8%

Top 5 Total	33.2%
Top 10 Total	55.1%
Top 15 Total	70.1%
Top 20 Total	82.3%

[1]Representative Account. Holdings note: The weightings for your account may differ somewhat from the figures above due to variations in account holdings, trade timing, and other client-specific circumstances. For illustrative purposes only. Specific securities identified and described do not represent all of the securities purchased, sold or recommended to clients. There are no assurances that securities identified will be profitable investments. The securities described are neither a recommendation nor a solicitation. Security information is being obtained from resources the firm believes to be accurate, but no warrant is made as to the accuracy or completeness of the information.



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Important Information

Disclosures

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Performance Disclosure: The net of fee performance reflects the deduction of the maximum SMA bundled fee of 3.00% annually for all periods presented. Performance is preliminary and is annualized for periods longer than one year. Net of fees performance returns are presented net of the SMA bundled fee, which includes all charges for trading costs, advisory services, portfolio management, custody and other administrative fees. “Pure” gross of fees performance returns do not reflect the deduction of any fees including trading costs: a client’s return will be reduced by the management fees and other expenses it may incur. Investment management fees are described in SCM's Form ADV 2A. Performance reflects the reinvestment of interest income and dividends and realized capital gains. The performance presented represents past performance and is no guarantee of future results. Performance is compared to an index: however, the volatility of an index varies greatly and investments cannot be made directly in an index. Market conditions vary from year to year and can result in a decline in market value due to material market or economic conditions. Please refer to the attached GIPS Composite Report for additional disclosures.

Performance is compared to an index, however, the volatility of an index varies greatly. Indices are unmanaged and investments cannot be made directly in an index.

The Bloomberg U.S. 1000 Growth Index provides exposure to companies with superior growth factor scores based on their earnings yield, valuation, dividend yield, and growth.

The **S&P 500® Index** is a readily available, carefully constructed, market-value-weighted benchmark of common stock performance. Currently, the S&P 500 Composite includes 500 of the largest stocks (in terms of stock market value) in the United States and covers approximately 80% of available market capitalization.

The **Russell 3000® Index** measures the performance of the largest 3,000 US companies designed to represent approximately 98% of the investable US equity market.

The **NASDAQ Composite Index** is the market capitalization-weighted index of over 2,500 common equities listed on the NASDAQ stock exchange. The types of securities in the index include American depositary receipts, common stocks, real estate investment trusts (REITs) and tracking stocks, as well as limited partnership interests. The index includes all Nasdaq-listed stocks that are not derivatives, preferred shares, funds, exchange-traded funds (ETFs) or debenture securities.

Technical Terms: **Earnings per share (EPS)** is calculated as a company's profit divided by the outstanding shares of its common stock. The resulting number serves as an indicator of a company's profitability. It is common for a company to report EPS that is adjusted for extraordinary items and potential share dilution. . **EBITDA, or earnings before interest, taxes, depreciation, and amortization**, measures operating profitability before interest, taxes, depreciation, and amortization. It is calculated by adding interest, taxes, depreciation, and amortization back to net income or operating income. **Gross domestic product (GDP)** is the monetary value of all finished goods and services made within a country during a specific period. **The Consumer Price Index (CPI)** measures how prices change over time. It tracks the prices of everyday things people buy, like food, gas, rent, and clothes. **Forward earnings** are estimates of a company's future earnings that are used by investors to assess potential stock performance. The **compound annual growth rate (CAGR**) is the rate of return that an investment would need to have every year in order to grow from its beginning balance to its ending balance, over a given time interval. The CAGR assumes that any profits were reinvested at the end of each period of the investment’s life span. **Free cash flow (FCF**) is the amount of money a company has that exceeds the amount needed to sustain and grow the business. (Technical definitions are sourced from Corporate Finance Institute.)

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	Total "Pure" Gross Return	Total Net Return	Benchmark Return	3Y Composite Std. Dev. (Gross)	3Y Benchmark Std. Dev.	Composite Dispersion	Number of Portfolios	Composite AUM (MM)	Total Firm AUM (MM)
2025	10.78%	7.57%	17.93%	21.41%	13.74%	0.12%	29	$9	$69,234
2024	7.64%	4.51%	28.88%	26.43%	19.48%	0.08%	50	$16	$66,160
2023	44.12%	40.03%	36.12%	25.90%	19.62%	0.32%	80	$27	$66,746
2022	-33.73%	-35.74%	-27.47%	25.94%	22.48%	0.31%	104	$25	$62,842
2021	16.35%	12.99%	26.08%	20.02%	17.29%	0.36%	238	$111	$75,309
2020	36.48%	32.58%	35.83%	20.88%	18.74%	1.01%	251	$104	$70,108
2019	43.06%	39.00%	34.76%	13.72%	12.31%	0.67%	151	$35	$58,191
2018	4.19%	1.15%	-1.12%	13.77%	11.64%	Not Calculable	36	$5	$56,889
2017	29.91%	26.20%	27.42%	< 3 Years	< 3 Years	Not Calculable	5	$1	$55,908
2016	12.24%	8.99%	6.43%	< 3 Years	< 3 Years	Not Calculable	4	$0	$51,603

Benchmark: Bloomberg U.S. 1000 Growth Index Composite Creation Date: 10.31.2018 Inception Date: 12.31.2015

1. Consists of all discretionary separately managed wrap Focus portfolios. SCM's Focus portfolio investments are flexible and may span growth and value, large- and small-capitalization companies, and various capital forms including equity, debt, and derivatives. The strategy seeks positions featuring sustainable, multi-year return profiles underpinned by businesses perceived to possess attractive financial returns, visible reinvestment opportunities, and talented management.
2. The material risks of this strategy include, but are not limited to, the following: Market Risk, Management Risk, Market Disruption and Geopolitical Risk, Company Specific Risk, Equity Securities Risk. For a full list of strategy risks, please reference Sterling Capital Management's Form ADV, Part 2A.
3. Sterling Capital Management LLC (SCM) claims compliance with the Global Investment Performance Standards (GIPS®) and has prepared and presented this report in compliance with the GIPS standards. SCM has been independently verified for the periods 01/01/2001-12/31/2024. The verification report(s) is/are available upon request. A firm that claims compliance with the GIPS standards must establish policies and procedures for complying with all the applicable requirements of the GIPS standards. Verification provides assurance on whether the firm's policies and procedures related to composite and pooled fund maintenance, as well as the calculation, presentation, and distribution of performance, have been designed in compliance with the GIPS standards and have been implemented on a firm-wide basis. Verification does not provide assurance on the accuracy of any specific performance report. Benchmark returns are not covered by the report of the independent verifiers. GIPS® is a registered trademark of the CFA Institute. CFA Institute does not endorse or promote this organization, nor does it warrant the accuracy or quality of the content contained herein.
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5. The performance presented represents past performance and is no guarantee of future results. Market and economic conditions vary from year to year and can result in a decline in market value due to material market or economic conditions. Please refer to the slide titled "Performance" for the one-, five-, and ten-year returns of the composite.
6. A complete list of all of SCM's composites and SCM's broad distribution pooled funds and their descriptions is available upon request. Policies for valuing investments, calculating performance, and preparing GIPS Composite Reports are available upon request.
7. Performance reflects reinvested interest income and dividends and realized and unrealized capital gains and losses. All portfolios utilize trade-date and accrued income accounting. Valuations and performance are reported in U.S. dollars. Periodic time-weighted returns are geometrically linked. Returns are not calculated net of non-reclaimable withholding taxes due to immaterial dollar amounts. Effective 9/1/18, composite returns are asset weighted using the beginning market value and time weighted return of the portfolios. Prior to 9/1/18, composite returns were asset weighted using the aggregate method that reflects both beginning market value and cash flows.
8. "Pure" gross of fees returns are presented as supplemental information and do not reflect the deduction of any fees including trading costs. Net returns are calculated by deducting the highest applicable wrap fee of 3.00% annually from the pure gross composite return. Prior to 8/31/18, gross of fees returns reflect the deduction of trading costs. Effective 9/1/18, "pure" gross of fees returns do not reflect the deduction of any fees including trading costs. The SMA fee includes all charges for trading costs, portfolio management, custody, administrative fees, and foreign withholding taxes. The maximum SMA or bundled external platform fee is 2.52% annually and includes SCM's actual management fee of 0.32%. SCM's actual management fees are 0.32% annually. From 12/31/15-8/31/18, the composite was comprised 100% of separate accounts. As of 9/1/18 the composite has been comprised 100% of wrap fee portfolios.
9. Effective 1/1/22, portfolios are removed from the composite for flows 10% or greater of prior month portfolio market value. Portfolio remains out of the composite for the month of the flow and for one additional period. Prior to 1/1/22, portfolios were not removed from the composite for flows.
10. The appropriate benchmark is the Bloomberg U.S. 1000 Growth Index since inception, effective 6/30/2026. The Bloomberg U.S. 1000 Growth Index is a float-adjusted market-cap-weighted benchmark designed to track the top 1000 U.S. companies demonstrating superior growth characteristics, including earnings yield, valuation, dividend yield, and growth. Prior to 6/30/2026, the benchmark was the Russell 1000® Growth Index. Effective 3/31/20, the appropriate benchmark was changed retroactively to inception from the Russell 3000® Index to the Russell 1000® Growth Index.
11. The annual composite dispersion presented is measured by an asset-weighted standard deviation calculation method of all portfolios in the composite for the entire year, and is calculated using gross of fee returns. It is not meaningful when there have been less than six portfolios in composite for entire calendar year. The 3-year annualized standard deviation measures the variability of the composite and benchmark returns over the preceding 36-month period. The composite 3-year standard deviation is calculated using gross of fee returns. It is not required to be presented when a full three years of composite performance is not yet available.