STERLING
CAPITAL ADVISORY SOLUTIONS

Advisory Solutions Monthly Update
April 2019

ASSET ALLOCATION UPDATE

- We recommend an overweight to Global Equities versus Fixed Income across models.
- Within the equity allocation, we recommend a mild overweight to U.S. Equities and corresponding underweight to International Developed Equities. We also recommend an overweight to Small Cap versus Mid and Large Cap Equities.
- Within the fixed income allocation, we recommend an overweight to Short U.S. Government Bonds.

EQUITY HIGHLIGHTS

- Global equities capped off a strong 1Q19 with positive returns in March, as the MSCI ACWI IMI rose 1.03% during the month. U.S. equities outperformed emerging markets and international developed markets in March, led by relative strength in the large-cap growth segment. Growth outperformed value and large-caps outperformed small-caps during the month. Real estate and consumer staples benefitted from falling interest rates and were among the top performing sectors in March. Conversely, lower rates and a yield curve inversion in the U.S. put pressure on financials.
- After a challenging 2018, the environment for actively-managed equity strategies improved during the first quarter of 2019.
- U.S. growth equities have outperformed value by a wide margin since the global financial crisis, driven partially by a prolonged low economic growth environment and significant outperformance from large-cap information technology, communication services and consumer discretionary companies. Stretched growth valuations could lead to improvement in value relative performance.

FIXED INCOME HIGHLIGHTS

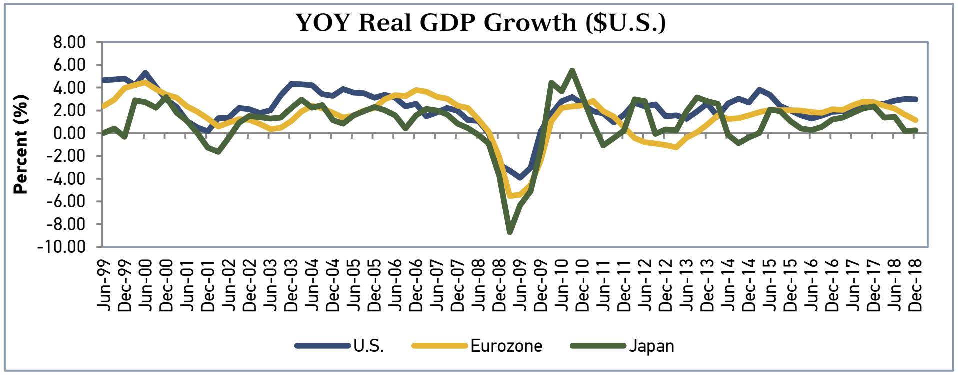
- The bond market continued its rally throughout the month of March with both government and credit sensitive areas producing positive returns. Investment grade corporates was the top performing asset class within the opportunity set, up 2.44%. Government related securities also posted strong returns, with nominal governments up 1.89% and TIPS up 1.84%. High yield, which was the top performer in January and February, produced the lowest return in March, up 0.94%. The Bloomberg Barclays U.S. Aggregate Bond Index, a proxy for the overall bond market, returned 1.92% in March.
- In a reversal from the previous month, 10-year government bond yields in select foreign markets moved lower in March, led by Italian yields which declined by 18 bps. Yields on the 10-year German Bund moved back into negative territory. Domestic rates, as represented by the yield of the 10-year Treasury, decreased by 32 bps from 2.73% to 2.41%.
- Reversing a trend that began in January, Municipal/Treasury yield ratios moved higher across the curve in March, although ratios remain below historical averages.

Stock Indexes	YTD	Bond Indexes	YTD	Other Indexes	YTD	U.S. Treasury Yields		Rates/Commodities	
MSCI ACWI IMI	12.29%	Barclays US Aggregate	2.94%	60% LgShort-40% MktNeutral	3.46%	6-month	2.44%	Prime Rate	5.50%
Russell 3000	14.04%	Barclays Gbl Treas xUS Hdg	2.81%	DJ Equity All REIT	17.19%	1-year	2.40%	LIBOR (3 Mo)	2.60%
S&P 500	13.65%	Barclays US TIPS	3.19%	Bloomberg Commodity	6.32%	3-year	2.21%	Oil Price ($/barrel)	$60.14
MSCI EAFE	9.98%	Barclays US High Yield	7.26%			5-year	2.23%	Gold ($/t oz)	$1,298.50
MSCI EM	9.91%	Barclays EM Aggregate	5.43%			10-year	2.41%		
						30-year	2.81%		

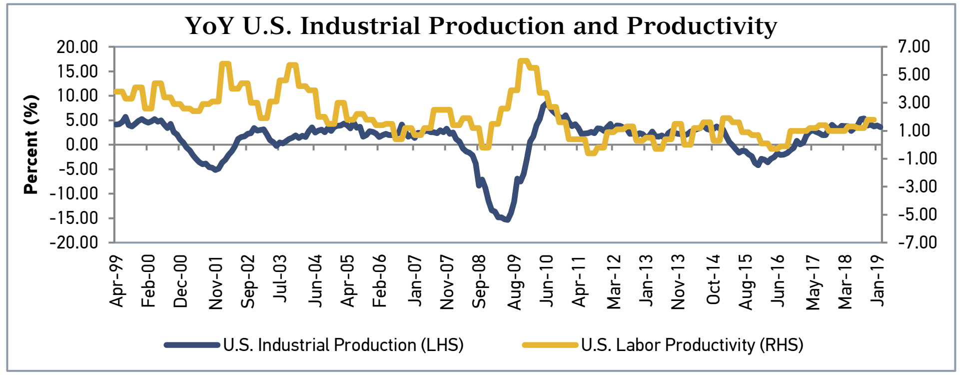
Data as of 03.31.2019; Source: Morningstar, FactSet, Russell Investments, Barclays, U.S. Department of Treasury

STERLING
CAPITAL ADVISORY SOLUTIONS

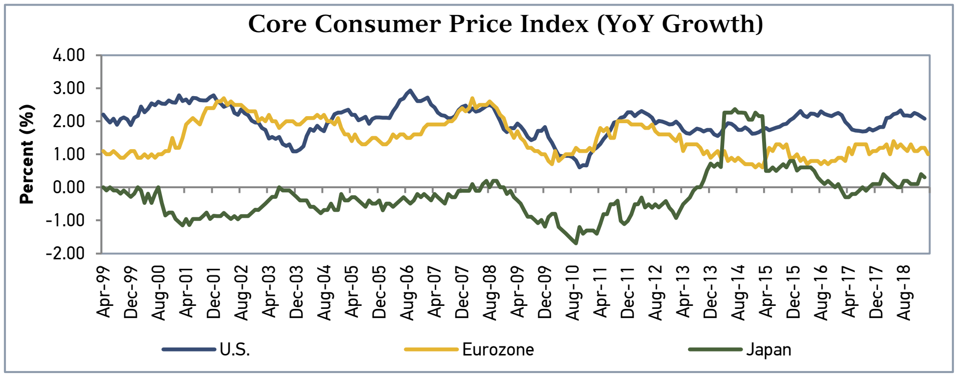
Global Economic Snapshot



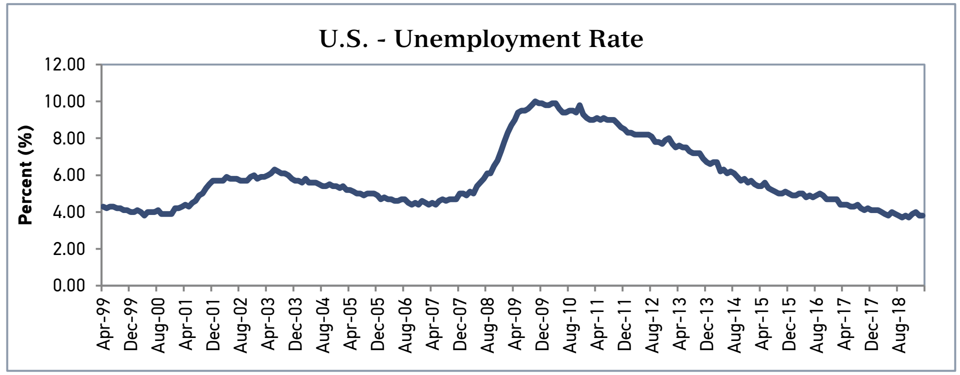
Data as of 12.31.2018.; Source: FactSet



Labor Productivity as of 12.31.2018, Industrial Production as of 02.28.2019; Source: FactSet



Eurozone data as of 03.31.2019. U.S. and Japan data as of 02.28.2019; Source: FactSet; The sudden increase in Japan CPI growth in 2014 coincided with an increase in national sales tax that impacted final price levels.



Data as of 03.31.2019; Source: FactSet

- GDP growth in Europe and Japan has moderated recently while U.S. growth has remained strong.
- Year-over-year U.S. productivity growth continued to improve in the fourth quarter. Sustained productivity growth is essential to drive long-term real GDP growth. Year-over-year industrial production growth has moderated in recent months but remains solid.
- U.S. inflation has leveled out at a little above 2% while European inflation has stabilized near 1%. Japan inflation ticked down to a very low but positive 0.3% in February.
- March employment growth numbers were solid and the unemployment rate remained very low at 3.8%.

Note: Please see Appendix for important definitions.

STERLING
CAPITAL ADVISORY SOLUTIONS

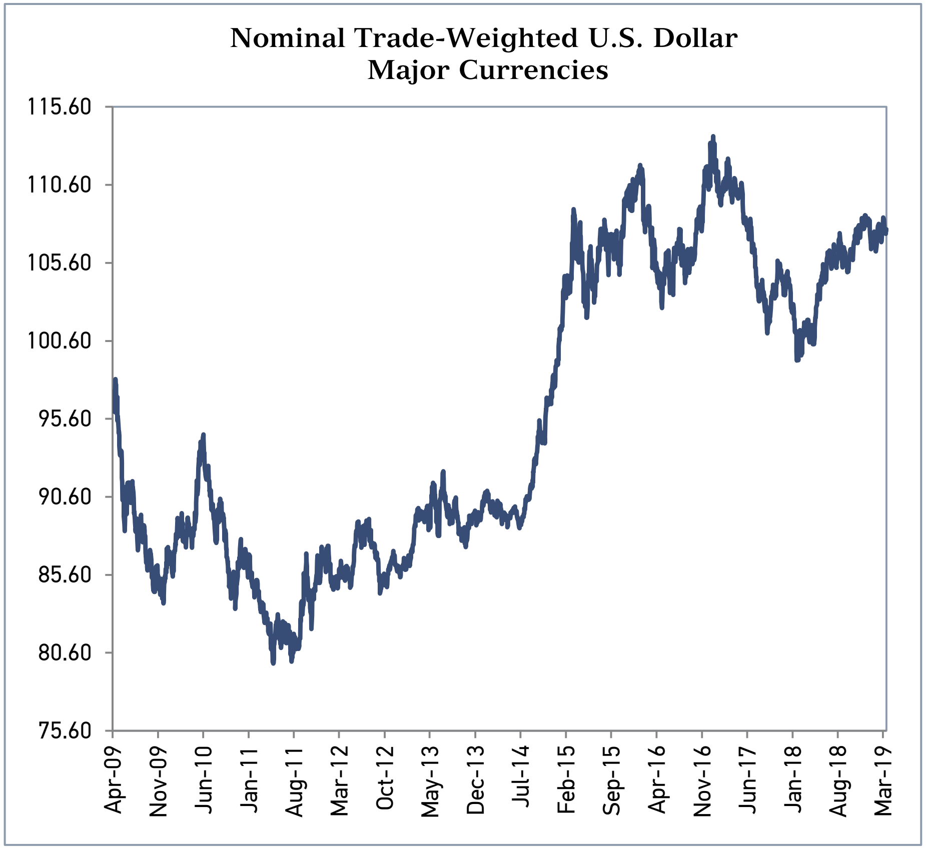
U.S. Economic Indicators

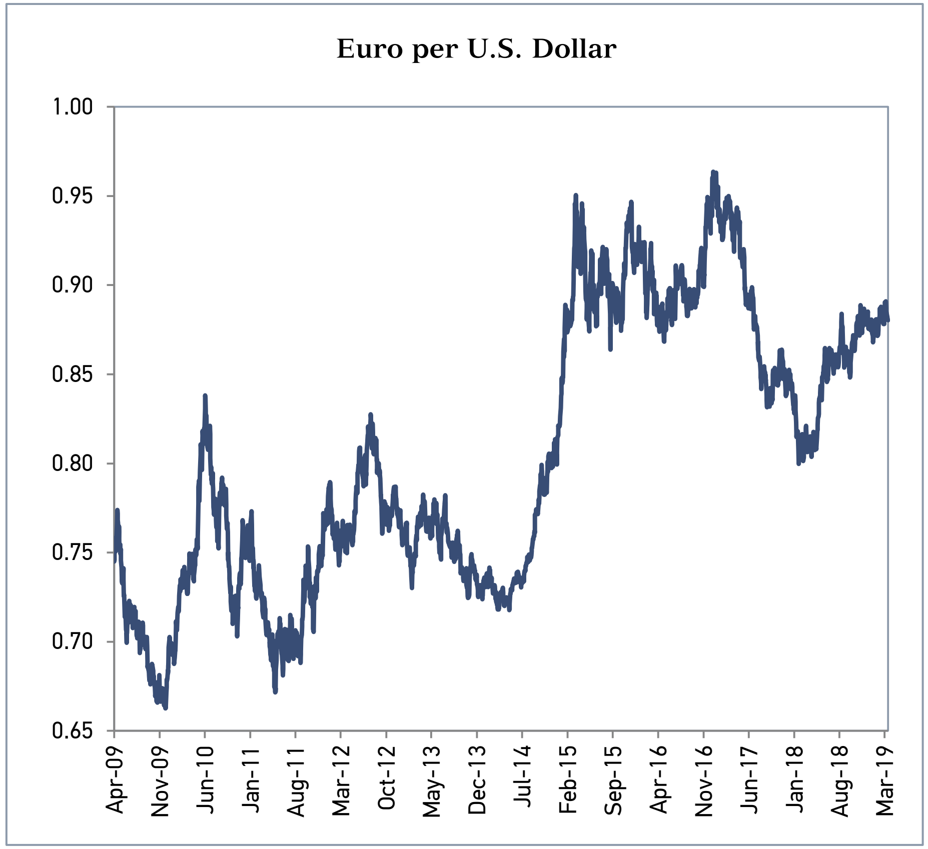
Leading / Coincident / Lagging

Initial Jobless Claims	• In the week ending March 29th, the four-week moving average of Initial Jobless Claims was 213,500 a decrease of 4,000 from the previous week's revised average of 217,500.
Manufacturing	• ISM Manufacturing registered 55.3% in March a 1.1 percentage point increase over the previous reading. A reading below 50.0% indicates contraction. • ISM Manufacturing New Orders registered 57.4% in March a 1.9 percentage point increase over the previous reading. • ISM Non-Manufacturing registered 56.1% in March a 3.6 percentage point decrease over the previous reading.
Housing/Construction	• Building permits fell 2.0% in February and have fallen 2.4% over the past year.
Consumer Confidence	• The Consumer Confidence Index fell in March to 124.10 compared to 131.40 in February.
Nonfarm Payrolls	• Total nonfarm payroll employment gained 196,000 in March while the unemployment rate remained at 3.8%.
Industrial Production	• Industrial Production rose 0.04% in February and is up 3.59% over the past year.
Personal Income	• Real Disposable Personal Income fell 0.16% in January and is up 3.04% over the past year.
Ratio of Consumer Installment Credit to Personal Income	• This ratio was 0.00% in February and rose 0.76% year-over-year. Consumer borrowing tends to lag improvements in personal income by many months because people remain hesitant to take on new debt until they are sure that their improved income level is sustainable.
Inflation	• CPI (All Items) rose 0.2% in February and is up 1.5% over the trailing one year period. • CPI (Core) rose 0.1% in February and is up 2.1% over the trailing one year period.

Source: FactSet

Currency

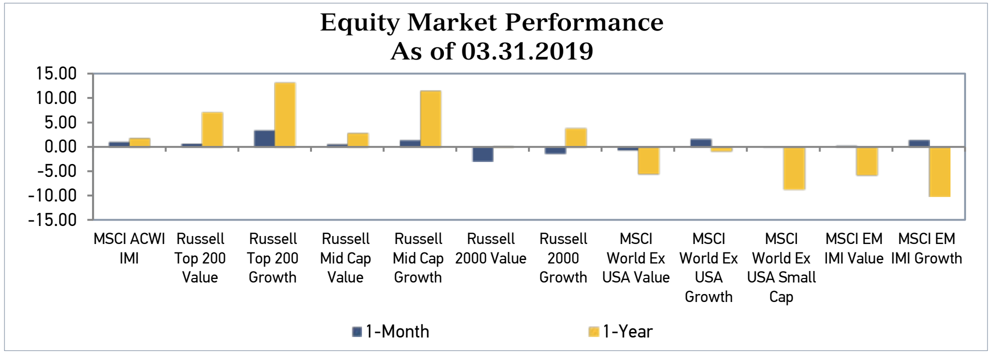




- The Trade-Weighted U.S. Dollar Index (Major Currencies) rose 0.7% through March and the index is up 0.2% year-to-date. The dollar rose 1.4% versus the Euro in March.

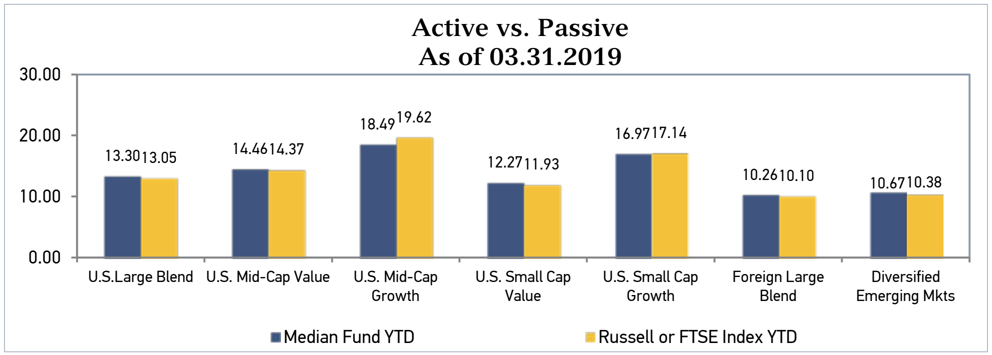
Data as of 03.31.2019; Source: FactSet

Global Equity Markets



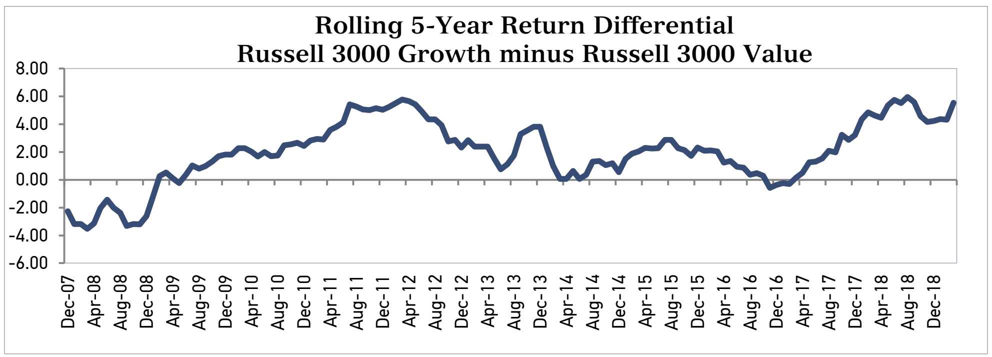
Source: Morningstar, Russell Investments

- Global equities capped off a strong 1Q19 with positive returns in March, as the MSCI ACWI IMI rose 1.03% during the month. U.S. equities outperformed emerging markets and international developed markets in March, led by relative strength in the large-cap growth segment. Growth outperformed value and large-caps outperformed small-caps during the month. Real estate and consumer staples benefitted from falling interest rates and were among the top performing sectors in March. Conversely, lower rates and a yield curve inversion in the U.S. put pressure on financials.



Source: Morningstar, Russell Investments
Median return of Morningstar open-end fund category (institutional share class). Russell return of U.S. categories.

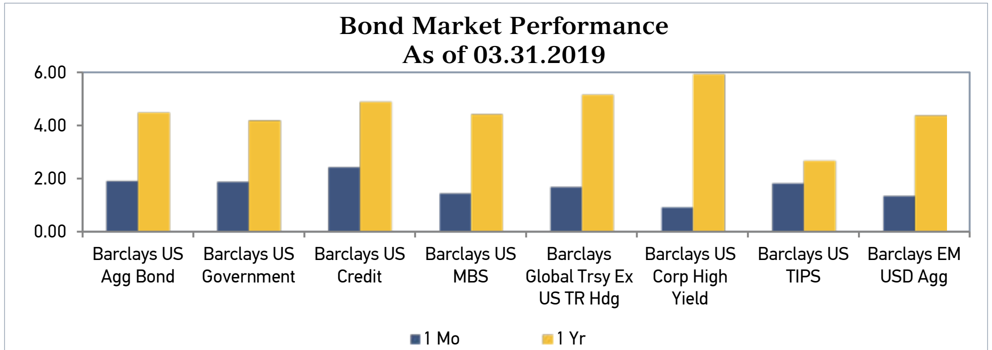
- After a challenging 2018, the environment for actively-managed equity strategies improved during the first quarter of 2019.



Data as of 03.31.2019; Source: Morningstar

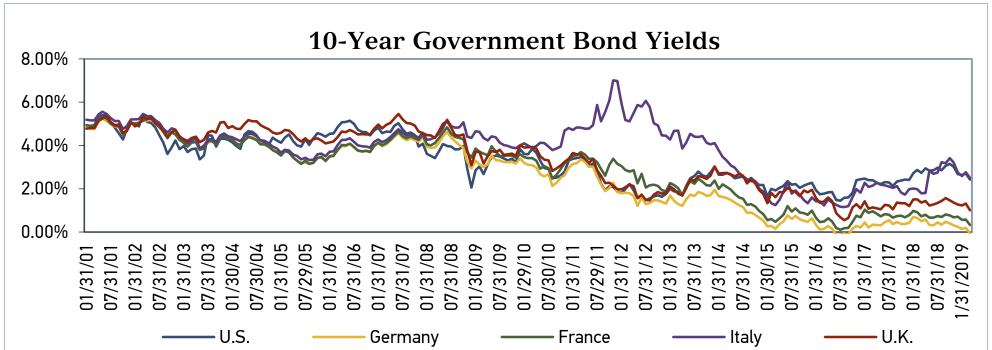
- U.S. growth equities have outperformed value by a wide margin since the global financial crisis, driven partially by a prolonged low economic growth environment and significant outperformance from large-cap information technology, communication services and consumer discretionary companies. Stretched growth valuations could lead to improvement in value relative performance.

Fixed Income Markets



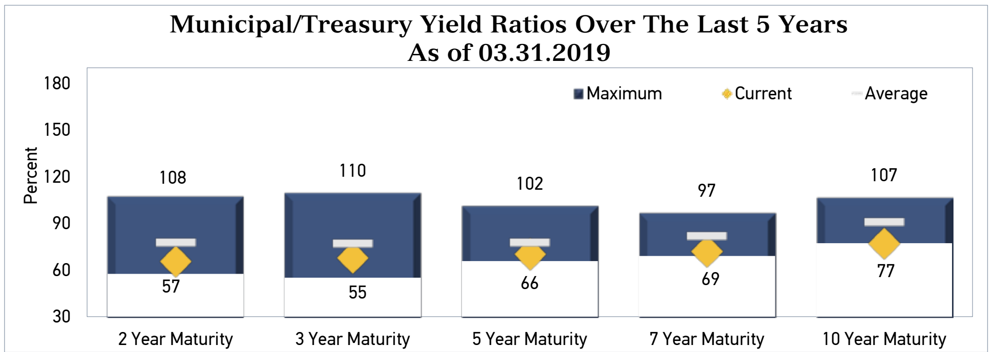
Source: Morningstar, Barclays

- The bond market continued its rally throughout the month of March with both government and credit sensitive areas producing positive returns. Investment grade corporates was the top performing asset class within the opportunity set, up 2.44%. Government related securities also posted strong returns, with nominal governments up 1.89% and TIPS up 1.84%. High yield, which was the top performer in January and February, produced the lowest return in March, up 0.94%. The Bloomberg Barclays U.S. Aggregate Bond Index, a proxy for the overall bond market, returned 1.92% in March.



Data as of 03.31.2019; Source: FactSet, U.S. Department of Treasury

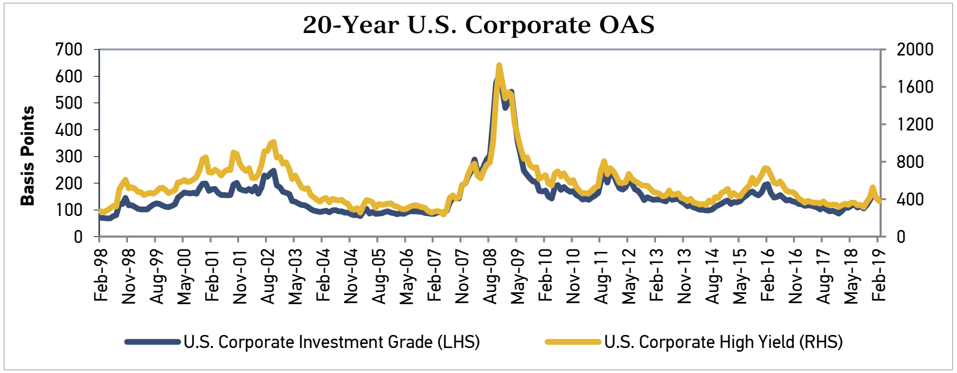
- In a reversal from the previous month, 10-year government bond yields in select foreign markets moved lower in March, led by Italian yields which declined by 18 bps. Yields on the 10-year German Bund moved back into negative territory. Domestic rates, as represented by the yield of the 10-year Treasury, decreased by 32 bps from 2.73% to 2.41%.



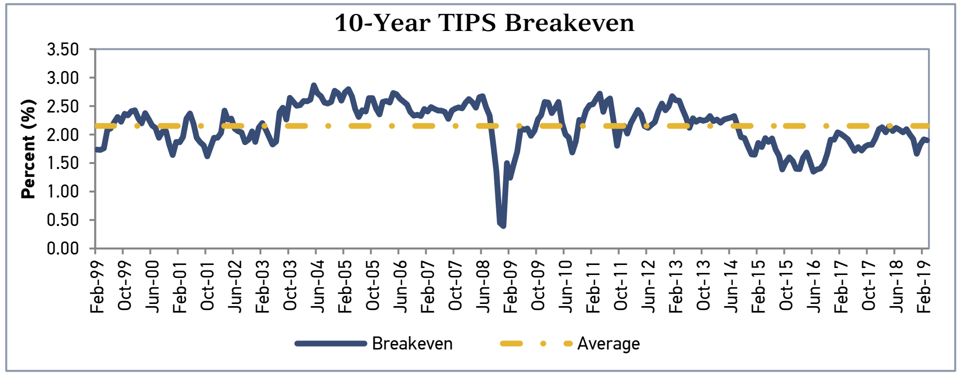
Source: Thompson Reuters; Sterling Capital Management Analytics.

- Reversing a trend that began in January, Municipal/Treasury yield ratios moved higher across the curve in March, although ratios remain below historical averages.

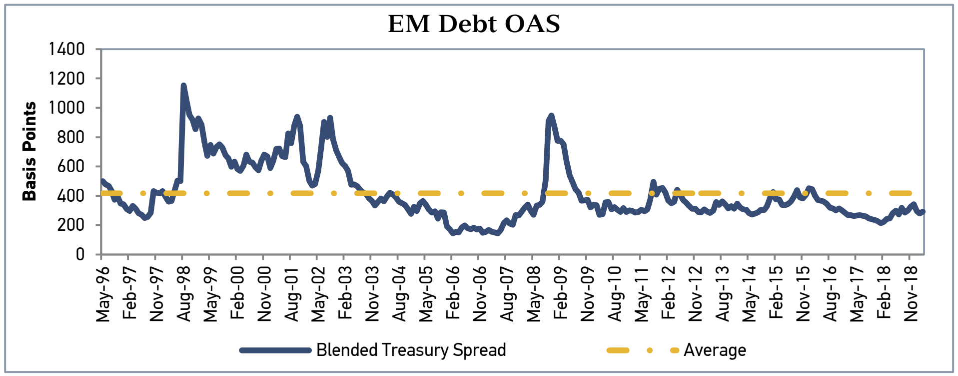
Fixed Income Spreads and TIPS Breakeven



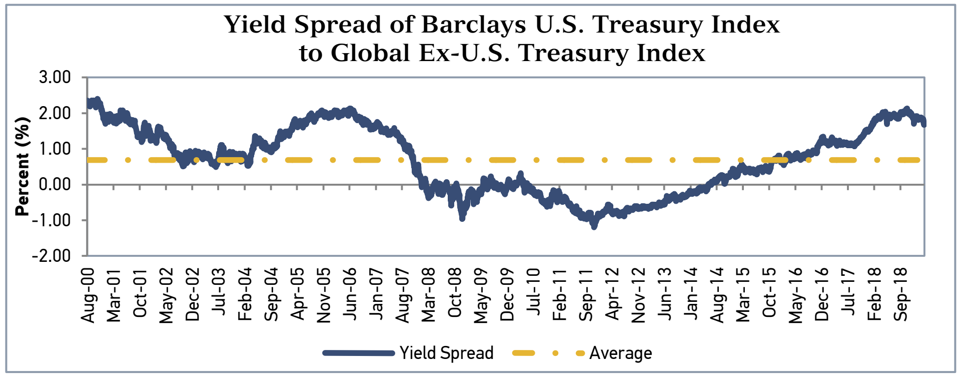
Data as of 03.31.2019; Source: FactSet



Data as of 03.31.2019; Source: Federal Reserve Board of Governors



Data as of 03.31.2019; Source: Barclays

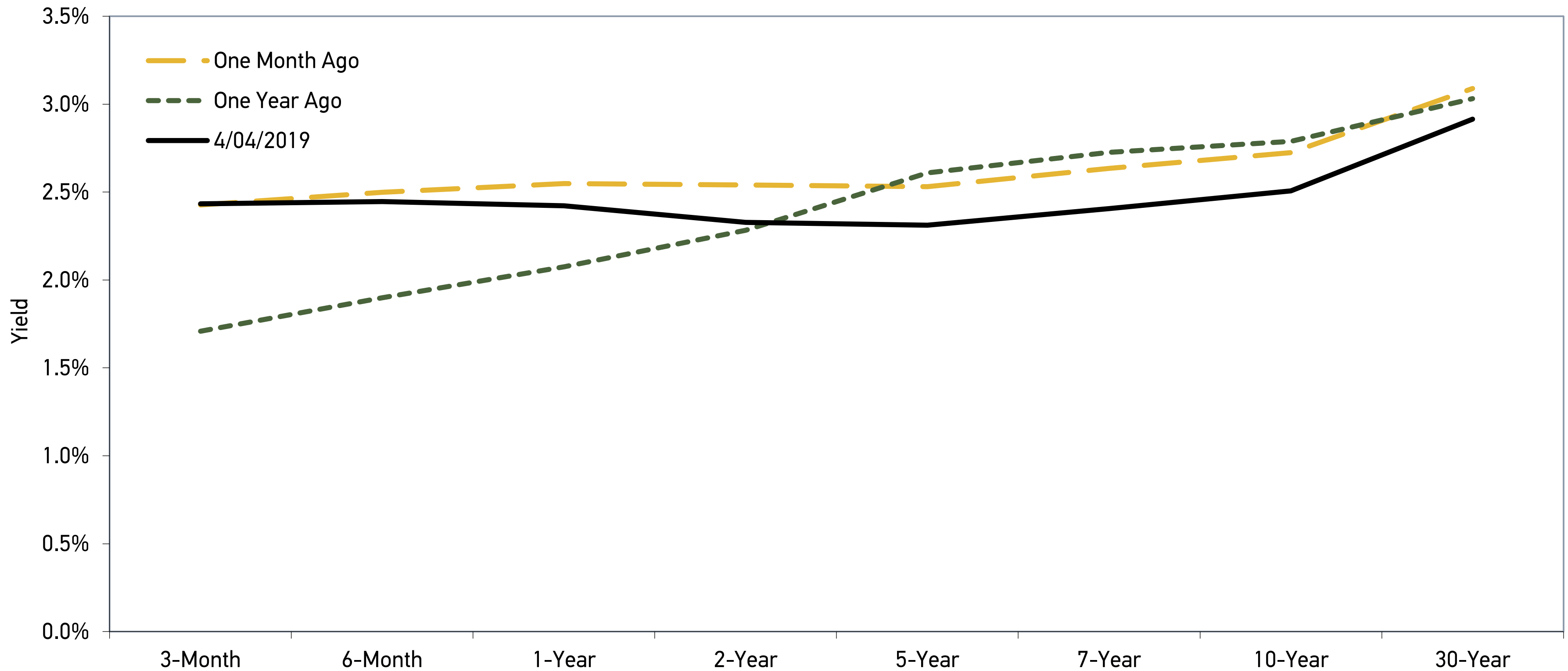


Data as of 03.31.2019; Source: Barclays

- Investment grade credit spreads continued to drift lower in March while high yield spreads moved higher, partially reversing their strong year-to-date recovery.
- Market inflation expectations as measured by TIPS breakeven rates were little changed in March and remain below the historical average.
- Emerging Market credit spreads moved mildly higher in March but remain well below both December highs and the long run average. The yield spread of U.S. to Global Treasuries was little changed in March and remains above the historical average.

Note: Please see Appendix for important definitions.

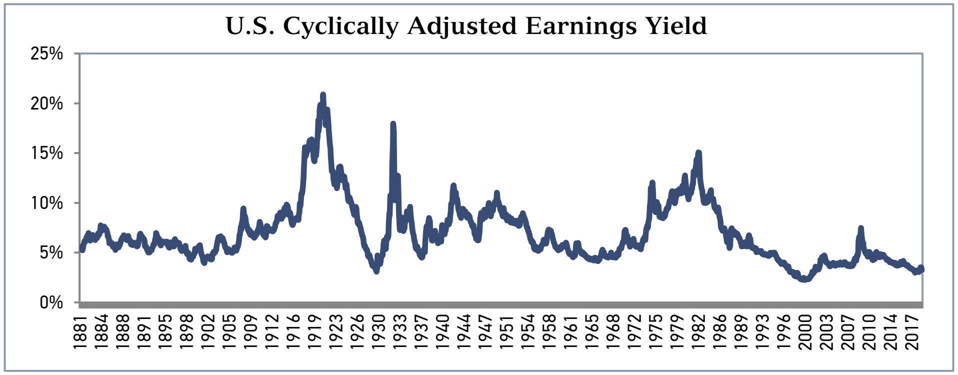
U.S. Treasury Yield Curve



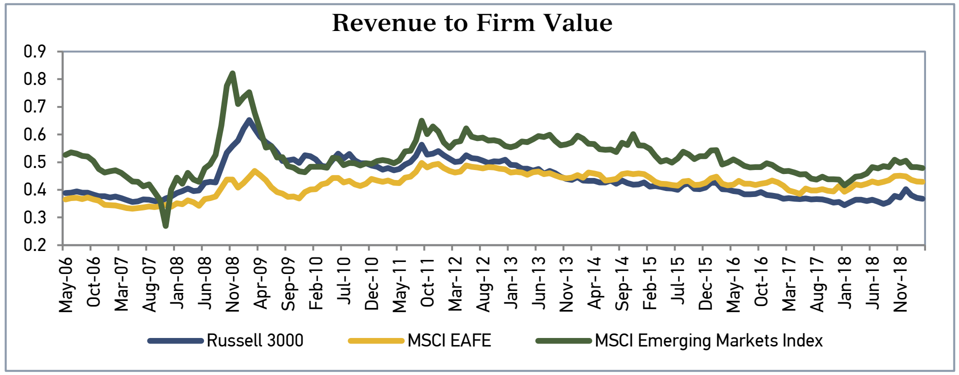
- Month-over-month, the yield curve continued its inversion with yields on the three-month note now trading above yields on the seven-year bond. Over the month, rates in the belly of the curve declined between 20-23 bps.

Data as of 04.04.2019; Source: FactSet

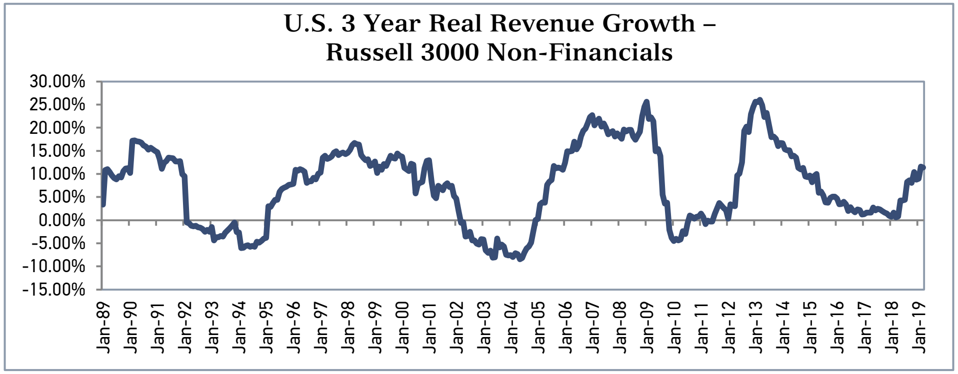
Global Equity Market Fundamentals



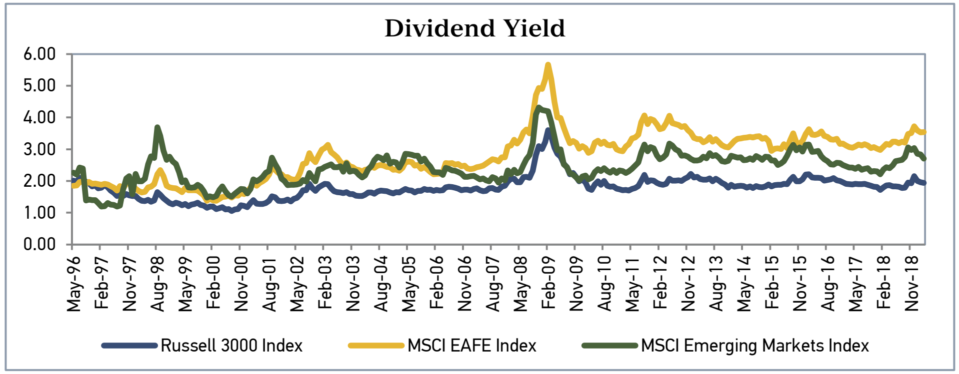
Data as of 03.31.2019; Source: Online Data Robert Shiller "US Stock Markets 1871-Present and CAPE Ratio"



Data as of 03.31.2019; Source: Russell, MSCI



Data as of 03.31.2019; Source: FactSet, Russell, Bureau of Labor Statistics, Sterling Capital Analytics



Data as of 03.31.2019; Source: Russell, MSCI

- The U.S. cyclically adjusted earnings yield was little changed in March and remains well below long-term averages. Long-term real U.S. sales growth remained at solid levels in March.
- Revenue to firm value ratios continued to drift lower in March following continued equity price increases.
- Dividend yields declined in the U.S. and Emerging Markets. International Developed yields improved mildly and continue to provide a significant income advantage over the U.S.

Note: Please see Appendix for important definitions.

Appendix

Definitions

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

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

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

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

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

U.S. 3 yr. Real Revenue Growth, Russell 3000 Non-Financials: For the Russell 3000 excluding financial firms, the percentage change in trailing 12-month inflation adjusted revenue over 12-month inflation adjusted revenue three years prior.

U.S. Cyclically Adjusted Earnings Yield: The 10-year average of annual, inflation adjusted earnings divided by the current inflation adjusted price of the S&P 500 index. This measure is the inverse of the Shiller CAPE Ratio.

YOY US Productivity Growth: The year-over-year growth in real U.S. output produced per hour worked for non-farm workers.

Disclosures

The opinions expressed herein are those of Sterling Capital Management and the Sterling Advisory Solutions Team, 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 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 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 federal government agency, and are subject to investment risk, including possible loss of principal invested.

The securities/instruments discussed in this material may not be suitable for all investors. The appropriateness of a particular investment or strategy will depend on an investor's individual circumstances and objectives.

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

The indexes are unmanaged and are shown for illustrative purposes only. Indexes do not represent the performance of any specific investment. An investor cannot invest directly in an index.

The indexes selected by Sterling Capital Management to measure performance are representative of broad asset classes. Sterling Capital Management retains the right to change representative indexes at any time.