



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.

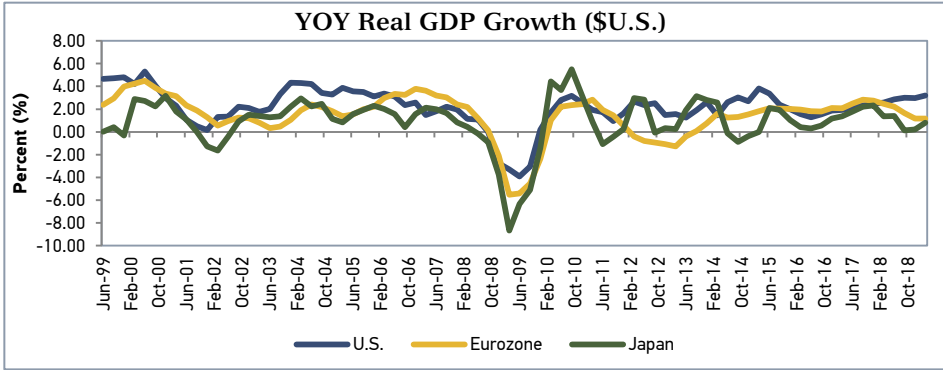
EQUITY HIGHLIGHTS

- Global equities fell sharply in May, driven primarily by a breakdown in U.S-China trade negotiations and a decline in global economic growth expectations. The MSCI ACWI IMI fell 5.99% during the month. Emerging markets underperformed developed markets, and international developed markets outperformed the U.S. Growth and large-caps outperformed in developed markets, while value small-caps outperformed in emerging markets. China was among the worst-performing countries, while Brazil, India and Russia were among a limited group of countries that produced positive results. Defensive sectors such as utilities and health care outperformed more economically-sensitive sectors such as information technology and consumer discretionary.
- After a challenging 2018, the performance of actively-managed equity strategies has improved during 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.

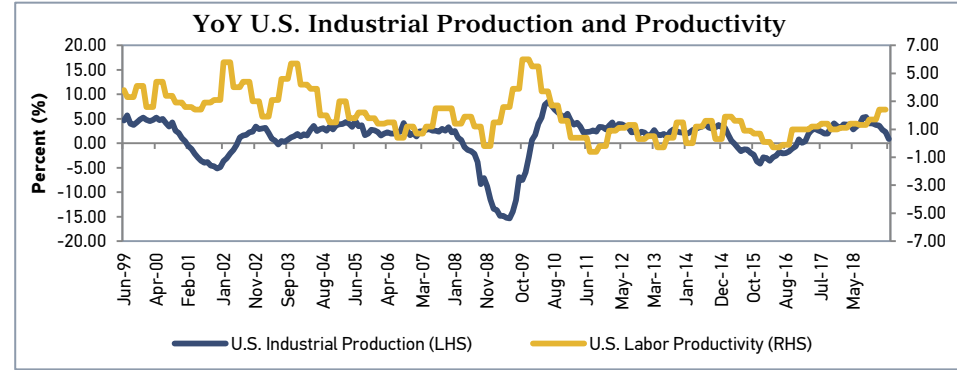
FIXED INCOME HIGHLIGHTS

- With the exception of high yield, bond markets produced positive returns in May. U.S. Treasuries were the top performer in the interest rate sensitive area of the bond market returning 2.33% followed by U.S. TIPS, which returned 1.65%. In the credit sensitive area, U.S. corporates returned 1.47% and the high yield sector was the lone area with a negative return at -1.19%. The Bloomberg Barclays U.S. Aggregate Bond Index, a proxy for the overall bond market, returned 1.78% in May.
- Ten-year government bond yields in select countries primarily decreased in May, led by a 36 basis point decrease in U.S. yields followed by a 32 basis point decrease in UK yields. German 10-year bonds moved back into negative territory having decreased 23 basis points to -0.20% in May. The lone country to experience an increase in rates was Italy, which saw 10-year bond yields increase by 8 basis points to 2.64%.
- Municipal/Treasury yield ratios moved higher across the curve in May and remain below historical averages.

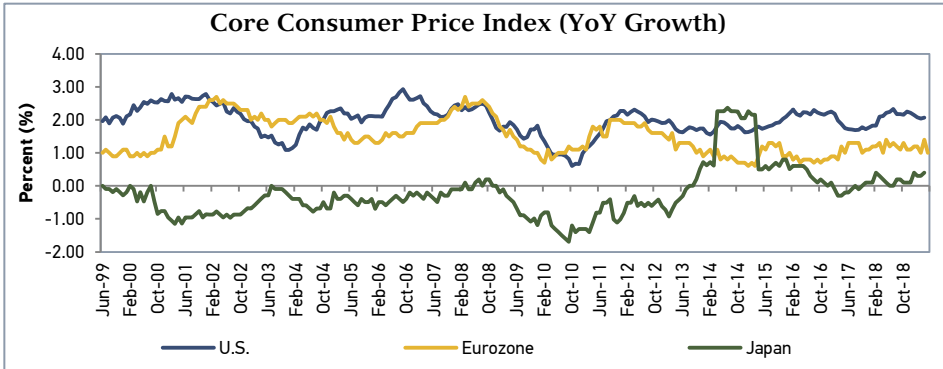
Stock Indexes	YTD	Bond Indexes	YTD	Other Indexes	YTD	U.S. Treasury Yields	Rates/Commodities		
MSCI ACWI IMI	9.06%	Barclays US Aggregate	4.80%	US Fund Multialternative	3.41%	6-month	2.35%	Prime Rate	5.50%
Russell 3000	10.92%	Barclays Gbl Treas xUS Hdq	4.07%	DJ Equity All REIT	17.73%	1-year	2.21%	LIBOR (3 Mo)	2.50%
S&P 500	10.74%	Barclays US TIPS	5.25%	Bloomberg Commodity	2.31%	3-year	1.90%	Oil Price (\$/barrel)	\$53.50
MSCI EAFE	7.64%	Barclays US High Yield	7.49%			5-year	1.93%	Gold (\$/t oz)	\$1,311.10
MSCI EM	4.09%	Barclays EM Aggregate	6.50%			10-year	2.14%		
						30-year	2.58%		



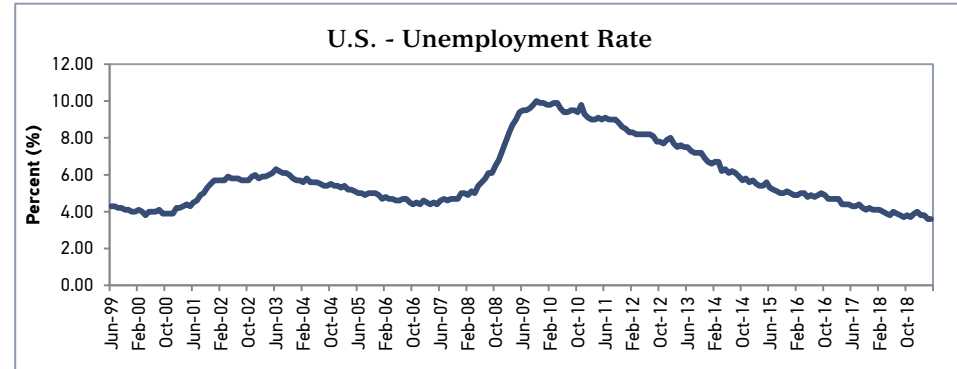
As of 03.31.2019; Source: FactSet



Industrial Production as of 04.30.2019, Labor Productivity as of 03.31.2019; Source: FactSet



Eurozone data as of 05.31.2019. U.S. and Japan data as of 04.30.2019; 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 05.31.2019; Source: FactSet

- Year-over-year GDP growth in the U.S. increased following a strong first quarter and has moved further above growth in Europe and Japan.
- Year-over-year U.S. productivity growth continued to improve in the first quarter and is at a multi-year high. Industrial production growth has moderated significantly in recent months to below 1% year-over-year.
- U.S. inflation has leveled out at a little above 2% while European inflation has stabilized near 1%. Japan inflation remains very low, but positive.
- Employment growth showed signs of weakness in May, but the unemployment rate held steady at 3.6%, a 45 year low.

Note: Please see Appendix for important definitions.



Leading	Initial Jobless Claims	<ul style="list-style-type: none">In the week ending May 31st the four-week moving average of Initial Jobless Claims was 215,000 a decrease of 2,500 from the previous week's revised average of 217,500.
	Manufacturing	<ul style="list-style-type: none">ISM Manufacturing registered 52.1% in May a 0.7 percentage point decrease over the previous reading. A reading below 50.0% indicates contraction.ISM Manufacturing New Orders registered 52.7% in May a 1.0 percentage point increase over the previous reading.ISM Non-Manufacturing registered 56.9% in May a 1.4 percentage point increase over the previous reading.
	Housing/Construction	<ul style="list-style-type: none">Building permits rose 0.2% in April and have fallen 5.4% over the past year.
Coincident	Consumer Confidence	<ul style="list-style-type: none">The Consumer Confidence Index rose in May to 134.10 compared to 129.20 in April.
	Nonfarm Payrolls	<ul style="list-style-type: none">Total nonfarm payroll employment gained 75,000 in May while the unemployment rate remained at 3.6%.
	Industrial Production	<ul style="list-style-type: none">Industrial Production fell 0.51% in April and is up 0.89% over the past year.
	Personal Income	<ul style="list-style-type: none">Real Disposable Personal Income rose 0.12% in April and is up 2.21% over the past year.
	Ratio of Consumer Installment Credit to Personal Income	<ul style="list-style-type: none">This ratio was 0.1% in April and 1.3% 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.
Lagging	Inflation	<ul style="list-style-type: none">CPI (All Items) rose 0.3% in April and is up 2.0% over the trailing one year period.CPI (Core) rose 0.1% in April and is up 2.1% over the trailing one year period.



Nominal Trade-Weighted U.S. Dollar Major Currencies



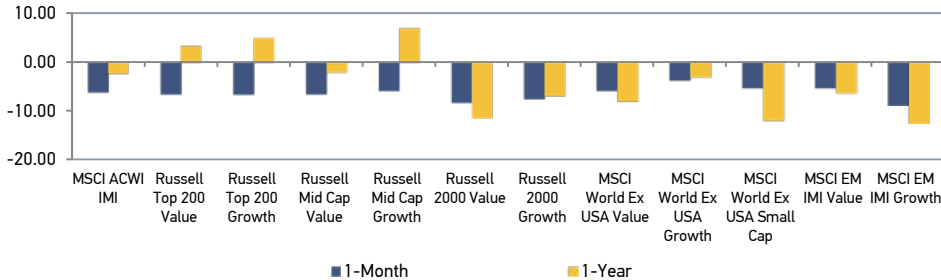
Euro per U.S. Dollar



- The Trade-Weighted U.S. Dollar Index (Major Currencies) rose 0.3% through May and the index is up 1.0% year-to-date. The dollar rose 0.8% versus the Euro in May.



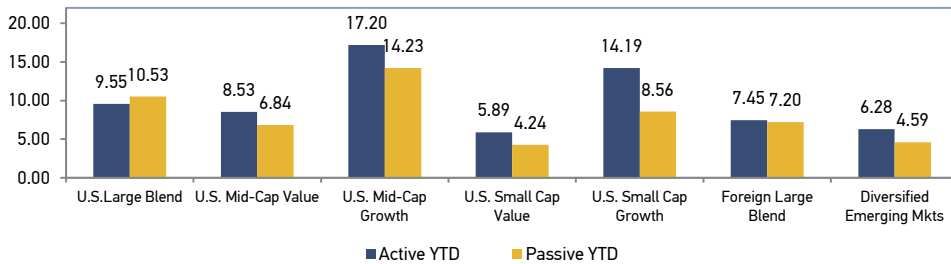
Equity Market Performance
As of 05.31.2019



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Source: Morningstar, Russell Investments

Active vs. Passive
As of 05.31.2019



- After a challenging 2018, the performance of actively-managed equity strategies has improved during 2019.

Source: Morningstar, Russell Investments

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

Rolling 5-Year Return Differential
Russell 3000 Growth minus Russell 3000 Value

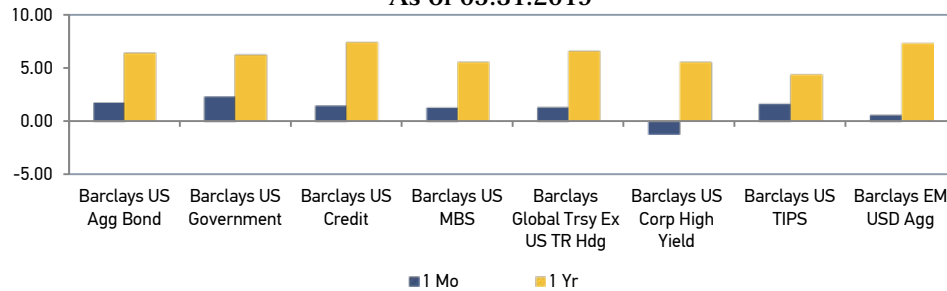


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Data as of 05.31.2019; Source: Morningstar



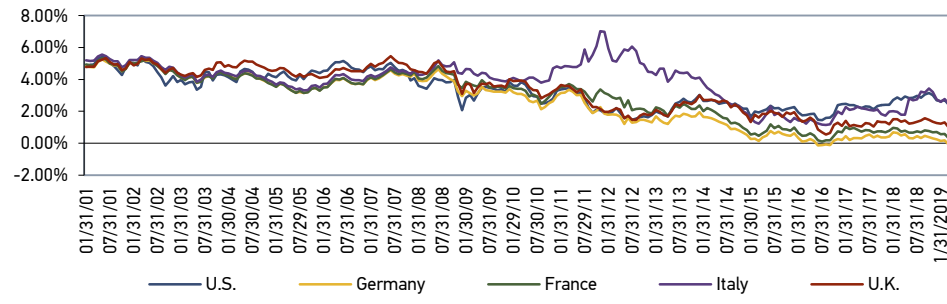
Bond Market Performance As of 05.31.2019



- With the exception of high yield, bond markets produced positive returns in May. U.S. Treasuries were the top performer in the interest rate sensitive area of the bond market returning 2.33% followed by U.S. TIPS, which returned 1.65%. In the credit sensitive area, U.S. corporates returned 1.47% and the high yield sector was the lone area with a negative return at -1.19%. The Bloomberg Barclays U.S. Aggregate Bond Index, a proxy for the overall bond market, returned 1.78% in May.

Source: Morningstar, Barclays

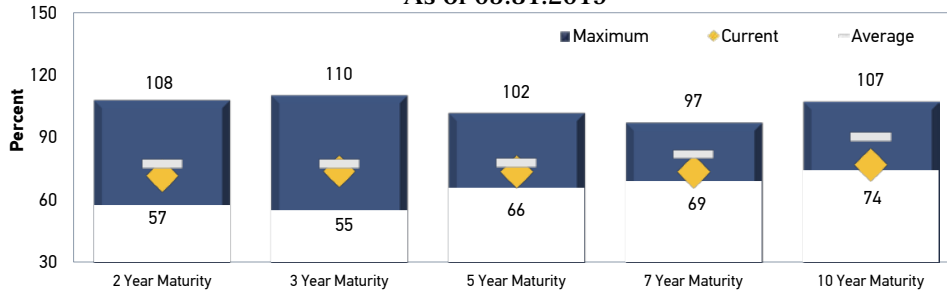
10-Year Government Bond Yields



- Ten-year government bond yields in select countries primarily decreased in May, led by a 36 basis point decrease in U.S. yields followed by a 32 basis point decrease in UK yields. German 10-year bonds moved back into negative territory having decreased 23 basis points to -0.20% in May. The lone country to experience an increase in rates was Italy, which saw 10-year bond yields increase by 8 basis points to 2.64%.

Data as of 05.31.2019; Source: FactSet, U.S. Department of Treasury

Municipal/Treasury Yield Ratios Over the Last 5 Years As of 05.31.2019

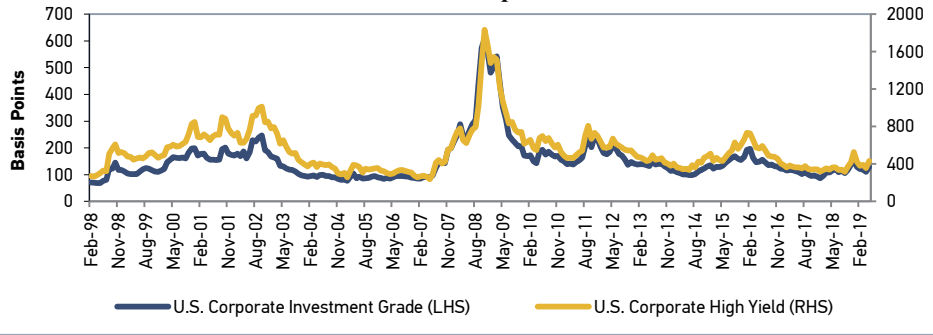


- Municipal/Treasury yield ratios moved higher across the curve in May and remain below historical averages.

Source: Thompson Reuters; Sterling Capital Management Analytics.

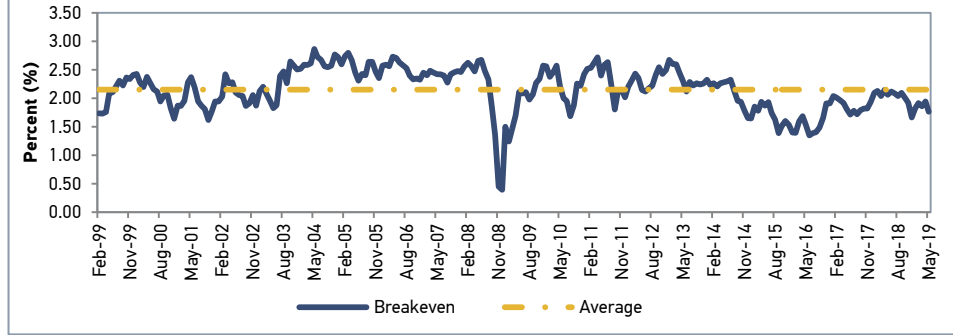


20-Year U.S. Corporate OAS



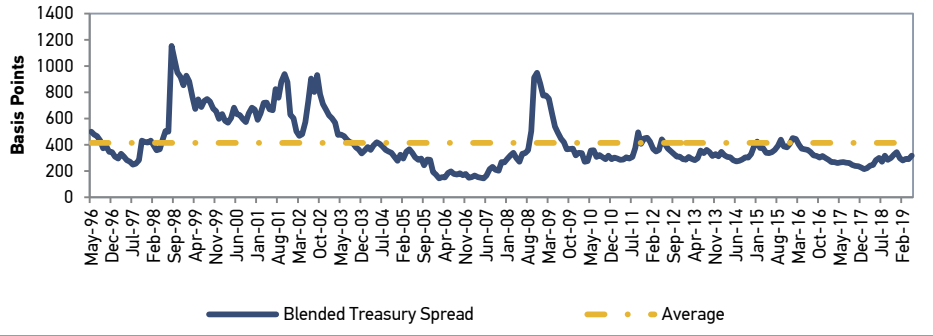
Data as of 05.31.2019; Source: FactSet

10-Year TIPS Breakeven



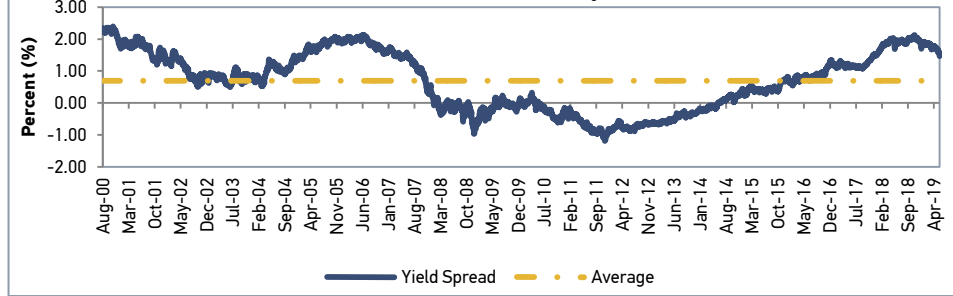
Data as of 05.31.2019; Source: Federal Reserve Board of Governors

EM Debt OAS



Data as of 05.31.2019; Source: Barclays

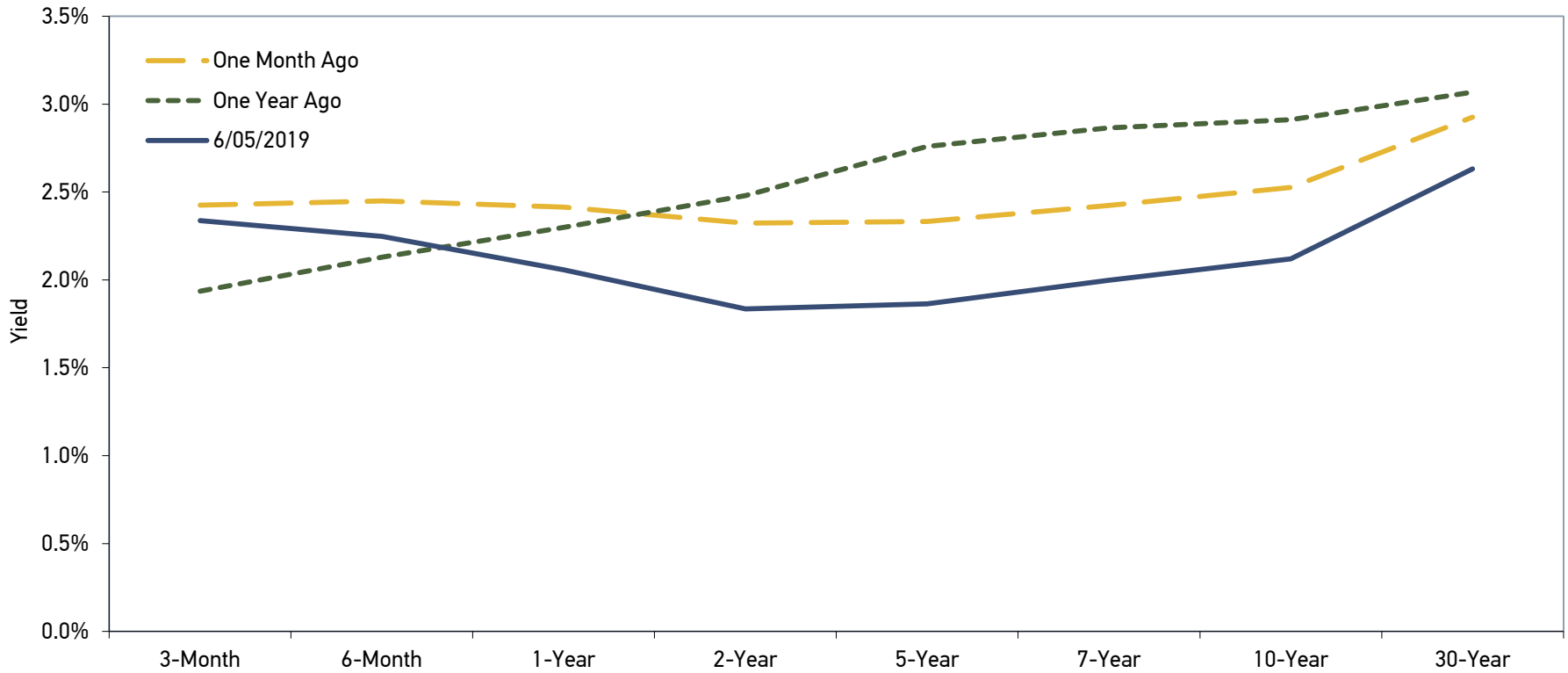
Yield Spread of Barclays U.S. Treasury Index to Global Ex-U.S. Treasury Index



Data as of 05.31.2019; Source: Barclays

- Investment grade and high yield credit spreads moved significantly higher in May, but remain lower than year-end levels.
- Market inflation expectations as measured by TIPS breakeven rates moved significantly lower in May, well below the historical average.
- Emerging Market credit spreads moved higher in May, but remain below both December highs and the long run average. The yield spread of U.S. to Global Treasuries moved significantly lower in May following the rally in U.S. Treasury Yields. The spread, however, remains well above the historical average.

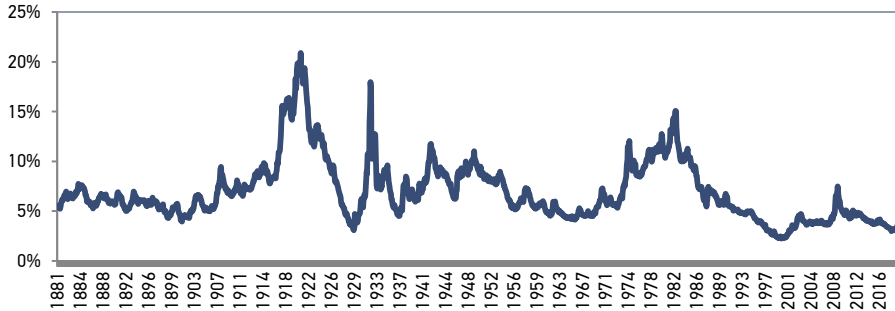
Note: Please see Appendix for important definitions.



- Month-over-month, key rates across the yield curve shifted lower with the largest decrease in yields occurring in the two-to-ten-year section of the curve. The two-to-ten-year section saw a rates decrease by a minimum of 42 basis points. The yield curve continued to invert with the three-month note now trading above yields on the ten-year bond.

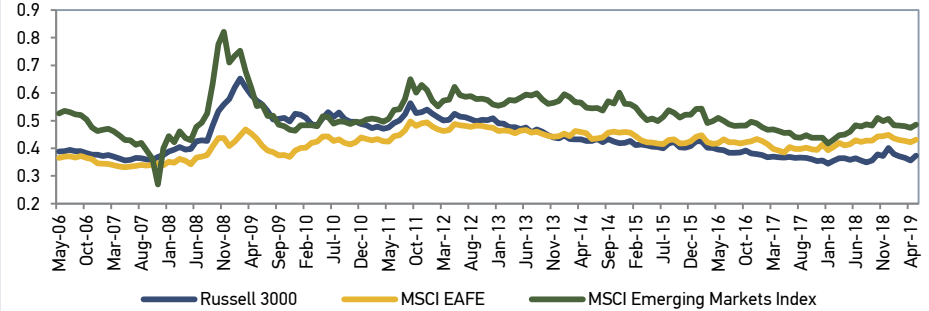


U.S. Cyclically Adjusted Earnings Yield



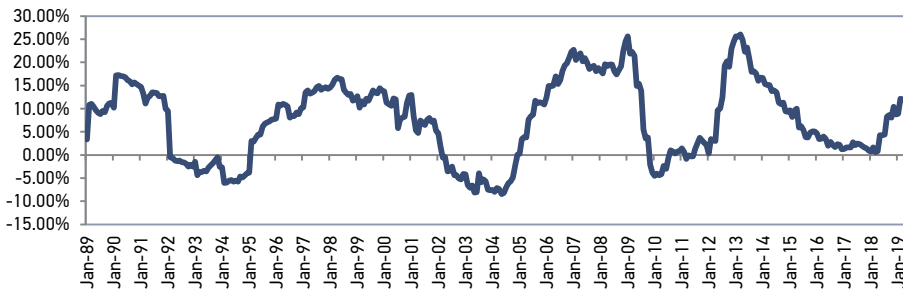
Data as of 05.31.2019; Source: Online Data Robert Shiller "US Stock Markets 1871-Present and CAPE Ratio"

Revenue to Firm Value



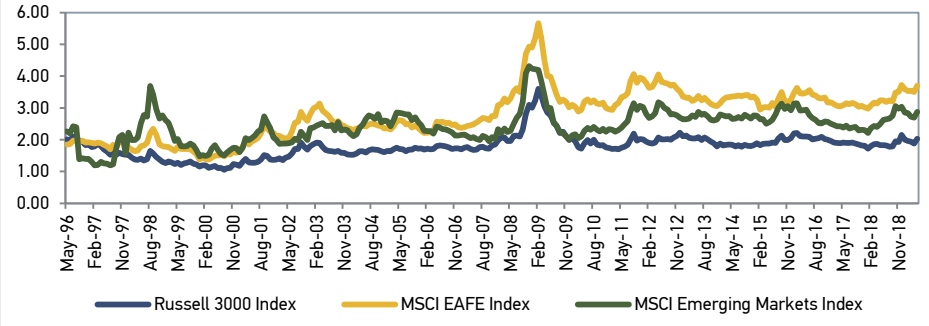
Data as of 05.31.2019; Source: Russell, MSCI

**U.S. 3 Year Real Revenue Growth –
Russell 3000 Non-Financials**



Data as of 05.31.2019; Source: FactSet, Russell, Bureau of Labor Statistics, Sterling Capital Analytics

Dividend Yield



Data as of 05.31.2019; Source: Russell, MSCI

- Following price declines in May, the U.S. cyclically adjusted earnings yield moved higher but remains well below historical averages. Long-term real U.S. sales growth remained at solid levels in May.
- Revenue to firm value ratios increased in May following the drop in equity prices.
- Dividend yields increased last month following equity price declines. International Developed yields continue to provide a significant income advantage over the U.S.

Note: Please see Appendix for important definitions.

Appendix



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.



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