Episcopal Diocese of North Carolina 1Q21 Review

May 2021

Sterling Capital Management

STERLING CAPITAL

THE FIRM

- Institutional investment advisor based in Charlotte, NC; offices in Raleigh, NC; Washington, DC; Richmond, VA; Virginia Beach, VA; Jupiter, FL; Philadelphia, PA; and San Francisco, CA
- $81 Billion in Assets Under Management and Assets Under Advisement
- Founded in 1970
- Independently-operated subsidiary of Truist Financial Corporation

THE PEOPLE

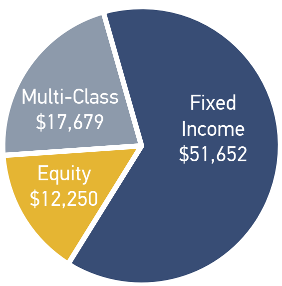
- 177 seasoned investment professionals, client service and administrative associates
- Highly motivated personnel with varied experience to act as subject matter experts
    - 51 CFA® designees in the firm
    - Independent fundamental equity and credit research
    - Quantitative proprietary risk modeling

41 Portfolio Managers	24 Investment Analysts	8 Traders	23 Client Strategists	12 Client Analysts	47 Operations	7 Compliance	15 Staff

Experience	Average Yrs
Portfolio Managers	24
Investment Analysts	15
Traders	19
Client Strategists	20

DIVERSIFIED INVESTMENT STRATEGIES

Total Assets (Millions)



Equity		Fixed Income		Yield-Focused
Large Cap	Mid Cap	Treasuries	Municipals	Preferreds
Small Cap	All Cap	Government Related	Investment Grade Multi-Sector	High Yield Corporate
Opportunistic	International	High Yield Corporate	Securitized	Securitized
Active/Factor	Real Estate	Inflation Protected	Floating Rate	Unconstrained
Dividend Equity		Multi-Sector		

*Data as of 03.31.2021. Sterling's preliminary Assets Under Advisement ("AUA") differs from our regulatory Assets Under Management ("AUM") for which we provide continuous and regular investment management services as disclosed in our ADV. AUA generally refers to non-discretionary assets for which Sterling provides advice or consultation for which Sterling does not have authority to effectuate transactions. Such services include Model portfolios and assets Sterling advises as an outsourced Chief Investment Officer on a non-discretionary basis. Important Information – Designation: The **Chartered Financial Analyst® (CFA)** charter is a graduate-level investment credential awarded by the 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.*

Episcopal Diocese of North Carolina

Balanced Objective

The primary structural objective of the Fund, which is determined by the Trustees, is to provide a commingled pool of long-term assets that will enable Fund Participants, which include individual parishes, churches, and institutions as well as Diocese funds (the "Fund Participants"), to gain access to a level of investment counsel and advice, take advantage of certain economies of scale, and capitalize on investment opportunities that would otherwise not be available to them. The Fund is designed to include long-term assets with limited scheduled withdrawals consistent with the spending objective outlined below. This will allow the Fund to make opportunistic investments including a limited exposure to illiquid investments while also enabling the Fund to withstand short-term market fluctuations, given its long-term investment horizon.

The overall financial objectives of the Fund, which are determined by the Trustees, are (a) to provide support for the current and future operations of the Fund Participants and the EDNC and (b) to grow and preserve the real value of the Fund over time.

The spending objective is to distribute approximately 4.0% of the Fund's market value (calculated as a trailing 12 quarter average) to Fund Participants each fiscal year.

The primary investment objective of the Fund is to earn a total real return (on average and net of all fees) of at least 5.0% per year over rolling 10-year periods. It is recognized that the real return objective may not be achieved in every 10-year period, but should be achievable over a series of 10-year periods. The Fund will also be measured against a policy benchmark comprising 70% MSCI All Country World Investable Market Index (the "MSCI ACWI IMI") and 30% Bloomberg Barclays US Aggregate Bond Index.

Investment Objectives and Guidelines

Objective

- Achieve consistent asset and income growth over the long-term investment horizon (5.0% per year over rolling 10-year periods)

Benchmark

- 70% MSCI ACWI IMI; 30% Bloomberg Barclays U.S. Aggregate Bond Index; Prior to 7/1/18, 70% Russell Global Equity Index; 30% Bloomberg Barclays U.S. Aggregate Bond Index

Guidelines and restrictions – Equity Securities

- Traditional, long-only security investments (common stocks) as well as hedging investments
- No individual security may represent more than 8% of the Fund's total equity exposure
- No single major industry shall represent more than 30% of the Fund's total equity exposure
- Hedging investments may be both opportunistic and core investments

Guidelines and restrictions – Fixed Income Securities

- Overall average quality will be BBB-/Baa3 or higher
- Non-investment grade securities shall be limited to 15% of total fixed income exposure
- Obligations issued or guaranteed by the U.S. Government will have no limit
- All securities should be well diversified with respect to type, industry, and issuer in order to minimize default exposure
- Foreign currency denominated bonds shall be limited to 50% of total fixed income exposure

Guidelines and restrictions – Cash and Cash Equivalents

- Eligible investments may include; money market instruments, readily marketable bank CDs, repurchase agreements, commercial paper, short-term corporate notes, government and government agency obligations, and other similar instruments, all with a duration typically less than one year

Guidelines and restrictions – Liquidity

- Minimum of 35% of portfolio market value should mature in less than 45 days. Minimum of 40% of portfolio market value should mature in less than one year. Minimum of 75% of portfolio market value should mature in less than three years

Episcopal Diocese of North Carolina

Beginning Market Value (12/31/20)	$43,101,639
Net Capital Contributions	(349,031)
Investment Return	1,463,881
Ending Market Value (3/31/21)	$44,216,489

Performance Results

	1 Month Ending 3/31/21	Quarter Ending 3/31/21	1 Year Ending 3/31/21	*Annualized* 3 Years Ending 3/31/21	*Annualized* Since Inception (12/31/16)*
Episcopal Diocese of North Carolina - Gross**	**1.76%**	**3.54%**	**42.83%**	**10.70%**	**11.86%**
Episcopal Diocese of North Carolina - Net**	**1.76**	**3.41**	**42.47**	**10.41**	**11.58**
70% MSCI ACWI IMI / 30% Bloomberg Barclays U.S.Aggregate Bond Index***	1.44	2.54	38.27	10.08	10.89

Data as of 3.31.21.

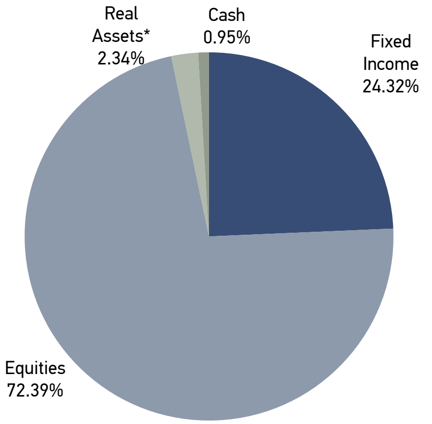
***Sterling management fees are paid quarterly, therefore gross and net performance may reflect the same value during some months.*

****Effective 7.1.18: 70% MSCI ACWI IMI / 30% Bloomberg Barclays U.S. Aggregate Bond Index. Prior to 7.1.18: 70% Russell Global Equity Index / 30% Bloomberg Barclays U.S. Aggregate Bond Index. Source: Sterling Capital Analytics.*

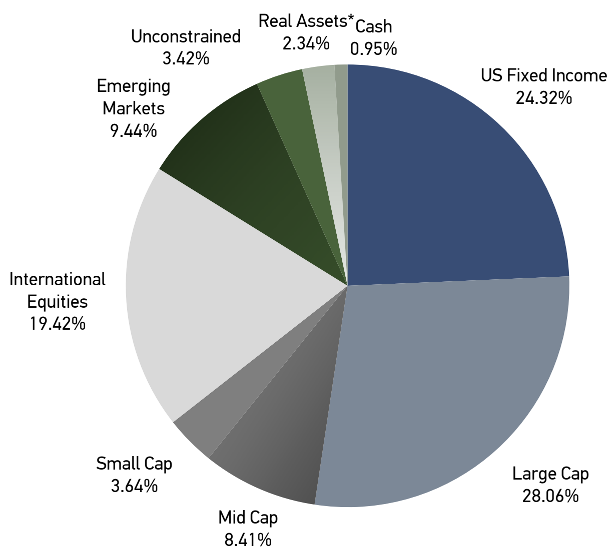
Episcopal Diocese of North Carolina

STERLING CAPITAL ADVISORY SOLUTIONS

Portfolio Allocation



Portfolio Allocation Breakdown



Manager Name	Allocation	Expense Ratio	Trailing 12-Month Performance
Sterling Capital Equity Income	6.32%	0.35%	55.67%
Vanguard S&P 500 ETF	14.18%	0.03%	56.33%
Loomis Sayles - LCG	7.56%	0.35%	54.53%
Touchstone Mid Cap Value Fund	5.75%	0.85%	67.73%
Touchstone Mid Cap Growth Fund	2.65%	0.86%	62.50%
Virtus KAR Quality Small Cap Value Fund	3.07%	0.99%	86.05%
Federated MDT Small Cap Growth Fund	0.57%	0.88%	90.49%
Causeway International Value ADR Fund	7.08%	0.35%	66.99%
Vanguard FTSE Developed Markets ETF	4.03%	0.05%	50.95%
Harding Loevner - Intl ADR Fund	5.20%	0.35%	52.97%
iShares MSCI EAFE Small Cap ETF	3.12%	0.40%	61.88%
Principal Origin Emerging Markets Fund	3.38%	1.07%	N/A
Vanguard FTSE Emerging Markets ETF	2.29%	0.10%	N/A
Victory Sophus Emerging Markets Fund	3.77%	0.89%	N/A
Morgan Stanley Instl Global Opp	3.42%	0.89%	74.08%
Total Equities	72.39%		
Sterling Capital Total Return Bond Fund	6.76%	0.35%	5.30%
DoubleLine Total Return Bond Fund	5.10%	0.49%	3.32%
Metropolitan West Total Return Bd Fund	4.19%	0.38%	3.65%
PGIM Total Return Bond Fund	2.39%	0.39%	6.33%
Neuberger Berman Strategic Income Fund	4.71%	0.60%	20.70%
PIMCO Foreign Bond Fund	0.46%	0.60%	9.75%
Fidelity Short Term Treasury Index Fund	0.71%	0.03%	N/A
Total Fixed Income	24.32%		
Real Assets*	2.34%		
Cash	0.95%		
Total	100.00%	0.43%	42.83%

Source: Sawtooth, Morningstar, Sterling Capital Analytics.

**MA Real Assets Fund data as of 12.31.20 all other data as of 3.31.21.*

Global Equity/Fixed Income Allocations Across Model Portfolios
As of 04.09.2021

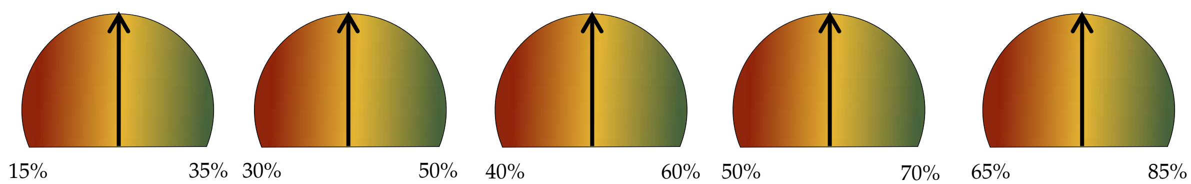
Neutral Weight to Global Equities and Fixed Income: During the first quarter, Global Equities performed strongly and interest rates moved significantly higher on growing economic momentum and optimism related to the vaccine rollout, government stimulus and further reopening of the economy. The market movements have significantly impacted the relative value between equities and fixed income as higher equity prices combined with higher interest rates point to compressed equity risk premiums over "risk-free" alternatives. The 10-year Treasury rate, for example, increased 81 basis points in the first quarter, lowering the discounted value of prospective future corporate earnings, while at the same time increasing the expected return to the U.S. Fixed Income market. Furthermore, the fixed income market's pricing of future inflation has ramped up to a level more in line with our pre-existing concerns about inflation. The 5-year breakeven inflation rate priced into TIPS markets, for example, has moved from 1.49% at the end of the third quarter of last year to 2.6% at the end of the first quarter, reaching a 12-year high that was last exceeded before the global financial crisis. Increases in interest rates driven by economic momentum and higher inflation expectations have resulted in significantly improved expected future returns for Fixed Income markets compared to year-end. As a result, our analytics now forecast only a mild return advantage to Global Equities over Fixed Income, leading us to remove our Global Equity overweight in favor of a neutral position.

Global Equity Model Forecast

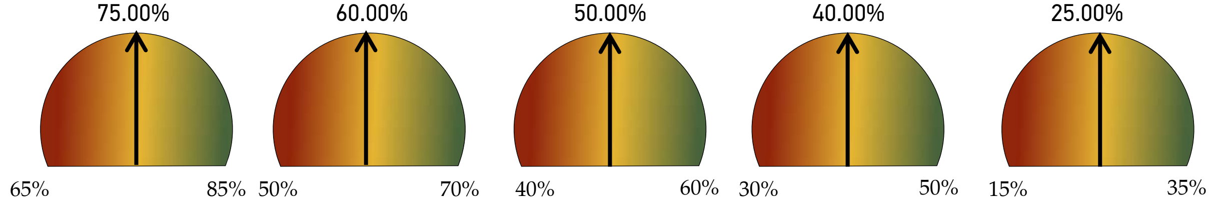
U.S. Aggregate Fixed Income Model Forecast

Model Portfolios

	Fixed Income	Income	Income Primary	Income & Growth	Balanced	Growth	Aggressive Growth
Global Equities	0%	25.00%	40.00%	50.00%	60.00%	75.00%	100.00%
Change from Prior Quarter: 0.00% in Balanced Model							



	Fixed Income	Income	Income Primary	Income & Growth	Balanced	Growth	Aggressive Growth
Fixed Income	100%	75.00%	60.00%	50.00%	40.00%	25.00%	0%
Change from Prior Quarter: 0.00% in Balanced Model							



Model Forecast Graphs display forecasted Sharpe Ratios for each sector within a range of -1.5 to 1.5. Net of Benchmark weights calculated as of 04.07.2021. Net weights will change over time due to differences in index and portfolio returns and other factors. Forecasted returns generated by Sterling Capital Advisory Solutions' analytics contain a high degree of uncertainty, are hypothetical in nature, do not reflect actual investment results, and are not guarantees of future results. Actual results may vary widely from projections, and may not account for extreme negative scenarios that are not well represented by model estimation samples. All investing is subject to risk, including possible loss of principal. Past performance does not guarantee future results.

Asset Allocation | Commentary

Global Equity Allocation Summary
As of 04.09.2021

	Total Allocation	Net of Benchmark Allocation	Change from Prior Quarter	Model Forecast	Summary of Allocations and Model Forecasts
U.S. Equities	58.8%	1.5%	0.0%		**Overall Overweight concentrated in Small and Large Cap Value:** In previous quarters, we have overweighted U.S. Value segments largely based on significant relative value advantages with regards to sales-to-firm value and book-to-value ratios, while negative momentum has been an offset to expected returns. Over the last two quarters, however, Value segments have outperformed Growth by a large margin. This has led to an erosion of relative value advantages, but also a shift to very positive relative momentum for Value segments. The Small Cap Value forecast is particularly strong due to very positive relative momentum, leading us to increase our overweight. We maintain our underweight to Midcap Value on richer valuation metrics. Furthermore, relative value metrics have improved in Midcap Growth after the segment significantly underperformed in the first quarter, leading us to remove our underweight in favor of an underweight to Large Cap Growth.
Large Cap Value	18.8%	1.5%	-0.5%		
Large Cap Growth	20.8%	-1.0%	-1.0%		
Mid Cap Value	8.5%	-1.0%	0.0%		
Mid Cap Growth	4.8%	0.0%	1.0%		
Small Cap Value	5.0%	3.0%	0.5%		
Small Cap Growth	0.9%	-1.0%	0.0%		
International Developed	27.5%	-2.5%	0.0%		**Underweight to Large Value and Growth:** Our analytics predict continued underperformance in International Developed markets as lagging sales and earnings growth continue to dampen forecasts. We are reducing our underweight to the Growth segment, and now have an equal underweight to Value and Growth. Significant underperformance of the Growth segment versus Value has changed relative valuations and momentum dynamics, leading to approximately equal forecasts for the two segments.
Value	12.1%	-1.25%	-1.25%		
Growth	10.9%	-1.25%	1.25%		
Small Cap	4.5%	0.0%	0.0%		
Emerging Markets	13.7%	1.0%	0.0%		**Overweight:** We maintain our overweight to Emerging Markets as relative valuation metrics remain reasonable and real debt growth remains moderate.

Model Forecast Graphs display forecasted Sharpe Ratios for each sector within a range of -1.5 to 1.5. Net of Benchmark weights calculated as of 04.07.2021. Net weights will change over time due to differences in index and portfolio returns and other factors. Forecasted returns generated by Sterling Capital Advisory Solutions' analytics contain a high degree of uncertainty, are hypothetical in nature, do not reflect actual investment results, and are not guarantees of future results. Actual results may vary widely from projections, and may not account for extreme negative scenarios that are not well represented by model estimation samples. All investing is subject to risk, including possible loss of principal. Past performance does not guarantee future results.

STERLING
CAPITAL ADVISORY SOLUTIONS

Asset Allocation | Commentary

Fixed Income Allocation Summary
As of 04.09.2021

	Total Allocation	Net of Benchmark Allocation	Change from Prior Quarter	Model Forecast
Expectations vs. U.S. Treasuries[1]				
U.S. Aggregate Fixed Income	98.0%	-2.0%	4.0%	
U.S. High Yield	0.0%	0.0%	0.0%	
U.S. TIPS	0.0%	0.0%	0.0%	
International Fixed Income (Hedged)	2.0%	2.0%	0.0%	
Emerging Markets Debt	0.0%	0.0%	0.0%	
U.S. Treasury Bonds				
U.S. Government: Short	0.0%	0.0%	-4.0%	
U.S. Government Intermediate	0.0%	0.0%	0.0%	
U.S. Government: Long	0.0%	0.0%	0.0%	
Total U.S. Aggregate Fixed Income[2]				

Summary of Allocations and Model Forecasts

Overweight to International Fixed Income, Underweight U.S. Aggregate: Treasury yields moved significantly higher during the first quarter on growing economic momentum, government stimulus and optimism regarding the vaccine rollout. Entering the quarter, our analytics estimated interest rates to be well below their fair value, leading us to lower portfolio durations by overweighting Short-Term Government securities. Portfolios have benefitted from this allocation, but the large move up in rates has now brought interest rates closer to our estimates of fair value. As a result, we are removing the overweight to Short-Term Government bonds. Given the volatile nature of recent and upcoming economic data, we will continue to monitor our analytics for opportunities to manage our interest rate exposure. We maintain our overweight to International Fixed Income on reasonably attractive relative yields on a currency hedged basis and nominal GDP differences between the US and international sovereign issuers.

[1] Model forecasts in this section are based on expected risk and return after controlling for and excluding the expected impact of changes in U.S. Treasury Yields on returns. U.S. Treasury Yield exposure (Duration) is measured and managed at the portfolio level and thus, excluded from consideration at the individual asset class level. The U.S. Government Bond asset classes can be utilized to manage duration to target levels.

[2] The Total U.S. Aggregate Fixed Income model forecast is inclusive of the expected impact of changes in U.S. Treasury Yields on returns.

Model Forecast Graphs display forecasted Sharpe Ratios for each sector within a range of -1.5 to 1.5. Net of Benchmark weights calculated as of 04.07.2021. Net weights will change over time due to differences in index and portfolio returns and other factors. Forecasted returns generated by Sterling Capital Advisory Solutions' analytics contain a high degree of uncertainty, are hypothetical in nature, do not reflect actual investment results, and are not guarantees of future results. Actual results may vary widely from projections, and may not account for extreme negative scenarios that are not well represented by model estimation samples. All investing is subject to risk, including possible loss of principal. Past performance does not guarantee future results.

STERLING
CAPITAL ADVISORY SOLUTIONS

Advisory Solutions Monthly Update
April 2021

ASSET ALLOCATION UPDATE

- We recommend a neutral weight to global equities versus fixed income.
- Within the equity allocation, we recommend an overweight to U.S. equities and emerging markets and underweight to international developed equities. The U.S. overweight is concentrated in the small and large cap value segments.
- Within the fixed income allocation, we recommend an overweight to international fixed income.

EQUITY HIGHLIGHTS

- U.S. value stocks posted the strongest gains in the equity opportunity set during the month with the Russell Top 200 Value Index returning 6.29%, Russell 2000 Value Index returning 5.23% and the Russell Mid Cap Value Index returning 5.16%. The Russell 2000 Growth Index lagged the remaining constituents of the opportunity set during the month with a return of -3.15% followed by the Russell Mid Cap Growth Index which returned -1.91% and the MSCI EM IMI Index which returned -1.19%.
- Within the opportunity set, U.S. large blend and foreign large blend are the only categories where active managers have outperformed their passive counterparts on a year-to-date basis. Year-to-date, active strategies in the opportunity set have underperformed passive strategies by an average of 1.15%.
- U.S. growth outperformance on a rolling five-year basis relative to value moved lower for the second consecutive month during March, but remains elevated relative to levels seen post the Great Financial Crisis. Growth's outperformance has been 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

- Save for ex-U.S. sovereigns and U.S. high yield, returns were negative across the fixed income opportunity set during March. The Bloomberg Barclays Global Treasury Ex-U.S. Index produced the highest returns in the opportunity set for the month, returning 0.29%, followed by the Bloomberg Barclays U.S. Corporate High Yield Index, which returned 0.15%, and the Bloomberg Barclays U.S. TIPS Index, which returned -0.19%. The poorest performers in the opportunity set were the Bloomberg Barclays U.S. Credit Index, which returned -1.59%, the Bloomberg Barclays U.S. Government Index, which returned -1.51%, and the Bloomberg Barclays Aggregate Index and Bloomberg Barclays Emerging Markets USD Aggregate Index, which both returned -1.25%.
- The ten-year government bond yield moved higher in both the U.S. and U.K. during the month of March while the ten-year yield decreased in Italy, Germany and France. The ten-year increased by 28 basis points to 1.74% in the U.S. and the ten-year increased by three basis points to 0.83% in the U.K. Italy saw its ten-year yield decrease by 12 basis points to 0.66% while both Germany and France experienced a four basis point decrease in ten-year yields with Germany's ten-year yielding -0.30% and France's ten-year yielding -0.05% as of month-end.
- Municipal/Treasury ratios moved lower across the opportunity set during the month of March. The two-year ratio experienced the sharpest decrease, having fallen from 126.67 to 87.50 month-over-month. As of month-end, all constituents of the municipal/Treasury ratio opportunity set are below their five-year averages.

Stock Indexes	YTD	Bond Indexes	YTD	Other Indexes	YTD	U.S. Treasury Yields		Rates/Commodities	
MSCI ACWI IMI	5.14%	Barclays US Aggregate	-3.37%	US Fund Multialternative	2.19%	6-month	0.05%	Prime Rate	3.25%
Russell 3000	6.35%	Barclays Gbl Treas xUS Hdg	-2.08%	DJ Equity All REIT	8.27%	1-year	0.07%	LIBOR (3 Mo)	0.19%
S&P 500	6.17%	Barclays US TIPS	-1.47%	Bloomberg Commodity	6.92%	3-year	0.35%	Oil Price ($/barrel)	$59.16
MSCI EAFE	3.48%	Barclays US High Yield	0.85%			5-year	0.92%	Gold ($/t oz)	$1,715.60
MSCI EM	2.29%	Barclays EM Aggregate	-3.48%			10-year	1.74%		
						30-year	2.41%		

As of 03.31.2021; Source: Morningstar, FactSet, Russell Investments, Barclays, U.S. Department of Treasury

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

Appendix

Disclosures

Market values contained in this report are based on pricing provided by Sterling's third party pricing vendor(s) and in accordance with Sterling's Valuation Policy. It is possible that these values may not reflect current market conditions, as third party pricing valuations rely on historic prices or a matrix of factors modeled to most closely represent the security's approximate valuation.

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.