STERLING
CAPITAL

Episcopal Diocese of North Carolina 2Q21 Review

August 2021

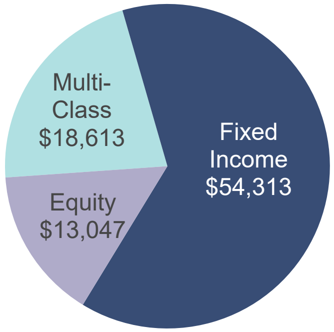
Sterling Capital Management

Providing Investment Expertise Since 1970

The Firm

- Institutional investment advisor headquartered in Charlotte, NC with offices located in Raleigh, NC, Washington, DC, Richmond and Virginia Beach, VA, Jupiter, FL, Philadelphia, PA and San Francisco, CA
- $85 Billion in Assets Under Management and Assets Under Advisement
- Independently-managed subsidiary of Truist Financial Corporation

Total Assets (Millions)



The People

- 178 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

42 Portfolio Managers	23 Investment Analysts	8 Traders	26 Client Strategists	11 Client Analysts	46 Operations	7 Compliance	15 Staff

Key Professionals	Experience
Portfolio Managers	25 Years
Investment Analysts	16 Years
Traders	20 Years
Client Strategists	20 Years

Diversified Investment Strategies

Equity		Fixed Income		Yield-Focused
Large Cap	Mid Cap	Treasuries	Municipal	Preferreds
Small Cap	All Cap	Govt.-Related	IG Multi-Sector	HY Corporate
Opportunistic	International	HY Corporate	Securitized	Securitized
Active/Factor	Real Estate	TIPS	Floating Rate	Unconstrained
Dividend Equity		Multi-Sector		

Data as of 06.30.2021. 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.

STERLING CAPITAL

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.

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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 (3/31/20)	$44,208,340
Net Capital Contributions	(357,121)
Investment Return	2,190,707
Ending Market Value (6/30/21)	$46,041,926

Performance Results

					Annualized	
	1 Month Ending 6/30/21	Quarter Ending 6/30/21	YTD Ending 6/30/21	1 Year Ending 6/30/21	3 Years Ending 6/30/21	Since Inception (12/31/16)*
Episcopal Diocese of North Carolina - Gross**	**0.53%**	**5.05%**	**8.77%**	**28.97%**	**12.42%**	**12.39%**
Episcopal Diocese of North Carolina - Net**	**0.53**	**4.98**	**8.56**	**28.65**	**12.13**	**12.11**
70% MSCI ACWI IMI / 30% Bloomberg Barclays U.S.Aggregate Bond Index***	1.06	5.56	8.24	27.36	11.91	11.59

**Data as of 6.30.21.*

***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

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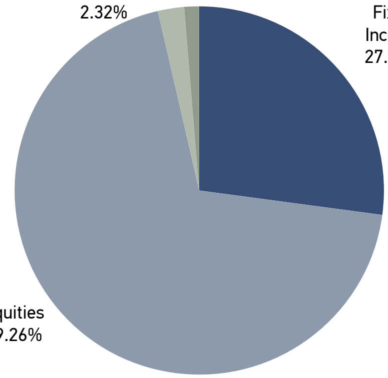
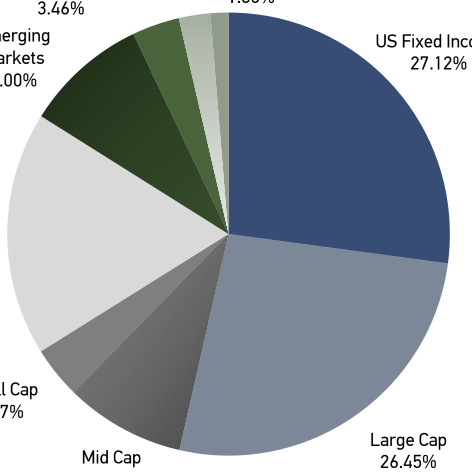
Portfolio Allocation



Portfolio Allocation Breakdown



Manager Name	Allocation	Expense Ratio	Trailing 12-Month Performance
Sterling Capital Equity Income	6.24%	0.35%	41.37%
Vanguard S&P 500 ETF	13.19%	0.03%	40.77%
Loomis Sayles - LCG	7.03%	0.35%	37.53%
Touchstone Mid Cap Value Fund	5.56%	0.85%	46.95%
Touchstone Mid Cap Growth Fund	3.21%	0.86%	40.11%
Virtus KAR Quality Small Cap Value Fund	3.18%	0.99%	47.86%
Federated MDT Small Cap Growth Fund	0.59%	0.88%	52.09%
Causeway International Value ADR Fund	5.81%	0.35%	41.56%
Vanguard FTSE Developed Markets ETF	3.77%	0.05%	35.84%
Harding Loevner - Intl ADR Fund	5.33%	0.35%	35.06%
iShares MSCI EAFE Small Cap ETF	2.89%	0.40%	40.99%
Principal Origin Emerging Markets Fund	3.34%	1.07%	N/A
Vanguard FTSE Emerging Markets ETF	2.30%	0.10%	N/A
Victory Sophus Emerging Markets Fund	3.37%	0.89%	N/A
Morgan Stanley Instl Global Opp	3.46%	0.89%	42.56%
Total Equities	69.26%		
Sterling Capital Total Return Bond Fund	7.69%	0.35%	2.35%
DoubleLine Total Return Bond Fund	5.84%	0.49%	1.50%
Metropolitan West Total Return Bd Fund	4.82%	0.38%	1.36%
PGIM Total Return Bond Fund	2.67%	0.39%	2.70%
Neuberger Berman Strategic Income Fund	5.57%	0.60%	11.27%
PIMCO Foreign Bond Fund	0.54%	0.60%	3.02%
Total Fixed Income	27.12%		
Real Assets*	2.32%		
Cash	1.30%		
Total	100.00%	0.45%	28.97%

Source: Sawtooth, Morningstar, Sterling Capital Analytics.
**MA Real Assets Fund data as of 3.31.21 all other data as of 6.30.21.*

Asset Allocation

Commentary
Global Equity/Fixed Income Allocations Across Model Portfolios as of 07.09.2021

Neutral Weight to Global Equities and Fixed Income: During the second quarter, both Global Equities and Fixed Income markets produced positive returns. Global Equities have continued to benefit from the reopening economy and corresponding growth in earnings expectations, but concerns about increasing inflation and potential shifts in Federal Reserve policy have resulted in recent volatility. Fixed Income markets performed particularly well during the second quarter as both credit spreads and Treasury yields declined. This strong performance was in spite of growing inflation and recent Federal Reserve communication indicating that policy rates may be raised sooner than previously forecast. Last quarter's increase in both equity and fixed income asset prices have further stretched valuations. Tight valuations and credit spreads, low fixed income yields and building inflation are all factors driving our forecasts lower in both equity and fixed income markets. While there has been a meaningful and broad decline in expected asset returns, there remains little expected return advantage between fixed income and equity markets. As a result, we are maintaining our 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		15% 35%	30% 50%	40% 60%	50% 70%	65% 85%	
Fixed Income	100%	75.00%	60.00%	50.00%	40.00%	25.00%	0%
Change from Prior Quarter: 0.00% in Balanced Model		65% 85%	50% 70%	40% 60%	30% 50%	15% 35%	

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 07.07.2021. 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.

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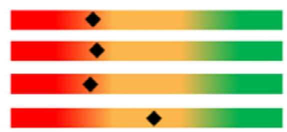
Asset Allocation

Commentary

Global Equity Allocation Summary as of 07.09.2021

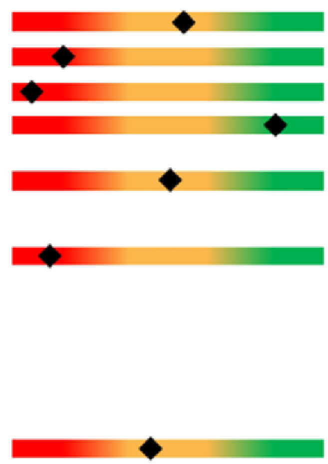
	Total Allocation	Net of Benchmark Allocation	Change from Prior Quarter	Model Forecast	Summary of Allocations and Model Forecasts
U.S. Equities	59.7%	1.5%	0.0%		Overall Overweight concentrated in Small and Midcap Value: The U.S. maintains a significant expected return advantage over International Developed markets, leading us to maintain our overweight. Within the U.S., we are adjusting net of benchmark weights for several segments due to changes in relative value driven both by market movements and reconstitution of Russell indices in late June. Most significantly, we are moving from an underweight to overweight in Midcap Value, while introducing an underweight to Midcap Growth. The significant change in relative expected returns for the two segments is driven primarily by changes in sales-to-firm value ratios. We are removing our underweight to Small Cap Growth following significant relative improvement in both sales to value and book to market ratios. Additionally, we are removing our overweight to Large Cap Value in favor of the Midcap Value overweight.
Large Cap Value	17.0%	0.0%	-1.5%		
Large Cap Growth	22.3%	-0.5%	0.5%		
Mid Cap Value	10.7%	1.5%	2.5%		
Mid Cap Growth	3.4%	-2.0%	-2.0%		
Small Cap Value	4.4%	2.5%	-0.5%		
Small Cap Growth	2.0%	0.0%	1.0%		
International Developed	26.8%	-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 maintaining our underweight to International Developed with equal underweights to the Value and Growth segments.
Value	10.9%	-1.25%	0.00%		
Growth	11.4%	-1.25%	0.00%		
Small Cap	4.5%	0.0%	0.0%		
Emerging Markets	13.5%	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 07.07.2021. 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
Fixed Income Allocation Summary as of 07.09.2021

	Total Allocation	Net of Benchmark Allocation	Change from Prior Quarter	Model Forecast
Expectations vs. U.S. Treasuries[1]				
U.S. Aggregate Fixed Income	93.0%	-7.0%	-5.0%	
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	5.0%	5.0%	5.0%	
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: At the start of the second quarter, we removed an overweight to the Short U.S. Government segment, increasing the portfolio's duration and leaving it better positioned for the subsequent drop in interest rates and decline in credit spreads. Our analytics now suggest that Treasury yields are too low and should move higher to align with inflation that has spiked higher in recent months and an economy that continues to gain strength. As a result, we again are allocating to Short U.S. Government bonds to lower the duration of the portfolio and position for an increase in interest rates. In particular, by shortening duration we are adding a measure of protection against a move higher in both inflation expectations and real interest rates. The allocation also reduces the portfolio's exposure to credit spreads, which are very tight relative to history. We maintain our overweight to International Fixed Income on reasonably attractive relative yields on a currency hedged basis.

[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 07.07.2021. 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 Monthly Update

July 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 midcap value segments.
- Within the fixed income allocation, we recommend an overweight to international fixed income and short U.S. government bonds.

Equity Market Highlights

- Constituents of the equity opportunity set delivered mixed results during the month of June, with growth indices producing strong returns while value indices lagged. U.S. growth indices were the top-performers in the opportunity set, led by the Russell Mid Cap Growth Index returning 6.80%, followed by the Russell Top 200 Growth Index returning 6.18%, and the Russell 2000 Growth Index, which returned 4.69%. The MSCI World Ex USA Value Index was the worst-performing constituent of the opportunity set, returning -2.19% in June, followed by the MSCI World Ex USA Small Cap Index, which returned -1.57%, and the Russell Mid Cap Value Index, which returned -1.16%.
- Passively-managed funds have outperformed their active counterparts on a year-to-date basis in all categories of the opportunity set, save for Foreign Large Blend and U.S. Small Cap Growth. Year-to-date, active strategies in the opportunity set underperformed passive strategies by an average of 0.87%.
- U.S. growth outperformance on a rolling five-year basis relative to value moved higher during the month of June and remains elevated relative to levels seen after 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 Market Highlights

- Save for U.S. MBS, all constituents of the fixed income opportunity set produced positive returns during June. The Bloomberg Barclays U.S. Credit Index with a return of 1.50% produced the highest return in the opportunity set, followed by the Bloomberg Barclays U.S. High Yield Index, which returned 1.34%, and the Bloomberg Barclays Emerging Markets Index, which returned 0.72%. The Bloomberg Barclays U.S. MBS Index, which returned -0.04%, was the worst-performing constituent in the opportunity set, followed by the Bloomberg Barclays Global Treasury Ex U.S. Index, which returned 0.32%, and the Bloomberg Barclays U.S. TIPS Index, which returned 0.61%.
- Ten-year government bond yields moved lower across the opportunity set during June. The U.S. yield experienced the most significant decrease in the opportunity set, having declined by 13 basis points to 1.45% during the month. Italy's ten-year yield declined nine basis points to 0.83% and the U.K. experienced an eight basis point decrease in its ten-year yield to 0.71%. Rounding out the opportunity set, France's ten-year yield declined by six basis points to 0.13%, and Germany's ten-year yield declined by four basis points to -0.21%.
- Municipal/Treasury ratios declined across much of opportunity set during June. The three-year Municipal/Treasury ratio exhibited the most pronounced decrease, declining from 69.77 in May to 52.75 in June. The ten-year Municipal/Treasury ratio was the only constituent of the opportunity set to increase month-over-month, rising from 62.11 in May to 68.46 in June. Municipal/Treasury ratios across the opportunity set remain below their five-year averages as of 06.30.2021.

Stock Indices	YTD	Bond Indices	YTD	Other Indices	YTD	U.S. Treasury Yields		Rates/Commodities	
MSCI ACWI IMI	12.68%	Barclays US Aggregate	-1.60%	US Fund Multialternative	5.60%	6-month	0.06%	Prime Rate	3.25%
Russell 3000	15.11%	Barclays Gbl Treas xUS Hdg	-1.84%	DJ Equity All REIT	21.23%	1-year	0.07%	LIBOR (3 Mo)	0.15%
S&P 500	15.25%	Barclays US TIPS	1.73%	Bloomberg Commodity	21.15%	3-year	0.46%	Oil Price ($/barrel)	$73.47
MSCI EAFE	8.83%	Barclays US High Yield	3.62%			5-year	0.87%	Gold ($/t oz)	$1,771.60
MSCI EM	7.45%	Barclays EM Aggregate	-0.59%			10-year	1.45%		
						30-year	2.06%		

As of 06.30.2021. Sources: Morningstar, FactSet, Russell Investments, MSCI, S&P, Barclays, U.S. Department of Treasury. Asset allocation and diversification do not assure a profit or protect against loss in declining financial markets. Past performance is no guarantee of future results. For illustrative purposes only.

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Appendix

Sterling Capital Disclosure

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.

Past performance is not indicative of future results. Any type of investing involves risk and there are no guarantees.

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