STERLING CAPITAL

Episcopal Diocese of North Carolina 4Q20 Review

February 2021

Sterling Capital Management

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
- $80 Billion in Assets Under Management and Assets Under Advisement
- Founded in 1970
- Independently-operated subsidiary of Truist Financial Corporation

THE PEOPLE

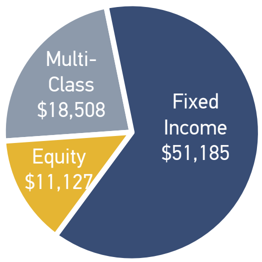
- 174 seasoned investment professionals, client service and administrative associates
- Highly motivated personnel with varied experience to act as subject matter experts:
  - 50 CFA® designees in the firm
  - Independent fundamental equity and credit research
  - Quantitative proprietary risk modeling

43 Portfolio Managers	23 Investment Analysts	8 Traders	23 Client Strategists	12 Client Analysts	43 Operations	7 Compliance	15 Staff

Experience	Average Yrs
Portfolio Managers	25
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 12.31.2020. 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 (9/30/20)	$38,860,786
Net Capital Contributions	(359,352)
Investment Return	4,600,205
Ending Market Value (12/31/20)	$43,101,639

Performance Results

	1 Month Ending 12/31/20	Quarter Ending 12/31/20	1 Year Ending 12/31/20	*Annualized* 3 Years Ending 12/31/20	*Annualized* Since Inception (12/31/16)*
Episcopal Diocese of North Carolina - Gross**	**3.55%**	**11.97%**	**15.05%**	**9.20%**	**11.66%**
Episcopal Diocese of North Carolina - Net**	**3.55**	**11.97**	**14.82**	**8.93**	**11.40**
70% MSCI ACWI IMI / 30% Bloomberg Barclays U.S.Aggregate Bond Index***	3.52	11.14	14.34	8.80	10.90

**Data as of 12.31.20.*

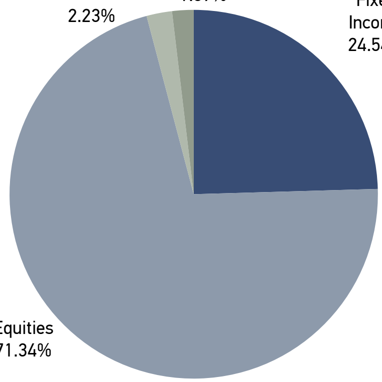
***Sterling management fees are paid quarterly, therefore gross and net performance may reflect the same value during some months.*

****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.*

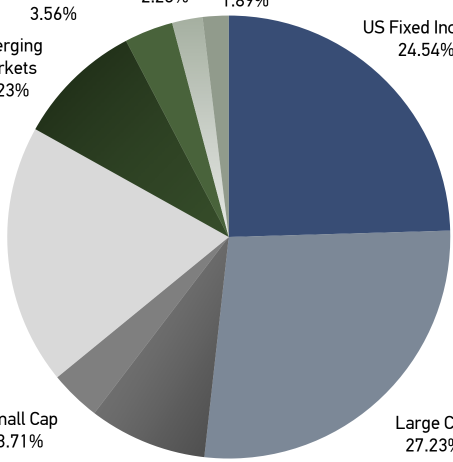
Episcopal Diocese of North Carolina

STERLING
CAPITAL ADVISORY SOLUTIONS

Portfolio Allocation



Portfolio Allocation Breakdown



Manager Name	Allocation	Expense Ratio	Trailing 12-Month Performance
Sterling Capital Equity Income	5.99%	0.35%	7.17%
Vanguard S&P 500 ETF	13.69%	0.03%	18.35%
Loomis Sayles - LCG	7.55%	0.35%	32.95%
Touchstone Mid Cap Value Fund	5.87%	0.84%	5.71%
Touchstone Mid Cap Growth Fund	2.74%	0.94%	27.43%
Virtus KAR Quality Small Cap Value Fund	3.15%	1.01%	28.16%
Federated MDT Small Cap Growth Fund	0.56%	0.88%	29.88%
Causeway International Value ADR Fund	6.69%	0.35%	6.05%
Vanguard FTSE Developed Markets ETF	3.96%	0.05%	10.29%
Harding Loevner - Intl ADR Fund	5.31%	0.35%	21.13%
iShares MSCI EAFE Small Cap ETF	3.04%	0.40%	12.07%
Principal Origin Emerging Markets Fund	3.29%	1.08%	N/A
Vanguard FTSE Emerging Markets ETF	3.68%	0.10%	N/A
Victory Sophus Emerging Markets Fund	2.26%	0.89%	N/A
Morgan Stanley Instl Global Opp	3.56%	0.89%	55.67%
Total Equities	71.34%		
Sterling Capital Total Return Bond Fund	6.45%	0.35%	9.35%
DoubleLine Total Return Bond Fund	5.31%	0.49%	4.12%
Metropolitan West Total Return Bd Fund	4.43%	0.38%	9.17%
PGIM Total Return Bond Fund	4.68%	0.39%	8.10%
Neuberger Berman Strategic Income Fund	2.45%	0.60%	7.76%
PIMCO Real Return Fund	0.74%	0.53%	12.09%
PIMCO Foreign Bond Fund	0.48%	0.60%	N/A
Total Fixed Income	24.54%		
Real Assets*	2.23%		
Cash	1.89%		
Total	100.00%	0.44%	15.05%

Source: Sawtooth, Morningstar, Sterling Capital Analytics.
**MA Real Assets Fund data as of 9.30.20 all other data as of 12.31.20.*

Global Equity/Fixed Income Allocations Across Model Portfolios
As of 01.08.2021

Overweight Global Equities vs. Fixed Income: Markets digested a great deal of new information in the fourth quarter that on balance drove both equity and credit risk assets higher. On the COVID-19 front, the market largely looked past the sharp rise in new cases and focused on the approval and initial rollout of vaccines that have created a path forward to eventually defeating, or at least controlling, the virus. Risk assets also reacted positively to the election as the Biden win confirmed market expectations, removing a source of uncertainty and solidifying expectations for further government stimulus, even as Senate control remained in question pending Georgia runoff elections. Following the November elections, Congress was able to pass a new COVID-19 relief bill, and potential for further stimulus under the new administration remains. In combination, the news has led to improving expectations for economic growth in the coming year, particularly benefitting smaller and more value oriented stocks which are more levered to this scenario. The significant movement in asset class values in the fourth quarter has largely compressed the relative value opportunities we see moving forward. Higher equity prices have made valuations less attractive, but our analytics still point to positive returns in excess of very low Treasury yields. Our expectations for fixed income market returns have also declined due to lower credit spreads and our forecast for a move higher in Treasury yields. In combination, Global Equities continue to offer a return advantage over fixed income markets. While lower than last quarter, our equity forecast is still supportive of an overweight to Global Equities versus Fixed Income, and we believe our current moderate allocation is appropriately sized relative to opportunities in underlying equity and fixed income segments.

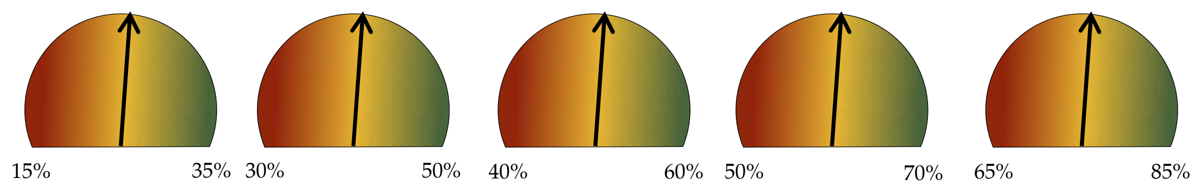
Global Equity Model Forecast

U.S. Aggregate Fixed Income Model Forecast

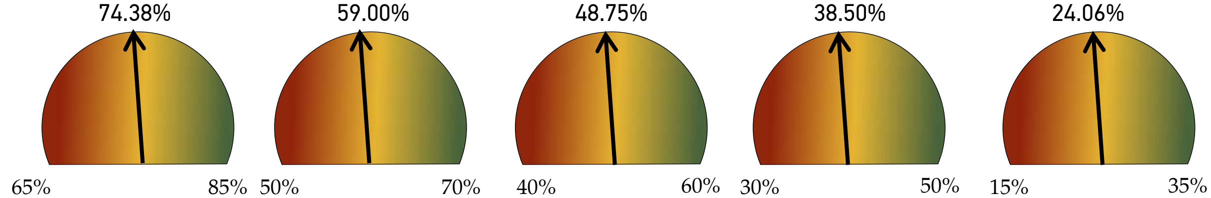
Model Portfolios

	Fixed Income	Income	Income Primary	Income & Growth	Balanced	Growth	Aggressive Growth
Global Equities	0%	25.63%	41.00%	51.25%	61.50%	75.94%	100.00%
Fixed Income	100%	74.38%	59.00%	48.75%	38.50%	24.06%	0%

Change from Prior Quarter:
0.00% in Balanced Model

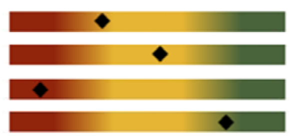


Change from Prior Quarter:
0.00% in Balanced Model



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 01.06.2021. 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.

Global Equity Allocation Summary
As of 01.08.2021

	Total Allocation	Net of Benchmark Allocation	Change from Prior Quarter	Model Forecast	Summary of Allocations and Model Forecasts
U.S. Equities	57.7%	1.5%	-0.5%		**Overall Overweight concentrated in Small and Large Cap Value:** We have slightly reduced our U.S. overweight as strong performance in the fourth quarter led to richer U.S. Equity valuations. In addition, the outperformance of Value versus Growth and Small Cap versus Large Cap altered relative value within the US segments. We mildly reduced our overweight to Value segments following a decline in their relative book-to-market and sales-to-firm value ratios. In particular, we've moved to an underweight in Midcap Value as its forecast is now in line with its Growth counterpart. Additionally, we have slightly reduced the overweight to Small Cap Value, which still appears attractive but to a lesser extent following very strong fourth quarter performance. Conversely, we have increased our net weight to Large Cap Value on relative momentum effects and a sales-to-firm value ratio that improved relative to other value segments.
Large Cap Value	18.8%	2.0%	1.0%		
Large Cap Growth	21.7%	0.0%	0.0%		
Mid Cap Value	8.1%	-1.0%	-1.0%		
Mid Cap Growth	3.9%	-1.0%	0.0%		
Small Cap Value	4.3%	2.5%	-0.5%		
Small Cap Growth	0.9%	-1.0%	0.0%		
International Developed	28.1%	-2.5%	0.5%		**Underweight concentrated in Growth:** Our analytics predict continued underperformance in International Developed markets as lagging sales and earnings growth continue to dampen forecasts. We continue to concentrate our underweight in the Growth segment as negative sales growth has led to a particularly poor forecast for that segment. We have mildly reduced this underweight, however, as richer U.S. valuations have reduced the expected underperformance for International Developed Growth.
Value	13.4%	0.0%	0.0%		
Growth	10.2%	-2.5%	0.5%		
Small Cap	4.5%	0.0%	0.0%		
Emerging Markets	14.2%	1.0%	0.0%		**Overweight:** We maintain our overweight to Emerging Markets as relative valuation metrics remain reasonable and real debt growth remains moderate.

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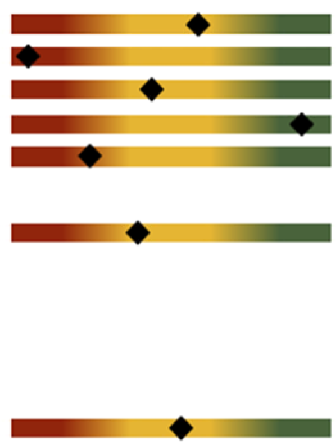
Fixed Income Allocation Summary
As of 01.08.2021

	Total Allocation	Net of Benchmark Allocation	Change from Prior Quarter
Expectations vs. U.S. Treasuries[1]			
U.S. Aggregate Fixed Income	94.0%	-6.0%	-1.0%
U.S. High Yield	0.0%	0.0%	0.0%
U.S. TIPS	0.0%	0.0%	-3.0%
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	4.0%	4.0%	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]			

Model Forecast



Summary of Allocations and Model Forecasts

Overweight to Short U.S. Government and International Fixed Income, Underweight U.S. Aggregate: Treasury yields remained exceptionally low during the fourth quarter while credit spreads continued to rally and implied inflation levels increased. The increase in implied inflation as measured by TIPS breakeven rates has lead us to eliminate our overweight to TIPS as inflation now appears more fully priced by the market. While inflation expectations increased, nominal Treasury yields remained stubbornly low, and real yields moved further negative. In the context of current economic conditions, our analytics estimate Treasury yields to be below their fair value and forecast higher rates over the next year. As a result, we have added an overweight to the Short U.S. Government segment, which lowers portfolio durations, or the sensitivity of our portfolios to increases in interest rates. 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. Our analytics forecast negative returns for higher credit risk segments, such as U.S. High Yield and Emerging Markets, as credit spreads have rallied to levels that are tight relative to historical averages.

[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 01.06.2021. 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
January 2021

ASSET ALLOCATION UPDATE

- We recommend an overweight 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 while the international developed underweight is concentrated in the growth segment.
- Within the fixed income allocation, we recommend an overweight to Short U.S. Government securities and international fixed income.

EQUITY HIGHLIGHTS

- Equity markets looked past surging COVID-19 cases in December and rose on the passage of additional stimulus in the U.S. and the rollout of COVID-19 vaccines. All constituents in the equity opportunity set produced positive returns during December with the Russell 2000 Growth Index, Russell 2000 Value Index and MSCI EM IMI Index leading the way. The Russell 2000 Growth Index returned 9.35% over the month followed by a return of 7.92% for the Russell 2000 Value Index and a 7.39% return for the MSCI EM IMI Index. The Russell Top 200 Value Index, MSCI World Ex USA Value Index and the Russell Top 200 Growth Index lagged the rest of the opportunity set with returns of 3.42%, 4.29% and 4.56%.
- Active managers within the active/passive opportunity set finished the year on a strong note with all active categories, save for U.S. large blend, outperforming passive categories. Active categories within the opportunity set outperformed their passive peers by an average of 4.38% in 2020.
- U.S. growth outperformance on a rolling five-year basis relative to value was stable month-over-month in December, 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 the Bloomberg Barclays U.S. Gov. Index, all constituents of the fixed income opportunity set produced positive returns in December. The Bloomberg Barclays U.S. High Yield Index, Bloomberg Barclays Emerging Markets Aggregate Index and Bloomberg Barclays U.S. TIPS Index were the top performers in the opportunity set with returns of 1.88%, 1.52% and 1.15% during the month of December. The worst performers in the opportunity set were the Bloomberg Barclays U.S. Gov. Index, Bloomberg Barclays U.S. Aggregate Index and the Bloomberg Barclays U.S. MBS Index, which returned -0.22%, 0.14% and 0.22% during December.
- During December, the 10-year government bond yield moved higher in the U.S. while the 10-year yield remained flat in Germany and moved lower across the U.K., Italy and France. Over the month, the 10-year yield in the U.S. increased by 8 basis points to 0.92% while the 10-year yield moved lower by 9 basis points in the U.K., 6 basis points in Italy and 1 basis point in France. As of month end, the 10-year yield in the U.K. was 0.20%, 0.54% in Italy, -0.34% in France and -0.58% in Germany.
- Municipal/Treasury ratios moved higher across the front end of the opportunity set and lower across the long end of the opportunity set during the month of December. The two- year maturity saw the most significant increase as the municipal/treasury ratio moved from 102.04 in November to 115.70 in December. The 10-year maturity saw the most pronounced decrease in the opportunity set as the ratio moved from 85.31 to 77.17 month-over-month in December. The two and three-year municipal/Treasury ratios remain above their long term averages while the five, seven and 10-year ratios remain below their long term averages.

Stock Indexes	YTD	Bond Indexes	YTD	Other Indexes	YTD	U.S. Treasury Yields		Rates/Commodities	
MSCI ACWI IMI	16.25%	Barclays US Aggregate	7.51%	US Fund Multialternative	2.92%	6-month	0.09%	Prime Rate	3.25%
Russell 3000	20.89%	Barclays Gbl Treas xUS Hdg	3.71%	DJ Equity All REIT	-4.79%	1-year	0.10%	LIBOR (3 Mo)	0.24%
S&P 500	18.40%	Barclays US TIPS	10.99%	Bloomberg Commodity	-3.12%	3-year	0.17%	Oil Price ($/barrel)	$48.52
MSCI EAFE	7.82%	Barclays US High Yield	7.11%			5-year	0.36%	Gold ($/t oz)	$1,895.10
MSCI EM	18.31%	Barclays EM Aggregate	6.52%			10-year	0.93%		
						30-year	1.65%		

As of 12.31.2020; 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.

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

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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.