

## Item 1 – Cover Page



STERLING  
CAPITAL

Elite UMA  
Wrap Fee Program Brochure

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March 30, 2017

This Brochure provides information about the qualifications and business practices of Sterling Capital Management LLC (Sterling, we or us). If you have any questions about the contents of this Brochure, please contact us at (704) 927-4175 and/or [scmcompliance@sterling-capital.com](mailto:scmcompliance@sterling-capital.com). The information in this Brochure has not been approved or verified by the United States Securities and Exchange Commission (SEC) or by any state securities authority.

Additional information about Sterling is also available on the SEC's website at [www.adviserinfo.sec.gov](http://www.adviserinfo.sec.gov).

Although Sterling may use the term “registered investment adviser” or use the term “registered” throughout this Form ADV Part 2A, the use of these terms is not intended to imply a certain level of skill or training.

## Item 2 – Material Changes

### Material Changes since March 30, 2016 Annual Amendment

Below are the material changes that occurred since our last Annual Amendment dated March 30, 2016:

Effective October 31, 2016 – Sterling Capital Management ceased offering the Elite UMA program to new clients as program sponsorship has moved to BB&T Investment Services Inc. (BB&T IS). Sterling will continue to serve as the sponsor to the Elite UMA program for existing clients and as the investment advisor for the Elite UMA program.

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Pursuant to SEC rules, we will ensure that you receive a summary of any material changes to this and subsequent Brochures within 120 days of the close of our business' fiscal year. We may further provide other ongoing disclosure information about material changes as necessary.

We will provide you with a new Brochure as necessary based on changes or new information, at any time, without charge.

Our Brochure may be requested by contacting Sterling's Compliance Department at [scmcompliance@sterling-capital.com](mailto:scmcompliance@sterling-capital.com). Additional information about Sterling is also available via the SEC's web site at [www.adviserinfo.sec.gov](http://www.adviserinfo.sec.gov).

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## Item 4- Services, Fees and Compensation

Sterling sponsors the Elite UMA program (Elite), a Managed Account program for which Sterling serves as investment adviser and Sponsor. As sponsorship of Elite is transitioning to BB&T Investment Services (BB&T IS), Sterling is not currently accepting new clients to this program.

Elite is a wrap fee program where a single fee pays for the investment advisory services, brokerage and other transaction costs and custodian fees for the Elite accounts. The fee is exclusive of optional tax management options and/or underlying investment manager expenses. Client may indirectly bear the fees and expenses charged by the underlying mutual funds and will directly bear the fees of any separate account manager used in the account as such fees are not covered by the fee.

The account may be invested partially or entirely in Sterling Capital Funds (the Affiliated Funds) and, except where prohibited by law, (i) program fees are separate from and in addition to any fees paid by the Affiliated Funds to Sterling (including any management fees paid by Affiliated Funds); (ii) the fees charged for the services, together with fees paid to Sterling indirectly through investments in Affiliated Funds may be higher than the fees charged by other investment advisers for similar advisory services; and (iii) clients may invest in mutual funds outside Elite, including Affiliated Funds, without incurring any additional fees.

Elite is an investment advisory program with actively managed model portfolio investment strategies designed for clients with different financial circumstances, investment objectives and risk tolerance (each, a Model Strategy).

BB&T IS, an affiliate under common control with Sterling, is a state registered investment adviser and an FINRA-registered broker-dealer. BB&T US works with Sterling to make Elite available to interested clients. Sterling will pay BB&T IS a fee for referrals of advisory clients. Sterling also works with Adhesion Wealth Advisor Solutions (Adhesion), the overlay manager and the custodians, Pershing, LLC or Charles Schwab.

Elite currently offers nine Model Strategies which include the following:

- **Diversified Income** – The Diversified Income Model is for individuals who seek a higher current income with a secondary objective of total return.
- **Fixed Income Model** - The Fixed Income Model is for individuals that seek preservation of principal. They are concerned with safety of principal and seek a steady return. Assets for this type of investor may be affected by changes in interest rates. The client may choose from a Core, Intermediate or Short fixed income model.
- **Municipal Bond Model** - The Municipal Bond Model strives to generate consistent risk-adjusted total returns, while providing liquidity and capital preservation. This Model is appropriate for investors who seek tax-free income.
- **Income Model** – The Income Model is for individuals that can accept more risk than Fixed Income Model investors but still require a low probability of loss of principal. Principal safety is a primary concern. This type of investor also desires to keep up with inflation.
- **Income Primary Model**- The Income Primary Model is geared toward individuals seeking current income along with capital appreciation. In general, the Income Primary Model involves a moderate level of volatility. It is appropriate for investors with intermediate time horizons.

- **Income and Growth Model** – The Income and Growth Model is geared toward individuals seeking a balance between capital appreciation and stability. While some losses may be acceptable, the portfolio should consist of both growth instruments and more conservative, steady instruments. In general, the Income & Growth Model involves a somewhat higher level of volatility than the Income Primary Model described above.
- **Balanced Model** – The Balanced Model is for individuals seeking long-term growth along with a modest current income. In general, the Balanced Model involves a somewhat higher level of volatility than the Income and Growth Model described above. It is appropriate for investors with intermediate time horizons.
- **Growth Model** – The Growth Model is for individuals seeking long-term growth of capital and willing to accept some short-term losses for potentially higher returns. In general, the Growth Model involves a higher level of volatility than the Balanced Model described above. It is appropriate for investors with longer time horizons.
- **Aggressive Growth Model** – The Aggressive Growth Model is geared towards individuals seeking long-term growth of capital. In general, this Model involves a high level of volatility and is appropriate for investors with longer time horizons who can withstand portfolio volatility.

Each of the Model Strategies is offered to all investors in a mutual fund only option. In addition, certain clients may be offered the opportunity to choose a UMA Separate Account Management (UMA) option for their portfolio.

The UMA utilizes individual model managers for a portion of the equity allocation in the portfolio while utilizing mutual funds for the other segments of the allocation.

**ANNUAL PROGRAM FEES** - Minimum investment required of \$50,000. Under certain circumstances the stated minimum may be waived by Sterling.

<b><u>Model Selection</u></b>	<b><u>Non-Retirement Accounts \$1,000,000 and under</u></b>	<b><u>Non-Retirement Accounts Over \$1,000,000</u></b>	<b><u>Qualified Retirement Accounts \$1,000,000 and under</u></b>	<b><u>Qualified Retirement Accounts Over \$1,000,000</u></b>
Aggressive Growth Growth Balanced Income & Growth Income Primary Income	1.50%	1.25%	1.85%	1.60%
Fixed Income Only Municipal Bond Diversified Income	1.00%	1.00%	1.25%	1.25%

- The fee rates listed above do not include any expenses charged within underlying mutual funds. The fee rates listed above do not include fees paid to managers of equity or fixed income strategies selected for the UMA individual model managers. Client accounts will bear these fees in addition to the fee rate listed above, except for qualified retirement accounts, in which any management or advisory fees paid by the Affiliated Funds to Sterling will be rebated to the account.
- Fees above do not include the additional fees for tax-management options, if selected.

## **ADDITIONAL FEES**

### ***Tax Management Options***

### ***Fee***

Tax Overlay (includes Harvesting)

additional 0.10% annually on all assets

Tax Harvesting only

additional 0.05% annually on all assets

## **ADDITIONAL FEE INFORMATION**

Fees may be negotiable. Program fees cover (a) Sterling's services under the program; (b) BB&T IS's services under the program; (c) brokerage and custody services for the portfolio provided by Pershing or Charles Schwab under the program. In addition, clients who elect the UMA option will pay additional fees to the UMA individual model managers for the strategy selected. The fee for the UMA option will range between 20-50 basis points, depending on the Model Strategy selected.

In evaluating a wrap fee arrangement, the client should consider whether, the amount of portfolio activity and the value attributed to monitoring, custodial and any other services provided, the wrap fee would exceed the aggregate cost of such services if they were separately provided and Sterling were free to choose broker-dealers to execute portfolio transactions.

Elite fees are exclusive of certain charges such as IRA fees, termination fees, transfer taxes, wire transfer and electronic fund fees, and other fees and taxes on brokerage accounts and securities transactions. Mutual funds and exchange traded funds also charge internal management fees which are disclosed in a fund's prospectus.

Elite accounts will be invested partially or entirely in Affiliated Funds. Program fees are separate and in addition to the fees paid by the Affiliated Funds to Sterling. A description of these and other expenses is available in Part 2A of Sterling's Form ADV as well as the Affiliated Funds' prospectus.

Elite fees are paid quarterly, in advance, based on the market value of the assets at the end of the previous quarter as determined by Adhesion. In the event a client joins Elite after the beginning of a calendar quarter, Sterling's policy is to prorate the fees. In the event a client terminates their agreement, fees are refunded on a pro-rata basis for the portion of the quarter during which the portfolio is no longer under management.

Under the advisory agreement, clients will authorize and direct the custodian to pay all of the program fees from the client's portfolio. Sterling invoices the custodian directly for the program fees. Sterling reserves the right, under the program agreement, to amend the fee schedule upon thirty (30) days' notice to clients.

Fees for tax- management options only apply to clients that select a tax- management option for their account. Fees for tax-management options will be charged on all program assets.

BB&T IS introduces clients to the program, and provides a number of additional administrative and support services to the program. For its services, BB&T IS receives a portion of the program fees paid by clients. Accordingly, potential clients should note that BB&T IS may have an incentive to introduce clients to the Elite program over other investment advisory and/or wrap fee programs.

## Item 5- Account Requirements and Types of Clients

Elite's mutual fund only option has a minimum investment of \$50,000. Elite's UMA option has a minimum investment of \$250,000.

Sterling generally provides investment advice for individuals, trusts, corporations and other business, and limited types of retirement accounts, such as IRAs.

## Item 6- Portfolio Manager Selection and Evaluation

Sterling's portfolio manager selection and review process is conducted by Sterling's Advisory Solutions (Advisory Solutions). Advisory Solutions employs a comprehensive and rigorous due diligence process in an effort to identify investment managers.

**Manager Search and Selection-** The manager search and selection process begins with idea generation. Investment strategy ideas are generated through various avenues including, face-to-face meetings with investment firm personnel, attending investment conferences, various investment-related publications and screening investment manager databases. After identifying investment strategy candidates, qualitative and quantitative due diligence begins. Components of Advisory Solution's due diligence process include:

- Sourcing important qualitative and quantitative information from face-to-face meetings with investment firm personnel, attending investment conferences, various investment-related publications and screening investment manager databases.
- Requesting that all prospective managers complete a comprehensive questionnaire allowing Advisory Solutions to gain access to information that is not readily available on investment databases.
- Conducting face-to-face meetings and conference calls with investment managers in order to obtain, evaluate, and question additional qualitative and quantitative information.

When attempting to identify attractive investment model candidates, Advisory Solutions focuses on whether the following factors and attributes are present:

- An investment team that is experienced, well-supported and stable.
- An investment team that is incentivized to focus on long-term performance which may include personal ownership in the firm and in the strategy.
- An investment team that employs a sound, disciplined, and repeatable process, and implements appropriate risk controls.
- An investment strategy with a track record of consistent long-term performance and superior risk-adjusted performance vs. its respective benchmark and/or peer group.
- As it relates to equity strategies, an investment strategy with high active share, relatively low number of holdings and low portfolio and client turnover.
- An investment strategy with reasonable cost and ample capacity.
- An investment firm with a reputation for integrity and a cultural emphasis on investing over marketing & distribution.
- An investment firm where asset management is the firm's main or only business and is committed to allocating adequate resources to the strategy in question.
- An investment firm with well-defined compliance procedures including a disaster recovery plan and best execution trading practices.

**Ongoing Monitoring-** Advisory Solutions conducts ongoing monitoring of the approved managers that

involves frequent correspondence with the managers, formal quarterly reviews and an in-depth annual evaluation. The ongoing review and analysis of managers will reflect the same due diligence criteria employed for the initial selection. Advisory Solutions strives to identify managers with whom we intend to invest over long-term periods. However, a manager will be removed from the approved list if the analysis determines that a change in the manager's status has impaired their ability to achieve future outperformance.

Qualitative factors that may warrant replacing a manager include, but are not limited to:

- Departure of lead portfolio manager(s) or change in firm ownership.
- Significant change in the investment process or investment process violation.
- Significant and persistent style drift or significant change in overall firm focus.
- Significant increase in fee structure.
- Strategy assets under management approach or exceed estimated capacity or strategy assets fall dramatically.
- Significant change in client base or significant deterioration in client service level.
- Legal issues or unethical behavior.

Performance and risk measurements of each manager are evaluated relative to a best-fit commercially-used index or other customized benchmark. While Advisory Solutions considers trailing performance to be a relevant factor in ongoing monitoring, Advisory Solutions takes numerous factors into account when evaluating performance. Performance and risk measures that are monitored include, but are not limited to:

- 3-year, 5-year and 10-year relative performance versus primary benchmark
- Consistency of investment returns
- Risk-adjusted returns measures such as alpha, Sharpe ratio, and information ratio
- Standard Deviation
- Active Share

Any qualitative deficiency or performance related issue will warrant a thorough review to determine the potential impact on expected long-term investment results. As detailed above, the context of each situation is taken into account and there is no rigid formula that determines the decision to retain or terminate a manager. Advisory Solutions will remove a manager when it is deemed warranted and in the best interests of our clients.

**Model Strategy Construction**- Using Sterling's asset allocation framework, Advisory Solutions constructs risk tolerance-specific model portfolios comprised of approved managers. Complementary investment strategies are combined to produce a favorable risk and return profile. This combination can include domestic and international equities and fixed income. The Model Strategies are rebalanced on an on-going, or at least quarterly, basis as allocations become out of the target ranges.

**Client Portfolio Construction**- The client will work with BB&T IS to define their investment objective and determine the appropriate asset allocation. These factors assist in constructing an Investment Policy Statement and help determine the appropriate Model Strategy for the client. A review of the client's Investment Policy Statement will determine if any changes to the client's investment objectives or guidelines are warranted.

**Portfolio Manager Performance**- The total return of the Model Strategies is obtained from Morningstar Direct, a third-party investment performance reporting service. Morningstar Direct uses



industry standard methods when calculating the total return of the various portfolios.

Advisory Solutions routinely reviews manager performance as reported to Morningstar Direct. However, Sterling does not verify the accuracy of performance information reported to Morningstar Direct, or any other third-party investment performance reporting service. While Sterling reviews this information for reasonableness, it cannot guarantee that the performance information is accurate and/or calculated on a uniform and consistent basis.

Sterling maintains performance composites for each unique investment strategy offered in the Elite UMA program. Sterling claims compliance with the Global Investment Performance Standards. The verification reports are available upon request. Verification assesses whether (1) the firm has complied with all the composite construction requirements of the GIPS standards on a firm-wide basis and (2) the firm's policies and procedures are designed to calculate and present performance in compliance with the GIPS standards. Verification does not ensure the accuracy of any specific composite presentation.

**Related Portfolio Manager-** The Model Strategies constructed by Advisory Solutions will be invested partially or entirely in Affiliated Funds or other funds. In addition, the UMA option utilizes Sterling's proprietary investment strategies.

Investing in Affiliated Funds and proprietary strategies causes a conflict of interest as Affiliated Funds pay Sterling fees in addition to Program fees and certain equity strategies of Sterling included in the UMA option pay Sterling fees in addition to Program fees. Thus, Sterling has an incentive to recommend Affiliated Funds and proprietary strategies for the Model Strategies.

Advisory Solutions conducts the same screening and ongoing monitoring for the Affiliated Funds and propriety strategies that it does for unaffiliated managers.

**Advisory Business-** Please refer to *Item 4- Advisory Business* in Sterling's Form ADV 2A, accompanying this document.

**Performance-Based Fees and Side-By-Side Management-** Please refer to *Item 6- Performance-Based Fees and Side-By-Side Management* in Sterling's Form ADV 2A, accompanying this document.

**Methods of Analysis, Investment Strategies and Risk of Loss-** Please refer to *Item 8- Methods of Analysis, Investment Strategies and Risk of Loss* in Sterling's Form ADV 2A, accompanying this document.

**Voting Client Securities-** Sterling's investment advisory agreement states that decisions on the voting of proxies will be made by Sterling unless the client reserves the right to vote. Sterling engages a third-party service provider to assist with the functions related to voting client proxies.

Sterling has adopted and implemented written proxy policies and procedures reasonably designed to ensure that proxies are voted solely in client interests, or plan participants and beneficiaries for ERISA accounts. The policies include provisions to resolve material conflicts of interests that may arise between Sterling and clients.

Sterling has adopted Glass Lewis' Proxy Guidelines which assist the members of Sterling's Proxy Committee in evaluating relevant facts and circumstances which enables Sterling to vote in a manner consistent with its fiduciary responsibility.

Sterling may be unable to vote or may determine to refrain from voting in certain circumstances. The following highlights some potential instances in which a proxy may not be voted:

Voting in certain countries requires “share blocking”. Shareholders wishing to vote their proxies must deposit their shares shortly before the date of the meeting with a designated depository. During this blocking period, shares that will be voted at the meeting cannot be sold until the meeting has taken place and the shares are returned to the client’s custodian banks. Sterling may determine that the value of exercising the vote is outweighed by the detriment of not being able to sell the shares during this period. In cases where Sterling wants to retain the ability to trade shares, Sterling may abstain from voting those shares. A list of the countries that meet this description is available upon request.

In limited circumstances, other market specific impediments to voting shares may limit Sterling’s ability to cast votes, including, but not limited to, late delivery of proxy materials, untimely vote cut-off dates, power of attorney and share re-registration requirements, or any other unusual voting requirements. In these limited instances, Sterling will vote securities on a best efforts basis.

If client lends securities, Sterling will vote the securities’ shares as reported by client’s custodian. There may be instances, depending on the portfolio, for which Sterling does not vote proxies. Client may direct a vote for a particular solicitation.

Sterling’s voting guidelines provide a general framework for voting proposals in the best interest of clients. The key element underlying any evaluation of the interests of a client in a proposal, election, or issue presented to a shareholder vote is the effect, if any, the proposal, election, or issue could have on the current or future value of the investment.

If you would like to obtain a copy of Sterling’s proxy policies and procedures and/or a report summarizing how your securities were voted, contact Sterling’s Compliance Department at [scmcompliance@sterling-capital.com](mailto:scmcompliance@sterling-capital.com). Annual Form N-PX filings informing Sterling Capital Funds shareholders how Sterling voted proxies for the 12-month period ending June 30<sup>th</sup> are filed with the SEC no later than August 31<sup>st</sup> of each year.

## **Item 7- Client Information Provided to Portfolio Manager**

The program does not provide information about clients to the Model Strategies’ underlying portfolio managers. Clients may contact Sterling or BB&T IS for account inquires, including modifications to the client’s portfolio.

## **Item 8- Client Contact with Portfolio Managers**

Elite clients generally do not have contact with the Model Strategies’ underlying portfolio managers. Clients may contact Sterling or BB&T IS for account inquires, including modifications to the client’s portfolio.

## Item 9- Additional Information

**Disciplinary Information-** Registered investment advisers are required to disclose all material facts regarding any legal or disciplinary events that would be material to your evaluation of Sterling or the integrity of Sterling's management:

Sterling currently has no disciplinary events or matters to disclose.

Sterling is the successor-in-interest to BB&T Asset Management LLC (BBTAM) in the following two cases following the merger of BBTAM into Sterling in October 2010:

- *Francis P. Maybank v. BB&T Corporation, Branch Banking and Trust Company, successor in merger to Branch Banking and Trust Company of SC, and Sterling Capital Management LLC, successor in merger to BB&T Asset Management LLC.* The original complaint was filed in South Carolina in December 2011. Following the appeal of a trial court judgment in November 2014, the South Carolina Supreme Court issued an opinion in June 2016 and remitted the case back to the trial court in July 2016. The matter was finally settled in January 2017. This matter related to an investment in a variable prepaid forward contract and did not involve any current Sterling employee or any current Sterling investment product or strategy. Sterling was only a party to this matter based on its merger with BBTAM, and the settlement was immaterial to Sterling's ongoing financial operations.
- *Effie C. S. Bowers v. Branch Banking and Trust Company, successor in merger to Branch Banking and Trust of SC and Sterling Capital Management LLC, successor in merger to BB&T Asset Management LLC.* The original complaint was filed in Georgia in January 2015. Similar to Maybank, this matter related to an investment in a variable forward contract and did not involve any current Sterling employee or any current Sterling investment product or strategy. This matter was settled in December 2015 to avoid the distraction, costs and uncertainty of ongoing litigation, with no admission of liability by Sterling Capital. Sterling was only a party to this matter based on its merger with BBTAM, and the settlement was immaterial to Sterling's ongoing financial operations.

**Other Financial Industry Activities and Affiliations-** Please refer to *Item 10- Other Financial Industry Activities and Affiliations* in Sterling's Form ADV 2A, accompanying this document.

**Code of Ethics, Participation or Interest in Client Transactions and Personal Trading-** Please refer to *Item 11- Code of Ethics, Participation or Interest in Client Transactions and Personal Trading* in Sterling's Form ADV 2A, accompanying this document.

**Review of Accounts-** Sterling will regularly review the asset mixes and performance of each Model Strategy. Sterling will also review individual client accounts from time to time to ensure that they are being managed in accordance with the client's selected Model.

**Client Referrals and Other Compensation-** Sterling does not receive an economic benefit from anyone who is not a client in exchange for investment advice or other advisory services.

BB&T IS introduces clients to the program, and provides a number of additional administrative and support services to the program. For its services, BB&T IS receives a portion of the program fees. Accordingly, potential clients should note that BB&T IS may have an incentive to introduce clients to

the Elite program over other investment advisory and/or wrap fee programs.

**Financial Information-** Registered investment advisers are required in this Item to provide you with certain financial information or disclosures about Sterling's financial condition. ***Sterling has no financial commitment that impairs its ability to meet contractual and fiduciary commitments to clients, and has not been the subject of a bankruptcy proceeding.***