

# Institutional Alpha - Income

The Institutional Alpha model is the organization and culmination of our entire expertise wrapped into an actively managed model that is designed to achieve substantial risk-adjusted returns or "alpha".

Taking your risk tolerance and how much you are willing to bet on a given strategy, we want to create additional return. If you are simply playing the market, you may receive a 10 percent return. If we take the same amount of risk and are able to return you 12 percent, then we are adding incremental value.

The search for alpha, or additional risk-adjusted returns, is a unique science. The first area of focus is on the proactive search and vetting of the best and most appropriate money managers in their specific style category. Sixty-eight percent of the money managers we utilize beat their benchmark. Once we've found the managers we feel are best structured to achieve significant risk-adjusted returns in their discipline, we use our expertise in asset allocation and strategic rebalancing to marry those managers together in the most effective way to achieve additional alpha over the long term.

*Let's tie this into an easy sports analogy.*

We are the general manager of a team. And, we have the opportunity to analyze and scout players, or our money managers, to the best of our ability. We also have the opportunity to coach these players and put them in the right positions on the field. This gives us the ability to assign the positions of where we feel these players are going to best serve the overall betterment of the team and our collective objective. We can also make tweaks throughout the game, changing positions or even adding or removing players.

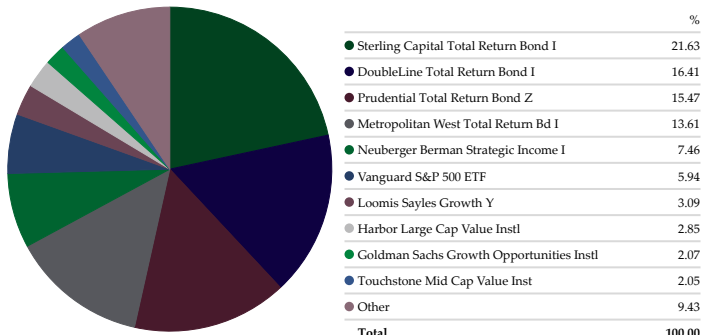
Finding the right players, choosing their positions on the field and making in-game decisions and moves are key aspects to pursuing additional returns for your portfolio. Our money managers have a history of doing just that over long periods of time.

The Institutional Alpha model can be structured for any risk tolerance and it typically best suited for those clients looking for a structure that mitigates downside risk and captures upside potential. Basically, we strive to achieve better than benchmark returns while taking less than benchmark risk with your retirement nest egg.

**STRATEGY:** Achieve Risk Adjusted Returns and Generate "Alpha"

## Institutional Alpha Income - Portfolio Holdings

Portfolio Date: 3/31/2018



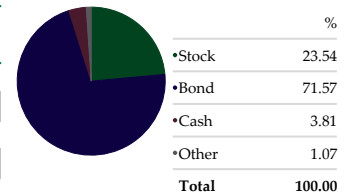
## Top Holdings

Portfolio Date: 3/31/2018

| Fund Name                                | Portfolio Weighting % |
|--|-----------------------|
| Sterling Capital Total Return Bond I     | 21.63                 |
| DoubleLine Total Return Bond I           | 16.41                 |
| Prudential Total Return Bond Z           | 15.47                 |
| Metropolitan West Total Return Bd I      | 13.61                 |
| Neuberger Berman Strategic Income I      | 7.46                  |
| Vanguard S&P 500 ETF                     | 5.94                  |
| Loomis Sayles Growth Y                   | 3.09                  |
| Harbor Large Cap Value Instl             | 2.85                  |
| Goldman Sachs Growth Opportunities Instl | 2.07                  |
| Touchstone Mid Cap Value Inst            | 2.05                  |

## Asset Allocation

Portfolio Date: 3/31/2018

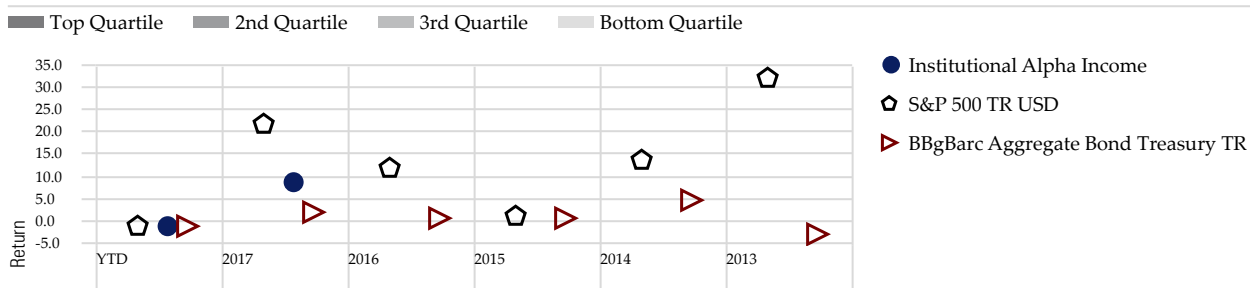


## Portfolio Statistics

|                                    | Inception Date | Std Dev 1-Year (Q-End) | Expense Ratio | Sharpe Ratio | 12 Month Yield |
|------------------------------------|----------------|------------------------|---------------|--------------|----------------|
| Institutional Alpha Income         | 3/31/2016      | 2.48                   | 0.52          | 1.56         | 2.57           |
| S&P 500 TR USD                     | 9/11/1989      | 8.47                   | —             | 1.44         | —              |
| BBgBarc Aggregate Bond Treasury TR | 1/31/1973      | 2.62                   | —             | -0.29        | —              |

## Performance Relative to Peer Group

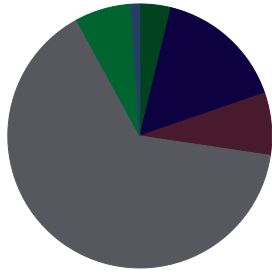
Peer Group (5-95%): None - None Calculation Benchmark: S&P 500 TR USD



Source: Morningstar Direct

### Institutional Alpha Income - Asset Allocation (US)

Portfolio Date: 3/31/2018

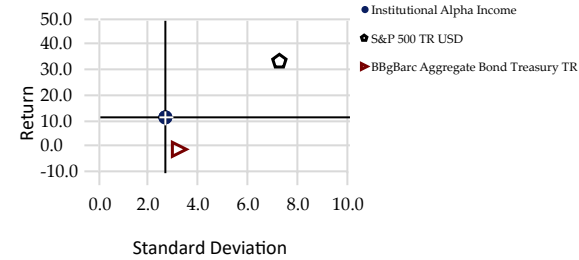


|                |               |
|----------------|---------------|
| •Cash          | 3.81          |
| •US Equity     | 15.90         |
| •Non-US Equity | 7.64          |
| •US Bond       | 64.68         |
| •Non-US Bond   | 6.89          |
| •Other         | 1.07          |
| <b>Total</b>   | <b>100.00</b> |

### Risk-Reward

Time Period: 4/1/2016 to 3/31/2018

Calculation Benchmark: S&P 500 TR USD



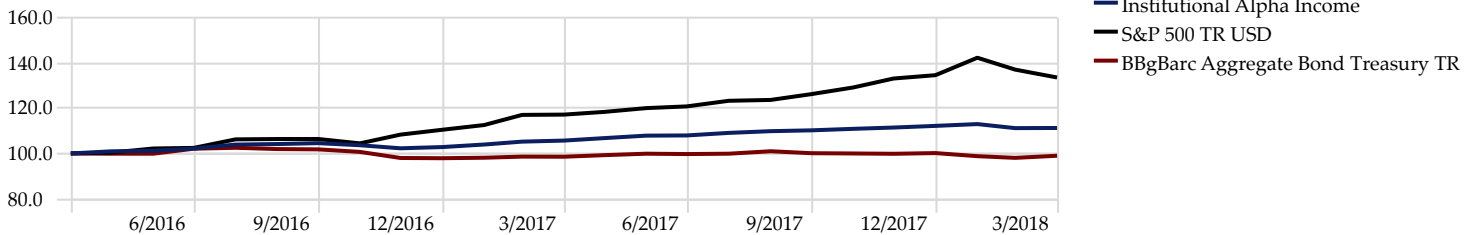
### Morningstar Equity

Portfolio Date: 3/31/2018

|                     |       |       |        |       |
|---------------------|-------|-------|--------|-------|
|                     | 21.0  | 19.3  | 30.2   | Large |
|                     | 5.3   | 7.6   | 9.1    | Mid   |
|                     | 2.3   | 2.0   | 3.2    | Small |
|                     | Value | Blend | Growth |       |
| Equity Style        |       |       |        | %     |
| Equity Style Value  |       |       |        | 28.62 |
| Equity Style Core   |       |       |        | 28.90 |
| Equity Style Growth |       |       |        | 42.48 |

### Investment Growth

Time Period: 4/1/2016 to 3/31/2018



### Trailing Returns

|                                    | 1 Month | 3 Month | 6 Month | YTD   | 1 Year |
|------------------------------------|---------|---------|---------|-------|--------|
| Institutional Alpha Income         | 0.07    | -0.83   | 0.95    | -0.83 | 5.27   |
| S&P 500 TR USD                     | -2.54   | -0.76   | 5.84    | -0.76 | 13.99  |
| BBgBarc Aggregate Bond Treasury TR | 0.94    | -1.18   | -1.13   | -1.18 | 0.43   |

### Periodic Table

| Annual Performance as a Percentage | Best                               |                               |                            |                                    |                              |                            |                              |                            |                           |                            |                            |
|------------------------------------|------------------------------------|-------------------------------|----------------------------|------------------------------------|------------------------------|----------------------------|------------------------------|----------------------------|---------------------------|----------------------------|----------------------------|
|                                    | BBgBarc Aggregate Bond Treasury TR | Russell Mid Cap Growth TR USD | Russell 2000 Growth TR USD | BBgBarc Aggregate Bond Treasury TR | Russell Mid Cap Value TR USD | Russell 2000 Growth TR USD | Russell Mid Cap Value TR USD | Russell 1000 Growth TR USD | Russell 2000 Value TR USD | Russell 1000 Growth TR USD | Russell 2000 Growth TR USD |
|                                    | 13.74                              | 46.29                         | 29.09                      | 9.81                               | 18.51                        | 43.30                      | 14.75                        | 5.67                       | 31.74                     | 30.21                      | 2.30                       |
|                                    | 6.67                               | 37.52                         | 26.38                      | 2.64                               | 18.05                        | 35.74                      | 13.69                        | 1.38                       | 20.00                     | 25.27                      | 2.17                       |
|                                    | 4.62                               | 37.21                         | 24.75                      | 2.11                               | 17.51                        | 34.52                      | 13.45                        | 0.84                       | 17.34                     | 22.17                      | 1.42                       |
|                                    | -28.92                             | 34.47                         | 24.50                      | 1.73                               | 16.00                        | 33.48                      | 13.05                        | 0.66                       | 12.06                     | 21.83                      | -0.16                      |
|                                    | -33.37                             | 34.21                         | 16.71                      | 1.55                               | 15.81                        | 33.46                      | 11.90                        | 0.56                       | 11.96                     | 14.90                      | -0.20                      |
|                                    | -36.85                             | 26.46                         | 15.51                      | 0.39                               | 15.26                        | 32.53                      | 5.60                         | -0.20                      | 11.32                     | 13.66                      | -0.76                      |
|                                    | -37.00                             | 20.58                         | 15.06                      | -1.38                              | 14.59                        | 32.39                      | 5.05                         | -1.38                      | 7.33                      | 13.34                      | -1.18                      |
|                                    | -38.44                             | 19.69                         | 13.99                      | -1.65                              | 13.97                        | 32.39                      | 4.22                         | -2.62                      | 7.08                      | 7.84                       | -2.50                      |
|                                    | -38.44                             | 5.00                          | 5.87                       | -2.91                              | 1.99                         | 0.64                       | 0.82                         | -3.83                      | 1.31                      | 2.31                       | -2.64                      |
|                                    | -38.54                             | 0.80                          | 7.62                       | -5.90                              | 1.33                         | 0.36                       | 0.63                         | -4.78                      | 1.04                      | 0.86                       | -2.83                      |
|                                    | -44.32                             | -3.57                         | 2.40                       | -12.64                             | 0.43                         | -2.75                      | -1.10                        | -7.47                      | 0.86                      | 0.42                       |                            |
|                                    | 2008                               | 2009                          | 2010                       | 2011                               | 2012                         | 2013                       | 2014                         | 2015                       | 2016                      | 2017                       | YTD                        |

- Morningstar MSCI Emerging Markets
- Russell 1000 Growth TR USD
- Russell 1000 Value TR USD
- Russell 2000 Value TR USD
- Russell 2000 Growth TR USD
- Russell Mid Cap Growth TR USD
- Russell Mid Cap Value TR USD
- BBgBarc 1-3 Yr US Treasury TR USD
- BBgBarc 1-3 Yr US Treasury TR USD
- BBgBarc US Aggregate 1-3 Yr TR USD
- S&P 500 TR USD
- BBgBarc Aggregate Bond Treasury TR

Source: Morningstar Direct

### **Sterling Capital Management**

Sterling Capital Management LLC ("Sterling") is an independent registered investment adviser with the SEC and a subsidiary of the BB&T Corporation.

Founded in 1970, with over \$54 Billion in Assets Under Management, Sterling provides investment management services to a broad spectrum of clients including corporations, institutions, endowments, foundations, employee benefit plans, government entities, families and individuals. Sterling offers a full range of investment strategies, including equity and fixed income investing, domestic and international, alternative assets as well as tailored investment management services and solutions to meet the specific needs and objectives of our clients.

### **Advisory Solutions Team**

Sterling Capital Management's Advisory Solutions Team (Advisory Solutions) is responsible for managing the approved investment manager platform from which investment vehicles used in client accounts are chosen. Advisory Solutions employs a comprehensive and rigorous due diligence process in an effort to identify suitable investment managers.

#### **James C Willis, CFA** - Managing Director - Head of Advisory Solutions

B.A. in Economics & Political Science from Rice University. M.B.A. from Georgetown University. Investment experience since 1996. Joined Sterling Capital Management in 2003.

#### **Kevin J Stoll, CFA** - Executive Director - Head of Quantitative Research

B.A. in Economics & Mathematical Methods in the Social Sciences from Northwestern University. M.B.A. from Duke University. Investment experience since 1998. Joined Sterling Capital Management in 2013. Focus: Asset Allocation & Fixed Income

### **Disclosures:**

Annual Returns for selected Key Indices – 01.01.2008 – 12.31.2017. Past performance does not guarantee future results. This chart is for illustrative and educational purposes only and is not an offer of individual or personalized investment advice. Further, the information contained herein is not an offer or solicitation with respect to the purchase or sale of any security. It is not possible to invest in an index. Please contact your investment adviser for a description of the representative indices. Investing involves risk and is subject to loss of principal. The Model is managed by the AE Wealth Management Investment Committee and is expected to primarily consist of mutual funds. The Model generally consists of between 5 and 20 mutual funds and exchange traded funds (ETFs), with a typical weighting for each position being between 0% - 43% of the total portfolio. The Model is generally comprised of funds that invest in U.S. Large Cap, U.S. Mid Cap, U.S. Small Cap, International Large Cap, International Small Cap, Emerging Markets (All capitalizations), U.S. Aggregate Fixed Income, U.S. High Yield and U.S. TIPS. Allocation weights in the Model are based on the style/mandate of the underlying funds. Since the Model invests in ETFs/mutual funds, an investor will indirectly bear fees and expenses charged by the underlying funds in which the Model invest in addition to direct management and custody fees and expenses applicable to the Model. The funds comprising the Model as well as the allocation weightings are subject to change.