

Diversified Income

Diversified Income, as its name suggests, is a portfolio designed to meet a specific objective. That objective is for the client to receive additional yield through the use of an income generating product.

Sometimes the client may want to reinvest dividends back into the overall strategy as a more secure way of getting overall portfolio accumulation. Other times, the client may want to take those dividends and actually use the income on a monthly basis for buying groceries or gifts for their grandchildren. After all, in or near retirement, income is king.

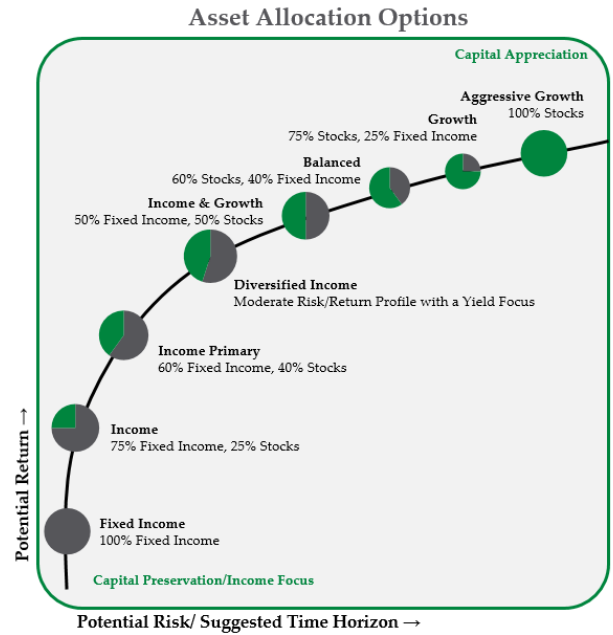
As we talk about income, while we strive to maintain a 4 to 6 percent yield target, there is a significant amount of focus on mitigating the overall risk of the portfolio. Ultimately, we are looking to maximize the risk-adjusted yield of the portfolio. Using this approach allows the team to take a risk-first methodology to asset allocation and portfolio construction while not reaching for yield.

This strategy takes a diversified, opportunistic approach across multiple income-generating asset classes and strategies. Our opportunity set is broad and includes some more commonly used asset classes but we will also allocate to some esoteric investments, like municipal bonds, U.S. Treasuries, global investments and even real estate. Overall, the portfolio will have an allocation of approximately 40 percent to equities and the remaining 60 percent in fixed income.

Utilizing the same sports analogy as before, with diversified income, we are not setting up for the most appropriate way to win over the course of a season. This is more focused; setting up our sports team to pursue a specific goal. For example, if we are facing a left-handed pitcher, we might set up the team that can best handle a great left-handed pitcher; more right-handed batters. The ultimate goal is to avoid an out. We look for securities that are more slanted or tilted toward income-producing opportunities and not just overall accumulation when the stock market goes up.

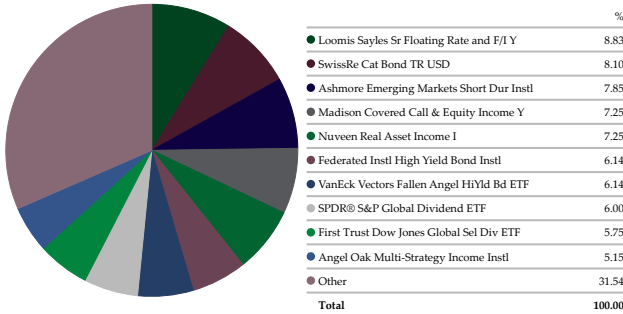
For a client who is approaching retirement or in retirement, the diversified income strategy is an investment vehicle that can be a great stabilizing force for them.

STRATEGY: Maximize Risk Adjusted Income



Diversified Income - Portfolio Holdings

Portfolio Date: 6/30/2018



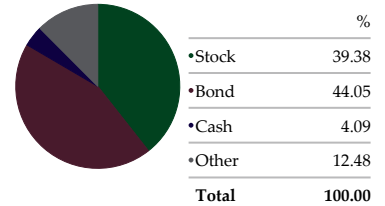
Top Holdings

Portfolio Date: 6/30/2018

Asset Name	Portfolio Weighting %
Loomis Sayles Sr Floating Rate and F/I Y	8.83
SwissRe Cat Bond TR USD	8.10
Ashmore Emerging Markets Short Dur Instl	7.85
Madison Covered Call & Equity Income Y	7.25
Nuveen Real Asset Income I	7.25
Federated Instl High Yield Bond Instl	6.14
VanEck Vectors Fallen Angel HiYld Bd ETF	6.14
SPDR® S&P Global Dividend ETF	6.00
First Trust Dow Jones Global Sel Div ETF	5.75
Angel Oak Multi-Strategy Income Instl	5.15

Asset Allocation

Portfolio Date: 6/30/2018



Portfolio Statistics

	Inception Date	Standard Deviation 1-Year (Q-End)	Expense Ratio	Sharpe Ratio	12 Month Yield
Diversified Income	5/29/2013	3.45	0.66	0.27	4.68
S&P 500 TR USD	9/11/1989	8.60	—	1.43	—
BBgBarc Aggregate Bond Treasury TR	1/31/1973	2.72	—	-0.77	—

Performance Relative to Peer Group

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

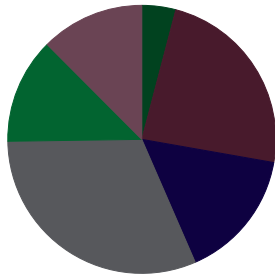
■ Top Quartile ■ 2nd Quartile ■ 3rd Quartile ■ Bottom Quartile



- Diversified Income
- S&P 500 TR USD
- BBgBarc Aggregate Bond Treasury TR

Diversified Income - Asset Allocation (US)

Portfolio Date: 6/30/2018

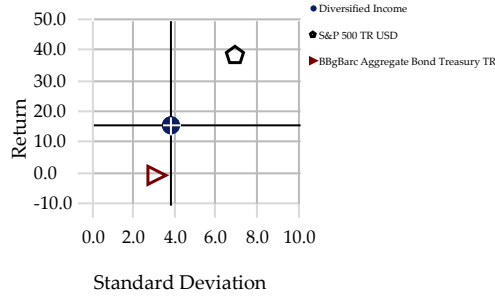


	%
• Cash	4.09
• US Equity	23.68
• Non-US Equity	15.70
• US Bond	31.30
• Non-US Bond	12.75
• Other	12.48
Total	100.00

Risk-Reward

Time Period: 4/1/2016 to 6/30/2018

Calculation Benchmark: S&P 500 TR USD



Morningstar Equity

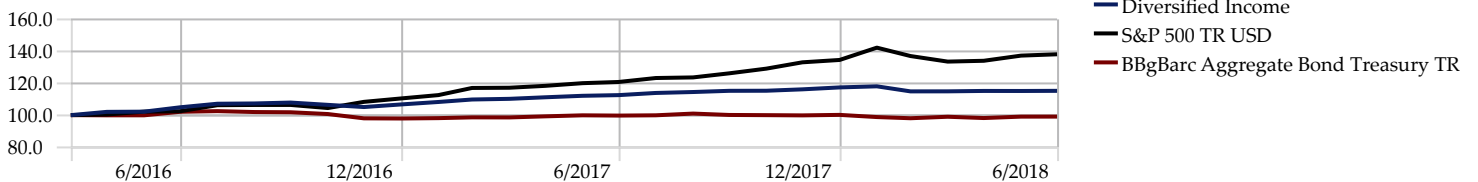
Portfolio Date: 6/30/2018

	Value	Blend	Growth	
	36.2	17.3	6.6	Large
	16.8	6.1	2.6	Mid
	10.1	3.7	0.8	Small

Equity Style	%
Equity Style Value	63.07
Equity Style Core	26.99
Equity Style Growth	9.94

Investment Growth

Time Period: 4/1/2016 to 6/30/2018



Trailing Returns

	1 Month	3 Month	6 Month	YTD	1 Year
Diversified Income	0.08	0.28	-1.82	-1.82	2.39
S&P 500 TR USD	0.62	3.43	2.65	2.65	14.37
BBgBarc Aggregate Bond Treasury TR	0.02	0.10	-1.08	-1.08	-0.65

Periodic Table

	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017	YTD
Best	BBgBarc Aggregate Bond Treasury TR 13.74	Russell Mid Cap Growth TR USD 46.29	Russell 2000 Growth TR USD 29.09	BBgBarc Aggregate Bond Treasury TR 9.81	Russell Mid Cap Value TR USD 18.51	Russell 2000 Growth TR USD 43.30	Russell Mid Cap Value TR USD 14.75	Russell 1000 Growth TR USD 5.67	Russell 2000 Value TR USD 31.74	Russell 1000 Growth TR USD 30.21	Russell 2000 Growth TR USD 9.70
	BBgBarc 1-3 Yr US Treasury TR USD 6.67	Morningstar MSCI Emerging Markets 37.52	Russell Mid Cap Growth TR USD 26.38	Russell 1000 Growth TR USD 2.64	Russell 2000 Value TR USD 18.05	Russell Mid Cap Growth TR USD 35.74	S&P 500 TR USD 1.38	S&P 500 TR USD 1.38	Russell Mid Cap Value TR USD 20.00	Russell Mid Cap Growth TR USD 25.27	Russell 1000 Growth TR USD 7.25
	BBgBarc US Aggregate 1-3 Yr TR USD 4.62	Russell 1000 Growth TR USD 37.21	Russell Mid Cap Value TR USD 24.75	S&P 500 TR USD 2.11	Russell 1000 Value TR USD 17.51	Russell 2000 Value TR USD 34.52	Russell 1000 Value TR USD 13.45	BBgBarc Aggregate Bond Treasury TR 0.84	Russell 1000 Value TR USD 17.34	Russell 2000 Growth TR USD 22.17	Russell 2000 Value TR USD 5.44
	Russell 2000 Value TR USD -28.92	Russell 2000 Growth TR USD 34.47	Russell 2000 Value TR USD 24.50	BBgBarc US Aggregate 1-3 Yr TR USD 1.73	S&P 500 TR USD 16.00	Russell 1000 Growth TR USD 33.48	Russell 1000 Growth TR USD 13.05	BBgBarc US Aggregate 1-3 Yr TR USD 0.66	Morningstar MSCI Emerging Markets 12.06	S&P 500 TR USD 21.83	Russell Mid Cap Growth TR USD 5.40
	Morningstar MSCI Emerging Markets -33.37	Russell Mid Cap Value TR USD 34.21	Russell 1000 Growth TR USD 16.71	Russell Mid Cap 1-3 Yr US Treasury TR USD 1.55	Russell Mid Cap Growth TR USD 15.81	Russell Mid Cap Value TR USD 33.46	Russell Mid Cap Growth TR USD 11.90	BBgBarc 1-3 Yr US Treasury TR USD 0.56	S&P 500 TR USD 11.96	Morningstar MSCI Emerging Markets 14.90	S&P 500 TR USD 2.65
	Russell 1000 Value TR USD -36.85	S&P 500 TR USD 26.46	Russell 1000 Value TR USD 15.51	Russell 1000 Value TR USD 0.39	Russell 1000 Growth TR USD 15.26	Russell 1000 Value TR USD 32.53	Russell 2000 Growth TR USD 5.60	Russell Mid Cap Growth TR USD -0.20	Russell 2000 Growth TR USD 11.32	Russell 1000 Value TR USD 13.66	BBgBarc US Aggregate 1-3 Yr TR USD 0.08
	S&P 500 TR USD -37.00	Russell 2000 Value TR USD 20.58	S&P 500 TR USD 15.06	Russell Mid Cap Value TR USD -1.38	Russell 2000 Growth TR USD 14.59	S&P 500 TR USD 32.39	BBgBarc Aggregate Bond Treasury TR 5.05	Russell 2000 Growth TR USD -1.38	Russell Mid Cap Growth TR USD 7.33	Russell Mid Cap Value TR USD 13.34	BBgBarc 1-3 Yr US Treasury TR USD 0.05
	Russell 1000 Growth TR USD -38.44	Russell 1000 Value TR USD 19.69	Morningstar MSCI Emerging Markets 13.99	Russell Mid Cap Growth TR USD -1.65	Morningstar MSCI Emerging Markets 13.97	Morningstar MSCI Emerging Markets 3.59	Russell 2000 Value TR USD 4.22	Morningstar MSCI Emerging Markets -2.62	Russell 1000 Growth TR USD 7.08	Russell 2000 Value TR USD 7.84	Russell Mid Cap Value TR USD -0.16
	Russell Mid Cap Value TR USD -38.44	BBgBarc US Aggregate 1-3 Yr TR USD 5.00	BBgBarc Aggregate Bond Treasury TR 5.87	Russell 2000 Growth TR USD -2.91	BBgBarc Aggregate Bond Treasury TR 1.99	BBgBarc US Aggregate 1-3 Yr TR USD 0.64	BBgBarc US Aggregate 1-3 Yr TR USD 0.82	Russell 1000 Value TR USD -3.83	BBgBarc US Aggregate 1-3 Yr TR USD 1.31	BBgBarc Aggregate Bond Treasury TR 2.31	BBgBarc Aggregate Bond Treasury TR -1.08
	Russell 2000 Growth TR USD -38.54	BBgBarc 1-3 Yr US Treasury TR USD 0.80	BBgBarc US Aggregate 1-3 Yr TR USD 2.62	Russell 2000 Value TR USD -5.50	BBgBarc US Aggregate 1-3 Yr TR USD 1.33	BBgBarc 1-3 Yr US Treasury TR USD 0.36	BBgBarc 1-3 Yr US Treasury TR USD 0.63	Russell Mid Cap Value TR USD -4.78	BBgBarc Aggregate Bond Treasury TR 1.04	BBgBarc US Aggregate 1-3 Yr TR USD 0.86	Russell 1000 Value TR USD -1.69
	Russell Mid Cap Growth TR USD -44.32	BBgBarc Aggregate Bond Treasury TR -3.57	BBgBarc 1-3 Yr US Treasury TR USD 2.40	Morningstar MSCI Emerging Markets -12.64	BBgBarc 1-3 Yr US Treasury TR USD 0.43	BBgBarc Aggregate Bond Treasury TR -2.75	Morningstar MSCI Emerging Markets -1.10	Russell 2000 Value TR USD -7.47	BBgBarc 1-3 Yr US Treasury TR USD 0.86	BBgBarc 1-3 Yr US Treasury TR USD 0.42	
Worst											

■ 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 US Aggregate 1-3 Yr TR USD
■ S&P 500 TR USD	■ BBgBarc Aggregate Bond Treasury TR	

Source: Morningstar Direct

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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.

Shane A. Burke - Director - Portfolio Manager & Investment Analyst

B.S. in Finance from the University of North Carolina at Wilmington. M.B.A. from the San Francisco-Golden Gate University. Investment Experience since 2002. Joined Sterling Capital Management in 2013. Focus: 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 exchange traded funds (ETFs), mutual funds (collectively "funds"). The Model generally consists of between 16 and 23 funds, with a typical weighting for each position being between 1%-20% 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.