

# North Carolina Intermediate Tax-Free Fund

**A Shares (BNCA)**  
Inception Date 10/16/92

**C Shares (BBNCX)**  
Inception Date 02/01/12

**I Shares (BBNTX)**  
Inception Date 10/16/92

## Fund Statistics

**TOTAL NET ASSETS:** \$224,264,731

Average Life	7.38 years
Turnover Rate <sup>1</sup>	15.00%
Effective Duration <sup>2</sup>	5.54
Income Subject to AMT	0.00%
Income Subject to NC State Tax	0.00%
Number of Holdings	124

The Fund's income may be subject to certain state and local taxes and, depending on an investor's tax status, to the federal alternative minimum tax (AMT).

## Total Expense Ratio

A Shares (BNCA)	0.93%
C Shares (BBNCX)	1.68%
I Shares (BBNTX)	0.68%

## Dividend Distributions

Month	Rates/A Share
December	\$0.0232
November	\$0.0231
October	\$0.0240

## Effective Duration Breakdown

0-1	4.89%
1-3	11.74%
3-4	8.95%
4-6	32.45%
6-8	23.66%
8+	18.32%

The composition of the Fund's holding is subject to change.

**Investors should consider the investment objectives, risks, charges and expenses carefully before investing. For a prospectus with this and other information about the Fund, please call (888) 228-1872 or visit our web site at [www.sterlingcapitalfunds.com](http://www.sterlingcapitalfunds.com). Read the prospectus carefully before investing.**

Fund Performance	Qtr	YTD	1 Year	3 Years	5 Years	10 Years	Since Inception
A Shares without Sales Charge	2.11%	8.40%	8.40%	6.62%	5.18%	4.53%	4.44%
A Shares with 3% Sales Charge	-0.95%	5.12%	5.12%	5.55%	4.54%	4.21%	4.28%
I Shares	2.17%	8.66%	8.66%	6.88%	5.44%	4.76%	4.63%
BofA Merrill Lynch 2-17 Yr Muni Bond Index	2.22%	9.68%	9.68%	7.41%	5.84%	5.59%	-
Lipper Other States Interm Muni Debt Funds Median	1.98%	8.36%	8.36%	6.36%	4.42%	4.24%	-
Lipper Ranking / Funds in Category	-	54/110	54/110	40/107	11/104	15/87	-
Lipper Quartile (Percentile)	-	2 (49%)	2 (49%)	2 (38%)	1 (11%)	1 (18%)	-

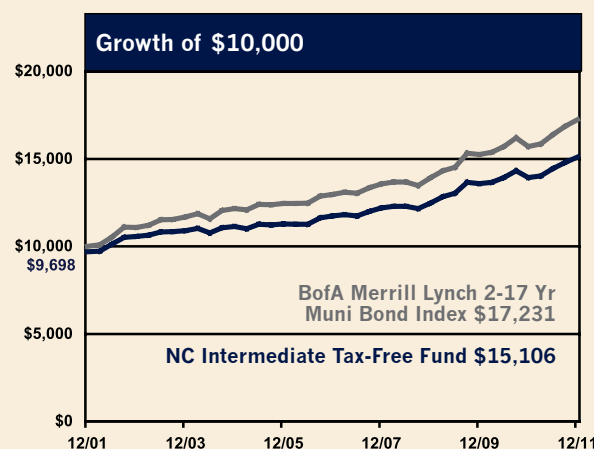
**Past performance does not guarantee future results. The performance data quoted represents past performance and current returns may be lower or higher. The investment return and principal value of an investment will fluctuate so that an investor's shares, when redeemed, may be worth more or less than the original cost. To obtain performance information current to the most recent month end, please visit [www.sterlingcapitalfunds.com](http://www.sterlingcapitalfunds.com). Lipper Rankings are based on A Shares.**

Lipper rankings are based on average annual total returns, including the reinvestment of dividends and capital gains (not including sales charges) for the periods indicated and compare total return performance with that of other funds in the category.

Year-End Returns	2002	2003	2004	2005	2006	2007	2008	2009	2010	2011
A Shares w/out Sales Charge	8.91%	3.15%	2.13%	1.42%	4.00%	3.96%	2.17%	8.92%	2.65%	8.40%
I Shares	9.07%	3.30%	2.28%	1.66%	4.26%	4.22%	2.42%	9.19%	2.91%	8.66%
BofA Merrill Lynch 2-17 Yr Muni Bond Index	10.86%	5.31%	4.16%	2.42%	4.14%	4.63%	2.47%	9.61%	3.07%	9.68%

Top Ten Holdings	Weighting
1. Union Cnty, Ser D 5.00% 3/1/19	2.46%
2. NC Cap Improv Obligation, Ser C 4.00% 5/1/23	2.42%
3. Raleigh Combined Enterprise Sys Rev 5.00% 3/1/31	2.12%
4. NC Grant Anticipation Revenue 4.00% 3/1/23	2.00%
5. University of NC System Pool Rev, Ser B1 5.25% 10/1/22	1.79%
6. NC Hlth Care Fac Rev, Ser E2 6.00% 12/1/36	1.74%
7. University of NC System Pool Rev, Ser C 5.00% 10/1/20	1.72%
8. NC Medical Care Comm Hsp Rev, Refunding Bonds, NC Baptist Hospital 5.00% 6/1/20	1.58%
9. NC St, Ser A 5.00% 9/1/16	1.57%
10. NC Medical Care Commn Hsp Rev Ref 4.00% 1/1/15	1.46%

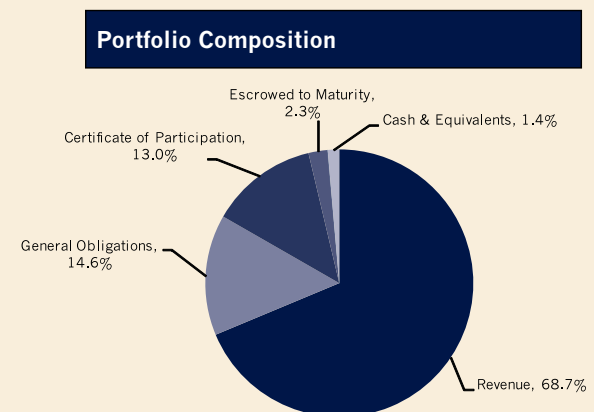
Current and future portfolio holdings are subject to change and risk.



The Growth of \$10,000 chart is hypothetical based upon the performance of A Shares less the maximum sales charge for the period ended 12/31/11. It includes the reinvestment of dividends and capital gains. It does not reflect the deduction of other fees and expenses, in which case the performance would have been lower. The B of A Merrill Lynch 2-17 Year Muni Bond Index was added effective 2/1/2012 and accurately reflects the objective of the fund.

Quality Distribution	
Aaa	6.30%
Aa	69.10%
A	9.80%
Baa	6.10%
Not-Rated	8.70%

Moody's Quality Bond ratings reflect the credit quality of the underlying bonds in the fund portfolio and not of the Fund itself. The percentages are based on a weighted average calculation. Securities not rated by Moody's may be rated by S&P or Fitch. The Fund invests primarily in investment grade quality bonds at the time of purchase. Please see the prospectus for more details. Bond quality ratings are subject to change.



The composition of the Fund's holdings is subject to change.



## Portfolio Management

### Robert F. Millikan, CFA

*Sterling Capital Management LLC*

Bob joined Sterling Capital Management in 2000. He manages the state-specific municipal bond fund portfolios and has investment experience since 1990. Bob is a graduate of Wake Forest University where he received his BA in Economics and is a CFA Charterholder.

The Investment Team for the Sterling Capital North Carolina Intermediate Tax-Free Fund includes 18 investment professionals with an average of more than 16 years industry experience.

**“The goal of this Fund is to maximize total return potential while providing current income that is exempt from both federal and state income taxes (the latter for North Carolina residents) and the federal alternative minimum tax. We are municipal bond value investors. We compare the historical relationships among sectors of the municipal market—such as general obligation bonds, revenue bonds and certificate of participation bonds—and allocate greater portions of our assets to sectors that offer the best relative value. The Fund focuses on intermediate-term securities, maintaining an average duration between 3.5 and 8.0.”**

## Firm Overview

Sterling Capital Management LLC is a registered investment advisor founded in 1970. An investment firm, Sterling is an independently operated subsidiary of BB&T Corporation, one of the nation's largest financial services holding companies. Sterling is headquartered in Charlotte, NC with offices in Raleigh, NC, Atlanta, GA, Washington, D.C., and San Francisco, CA. As of 12/31/11, Sterling has over \$34 billion in assets under management overseen by 83 investment and client service professionals.

## Investment Objective

The Fund seeks current income exempt from federal and North Carolina income taxes consistent with preservation of capital.

In managing the Fund, the team specializes in actively building and managing high credit quality fixed income portfolios focused on the intermediate segment of the yield curve offering. The team employs a top-down investment process that focuses on: duration management, yield curve strategy and finding the best relative value with limited amount of risk in order to maximize the risk-adjusted total return.

**Buy Strategy:** We buy high quality, liquid issues and seek the best relative sector and security values available. We attempt to maximize total return and current income while reducing price volatility.

**Sell Strategy:** We will consider selling a security we own in order to reposition the Fund along the yield curve and adjust the Fund's average maturity or duration. In addition, we might replace a security with one that offers greater potential for total return or when its credit fundamentals are deteriorating.

## Investment Considerations

The Funds are subject to the same risks as the underlying bonds in the portfolios such as credit, prepayment and interest rate risk. As interest rates rise the value of bond prices will decline and an investor may lose money. The Funds are non-diversified and may invest a greater percentage of its assets in a single issuer than funds that are more diversified. Furthermore, the Funds invest primarily in state specific municipal obligations of issuers and therefore will be affected by economic, political or other events affecting municipal issuers.

<sup>1</sup>**Portfolio Turnover Rate:** A measure of how frequently assets within a fund are bought and sold by the managers. The Turnover Rate used in this document is calculated for one year as of 12/31/11.

<sup>2</sup>**Effective Duration:** A calculation of the average life of individual bonds within a bond fund, and serves as a useful measure of the entire portfolio's sensitivity to rising and falling interest rates. An Effective Duration of 2.00 means that with a 1% decline in interest rates, the principal value should rise by 2%, and vice versa.

Sterling Capital Management LLC a separate subsidiary of BB&T Corporation, serves as investment adviser to the Sterling Capital Funds and is paid a fee for its services. Shares of the Sterling Capital Funds are not deposits or obligations of, or guaranteed or endorsed by, Branch Banking and Trust Company or its affiliates. The Funds are not insured by the FDIC or any other government agency. The Funds are distributed by Sterling Capital Distributors, Inc., which is not affiliated with Branch Banking and Trust Company or its affiliates.

Not a deposit • Not FDIC insured • May lose value • Not guaranteed by the bank • Not insured by any government agency