ClarkCapital MANAGEMENT GROUP

Benchmark Review & Monthly Recap

Highlights

As March wore on and Russia's invasion of Ukraine stalled, equity markets began to somewhat recover. However, as March ended, stocks had their first quarterly decline in two years to begin 2022. The VIX Index, which closed February at 30.15, ended March at 20.56 as volatility dropped.

March also marked the beginning of the Fed's new rate hike cycle and, as expected, the Fed raised policy rates by 25 basis points at the March FOMC meeting. With inflation data still running high, expectations are calling for several more rate hikes in 2022 and into 2023.

As the Fed began raising rates, the 10-year U.S. Treasury rose dramatically. At its intraday high in late March, the 10-year touched 2.5% - the highest level since the spring of 2019. The rise in rates continued to put pressure on bond prices during the month. The 10-year ended March with a yield of 2.32%.

The U.S. economy continued to show solid progress based on data released in March (primarily covering February), but some moderation in growth has occurred. Inflation readings continued to hit multi-decade highs.

Although markets rallied late in March, the unknown outcome of the Russian invasion of Ukraine still poses significant headline risks. Furthermore, the rate tightening cycle by the Fed has begun. Economic and market data continue to look solid moving into the second quarter, but volatility will likely remain an ongoing factor moving through the next several months.

Equities Rebound, but Bonds Remain Under Pressure in March

Equity Markets

Stocks were generally higher in March, but it was not enough to reverse the declines over the first two months of the year and the quarter ended lower. Large-cap growth stocks made a bit of a recovery in March with some of the best monthly gains, but this was still the hardest hit part of the market over the first quarter. Small and mid-cap stocks struggled as well during the first quarter, but value stocks outperformed growth stocks across the market cap spectrum. The CBOE Volatility Index, or VIX Index, remained elevated in early March before declining to close out the month. The VIX Index closed February at 30.15 and ended March at 20.56, which was still elevated compared to where it spent most of 2021.

Our expectation of more volatility as we moved into 2022 has occurred as the Omicron variant continued early in the year, followed by the crisis in Ukraine, and culminating with the beginning of the Fed rate tightening cycle in March. These issues, along with the ongoing backdrop of high inflation, have kept markets choppier to start 2022.

Size and style continue to matter in terms of relative performance. We still believe that the value/growth disparity that reached a peak in 2020 will likely continue to shift as we move into 2022 with value improving on a relative basis. That has proved to be the case so far this year. We at Clark Capital continue to use our disciplined approach of seeking out what we believe are high-quality companies with improving business conditions at what we believe are good prices. We believe these types of companies can be found in both the value and growth universe, but with value stocks improving over the last year or so, that has benefitted our approach.

The numbers for March were as follows: the S&P 500 gained 3.71%, the Dow Jones Industrial Average advanced 2.49%, the Russell 3000 rose by 3.24%, the NASDAQ Composite jumped 3.48%, and the Russell 2000 Index, a measure of small-cap stocks, improved by only 1.24%. For the first quarter of 2022, the returns in the same order were as follows: -4.60%, -4.10%, -5.28%, -8.95%, and -7.53%.

Although growth stocks showed some better relative performance in the large-cap space in March, that did not hold true for mid and small-caps. Overall, for the quarter, value outperformed growth on a relative basis. Looking closer at style, the Russell 1000 Index gained 3.37% for the month. The Russell 1000 Growth Index rose 3.91%, while the Russell 1000 Value Index gained 2.82% in March. For the first quarter, it is clear that value outperformed growth as the Russell 1000 Growth Index dropped -9.04%, compared to its value counterpart off -0.74%. For small-caps, value continued to outperform growth on a relative basis

in March as it did over the first two months of the year. The Russell 2000 Value Index gained 1.96%, while the Russell 2000 Growth Index increased by a modest 0.46% in March. Year to date, those two indices are down -2.40 and -12.63%, respectively.

Emerging markets were harder hit in March than they were in February as the crisis between Russia and Ukraine developed. The MSCI Emerging Markets Index fell -2.26% in March and was off by -6.97% for the quarter. (And as a side note, the MSCI Emerging Markets Eastern Europe Index fell -59.44% in March and is off -78.33% year to date.) The MSCI ACWI ex USA Index, a broad measure of international equities, inched higher by 0.16% for the month, but is still down -5.44% for the first quarter of 2022.

Fixed Income

The yield on the 10-year U.S. Treasury continued its strong move higher in March. Although there was a brief period when a flight to quality occurred as Russia invaded Ukraine, and U.S. Treasuries rallied, overall yields moved higher, and prices declined during March. The 10-year U.S. Treasury yield closed February at 1.83% and closed March at 2.32%.

The rise in interest rates put pressure on bond prices and most segments of the bond market declined for a third month in a row. Fixed income returns were as follows for March: the Bloomberg U.S. Aggregate Bond Index fell -2.78%, the Bloomberg U.S. Credit Index slipped -2.51%, the Bloomberg U.S. Corporate High Yield Index declined -1.15% and the Bloomberg Municipal Index dropped by -3.24%. The 30-year U.S. Treasury Index slid -5.69% for the month and the general U.S. Treasury Index declined -3.11%. For the quarter, the returns for these indices in the same order were as follows: -5.93%, -7.42, -4.84%, -6.23%, -11.41%, and -5.58%.

This has been an unprecedented start to the year for bonds. Recall that in 2021, the Bloomberg U.S. Aggregate Bond Index recorded only its fourth annual decline since its inception in 1976. Last year was a challenging year for investment grade bonds, particularly for U.S. Treasuries, as yields moved higher. Unfortunately, that trend has continued into 2022. We maintain our long-standing position favoring credit versus pure rate exposure in this interest rate environment. We also believe that the role bonds play in a portfolio, which is to provide stable cash flow and to offset the volatility of stocks, has not changed.

Economic Data and Outlook

The strength in job market data from January continued into February. Non-farm payroll additions were expected to be 423,000 in February, when a much stronger 678,000 job gains were reported. Furthermore, January's already strong reading of 467,000 was revised higher to 481,000. The unemployment rate dropped to 3.8% compared to January's mark of 4.0% and expectations of 3.9%. (Additionally, the March payroll data released on April 1 showed 431,000 new jobs added and February was revised higher to 750,000 new jobs. The unemployment rate fell further to 3.6%.)

The Omicron surge early in the year did not appear to hinder hiring in the first quarter. The labor force participation rate went up modestly as well to 62.3% in February from 62.2%. Job openings surged to close out 2021 and begin 2022. Over 11.2 million open positions were reported in January following more than 11.4 million openings reported in December after revisions to the prior estimate. There are still millions more jobs available than those searching for work, so this mismatch in the labor market continues. However, job gains were strong in the first quarter and more people moved back into the labor force as well. Ultimately, the job market is important to monitor with about 70% of U.S. economic activity driven by consumer spending.

The housing market is still posting strong numbers, but data was a bit mixed in February. Strong demand and low inventories have resulted in home prices that continue to rise dramatically. Based on the year-over-year reading of the S&P CoreLogic CS 20-City Index, home prices increased by 19.1% in January. This is the second month in a row that home prices have risen at a faster rate than the prior month after four months in a row when price gains were lower than the previous month. Housing starts and building permits were above estimates in February; however, new home and existing home sales fell short of expectations. Of these four housing market data points, only housing starts were above the prior month's level.

Existing home sales might be seeing the impact of higher mortgage rates as they dropped to an annualized pace of 6.02 million in February from a 6.49 million pace in January. Often, during times when interest rates rise sharply, home purchases can initially increase as buyers want to lock in a mortgage and a home before rates go even higher. This played out with existing home sales surging in January, but dropping notably in February. The housing market has been, and continues to be, a source of strength in the economic recovery and has historically been a good leading indicator for the economy. The impact of higher mortgage rates will be important to follow in the months ahead.

The ISM Manufacturing Index for February moved higher as new orders were one component that increased strongly for the month. Expectations were calling for a reading of 58.0, but the actual level was 58.6, an improvement from January's 57.6 mark. The ISM Non-Manufacturing Index, which covers the much larger service industries in the U.S. economy, declined to 56.5. This was well below expectations of 61.1 and the prior month's level of 59.9. Manufacturing and service industries are still showing strong levels of

growth, but following the recent trend, some moderation in the pace of growth has occurred. Recall that ISM readings above 50 indicate expansion and below 50 signal contraction, so these current readings remain in very strong growth territory.

Retail sales (ex. auto and gas) fell by -0.4% in February when a monthly gain of 0.4% was expected. January's reading of a 3.8% gain was revised higher to 5.2%. It is important to note that higher prices, meaning inflation, can be a significant factor for this reading as the retail sales data is not inflation adjusted. Consumer confidence, based on the preliminary University of Michigan Sentiment reading for March, showed another drop to 59.7 compared to the prior reading of 62.8 and expectations of 61.0. Concerns about inflation, ongoing pandemic issues and geopolitical issues with Russia and Ukraine are weighing on consumer sentiment.

The Conference Board's Leading Index rose as expected by 0.3% in February. The third and final reading of Q4 2021 GDP dropped modestly to a 6.9% annualized growth rate compared to expectations and the prior reading of 7.0%. We at Clark Capital are expecting GDP growth to be around 3.5% to 4.0% in 2022 – still above trend economic growth, but slower than the growth enjoyed over the last several quarters following the rebound in economic activity after the pandemic induced shutdown.

The March Federal Open Market Committee meeting delivered on expectations of a 25-basis point (0.25%) increase to the Fed Funds Target Rate. The tide has changed regarding monetary policy and the Fed has now started a new rate-hike cycle. Inflation has become much more problematic for the Fed and, while the job market recovery has been strong from the pandemic shut down period, inflation has surged to generational highs. We believe success can be seen on one side of the Fed's mandate, full employment, but significant work is yet to be done on the other side of the mandate, price stability.

The headline Consumer Price Index (CPI) rose as expected by 7.9% on a year-over-year headline basis in February – the largest annual increase since the early 1980s – and 6.4% on a core basis, which excludes food and energy prices. The headline Producer Price Index (PPI) hit a double-digit annual gain rising as expected by 10.0% in February, which matched the revised higher annual increase in January as well. Inflation will likely remain elevated well into 2022, but we anticipate inflation will moderate as the year progresses and move closer to trend levels over the next few years. The Fed has clearly signaled to the market that inflation is its focus and it does not want higher inflation expectations to become rooted in our economy.

We remain resolute in our belief that the U.S. economy and corporate America will continue to recover as we progress beyond the pandemic. The Omicron spike we saw early in the year has dropped dramatically, although a subvariant has been making recent gains. The U.S. seems to be moving toward treating the coronavirus as endemic versus a pandemic and not letting it be as disruptive to our daily lives.

The Russian invasion of Ukraine adds a significant geopolitical risk to the equation, but markets tend to look beyond these types of events after an initial negative reaction and elevated volatility. We have already seen a strong rebound in equities since the invasion and markets are higher than they were prior to Russia's invasion. Looking beyond the humanitarian aspect, we do not believe the invasion of Ukraine will have much of an impact on earnings, which are the primary driver of stock prices over time. Our trade with Russia is about $28 billion per year, which is less than the size of Vermont's economy. However, since we are still in the early stages of this event, we will need to monitor how widespread this situation becomes.

We are transitioning from a stimulus-fueled period in the market to a more "normal" environment over the next several quarters from a policy perspective. This will likely usher in more market volatility than has been experienced since the pandemic began. We believe it is imperative for investors to stay focused on their long-term goals and not let short-term swings in the market derail them from their longer-term objectives.

Investment Implications

Clark Capital's Top-Down, Quantitative Strategies

Our tactically allocated portfolios continue to be active in managing risk and adjusting to new trends as they emerge such as adding a large-cap growth position to the Style Opportunity portfolio. Meanwhile, the Fixed Income Total Return and Global Tactical strategies remain defensively positioned with 50% of the portfolios holding cash equivalents.

Clark Capital's Bottom-Up, Fundamental Strategies

In our bottom-up portfolios, we are adjusting both U.S. and international equity strategies to reflect that a growing portion of the consumer wallet will be absorbed by higher food and energy expenses. Historically, stock returns moderate during a tightening cycle providing an attractive scenario for dividend growers as real interest rates remain negative despite a rise in nominal rates.

The High Dividend Equity portfolio continues to invest in dividend growers providing a rising income stream, sustainable free cash flow and strong profitability. The credit markets have become increasingly volatile with higher yields. The common theme among the fixed income portfolios was a continued selling of bonds that were upgraded, which were replaced with shorter duration, higher yielding bonds.

Economic Data

Event	Period	Estimate	Actual	Prior	Revised
ISM Manufacturing	Feb	58.0	58.6	57.6	—
ISM Services Index	Feb	61.1	56.5	59.9	—
Change in Nonfarm Payrolls	Feb	423k	678k	467k	481k
Unemployment Rate	Feb	3.9%	3.8%	4.0%	—
Average Hourly Earnings YoY	Feb	5.8%	5.1%	5.7%	5.5%
JOLTS Job Openings	Jan	10950k	11263k	10925k	11448k
PPI Final Demand MoM	Feb	0.9%	0.8%	1.0%	1.2%
PPI Final Demand YoY	Feb	10.0%	10.0%	9.7%	10.0%
PPI Ex Food and Energy MoM	Feb	0.6%	0.2%	0.8%	1.0%
PPI Ex Food and Energy YoY	Feb	8.7%	8.4%	8.3%	8.5%
CPI MoM	Feb	0.8%	0.8%	0.6%	—
CPI YoY	Feb	7.9%	7.9%	7.5%	—
CPI Ex Food and Energy MoM	Feb	0.5%	0.5%	0.6%	—
CPI Ex Food and Energy YoY	Feb	6.4%	6.4%	6.0%	—
Retail Sales Ex Auto and Gas	Feb	0.4%	-0.4%	3.8%	5.2%
Industrial Production MoM	Feb	0.5%	0.5%	1.4%	—
Building Permits	Feb	1850k	1859k	1899k	1895k
Housing Starts	Feb	1700k	1769k	1638k	1657k
New Home Sales	Feb	810k	772k	801k	788k
Existing Home Sales	Feb	6.10m	6.02m	6.50m	6.49m
Leading Index	Feb	0.3%	0.3%	-0.3%	-0.5%
Durable Goods Orders	Feb P	-0.6%	-2.2%	1.6%	—
GDP Annualized QoQ	4Q T	7.0%	6.9%	7.0%	—
U. of Mich. Sentiment	Mar P	61.0	59.7	62.8	—
Personal Income	Feb	0.5%	0.5%	0.0%	0.1%
Personal Spending	Feb	0.5%	0.2%	2.1%	2.7%
S&P CoreLogic CS 20-City YoY NSA	Jan	18.60%	19.10%	18.56%	18.58%

Source: Bloomberg P=Preliminary, T=Third Reading

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Clark Capital Management Group is an investment adviser registered with the U.S. Securities and Exchange Commission. Registration does not imply a certain level of skill or training. More information about Clark Capital Management Group's advisory services can be found in its Form ADV which is available upon request.

Fixed income securities are subject to certain risks including, but not limited to: interest rate (changes in interest rates may cause a decline in market value or an investment), credit, prepayment, call (some bonds allow the issuer to call a bond for redemption before it matures), and extension (principal repayments may not occur as quickly as anticipated, causing the expected maturity of a security to increase).

Non-investment-grade debt securities (high-yield/junk bonds) may be subject to greater market fluctuations, risk of default or loss of income and principal than higher-rated securities.

Foreign securities are more volatile, harder to price and less liquid than U.S. securities. They are subject to different accounting and regulatory standards and political and economic risks. These risks are enhanced in emerging market countries.

The value of investments, and the income from them, can go down as well as up and you may get back less than the amount invested.

The Bloomberg Barclays U.S. Municipal Index covers the USD-denominated long-term tax exempt bond market. The index has four main sectors: state and local general obligation bonds, revenue bonds, insured bonds and prerefunded bonds.

The Dow Jones Industrial Average indicates the value of 30 large, publicly owned companies based in the United States.

The NASDAQ Composite is a stock market index of the common stocks and similar securities listed on the NASDAQ stock market.

The S&P 500 measures the performance of the 500 leading companies in leading industries of the U.S. economy, capturing 75% of U.S. equities. .

The Russell 1000 Growth Index measures the performance of the large-cap growth segment of the U.S. equity universe. It includes those Russell 1000 Index companies with higher price-to-book ratios and higher forecasted growth values.

Russell 1000 Index measures the performance of the 1,000 largest companies in the Russell 3000 Index, which represents approximately 92% of the total market capitalization of the Russell 3000 Index.

The Russell 1000 Value Index measures the performance of the large-cap value segment of the U.S. equity universe. It includes those Russell 1000 Index companies with lower price-to-book ratios and lower forecasted growth values.

The Russell 2000 Index is a small-cap stock market index that represents the bottom 2,000 stocks in the Russell 3000.

The Russell 2000 Value Index measures the performance of the small-cap value segment of the U.S. equity universe. It includes those Russell 2000 companies with lower price-to-book ratios and lower expected and historical growth values.

The Russell 2000 Growth Index measures the performance of the small-cap growth segment of the U.S. equity universe.

The Russell 3000 Index measures the performance of the 3,000 largest U.S. companies based on total market capitalization, which represents approximately 98% of the investable U.S. equity market.

The 10 Year Treasury Rate is the yield received for investing in a US government issued treasury security that has a maturity of 10 year. The 10 year treasury yield is included on the longer end of the yield curve. Many analysts will use the 10 year yield as the "risk free" rate when valuing the markets or an individual security.

The 30 Year Treasury Rate is the yield received for investing in a US government issued treasury security that has a maturity of 30 years. The 30 year treasury yield is included on the longer end of the yield curve and is important when looking at the overall US economy.

Bloomberg Barclays U.S. Aggregate Bond Index: The index is unmanaged and measures the performance of the investment grade, U.S. dollar denominated, fixed-rate taxable bond market, including Treasuries and government-related and corporate securities that have a remaining maturity of at least one year.

The Bloomberg Barclays U.S. Corporate High-Yield Index covers the U.S. dollar-denominated, non-investment grade, fixed-rate, taxable corporate bond market. Securities are classified as high-yield if the middle rating of Moody's, Fitch, and S&P is Ba1/BB+/BB+ or below.

The Bloomberg Barclays U.S. Credit Index measures the investment grade, U.S. dollar denominated, fixed-rate taxable corporate and government related bond markets.

The ISM Non-Manufacturing Index is an index based on surveys of more than 400 non-manufacturing firms' purchasing and supply executives, within 60 sectors across the nation, by the Institute of Supply Management (ISM). The ISM Non-Manufacturing Index tracks economic data, like the ISM Non-Manufacturing Business Activity Index. A composite diffusion index is created based on the data from these surveys, that monitors economic conditions of the nation.

ISM Manufacturing Index measures manufacturing activity based on a monthly survey, conducted by Institute for Supply Management (ISM), of purchasing managers at more than 300 manufacturing firms.

The MSCI Emerging Markets Index captures large and mid cap representation across 27 Emerging Markets (EM) countries.

The MSCI ACWI ex USA Index captures large and mid cap representation across 22 of 23 Developed Markets (DM) countries (excluding the US) and 27 Emerging Markets (EM) countries*. With 2,359 constituents, the index covers approximately 85% of the global equity opportunity set outside the US.

The S&P CoreLogic Case-Shiller 20-City Composite Home Price NSA Index seeks to measures the value of residential real estate in 20 major U.S. metropolitan areas

The U.S. Treasury index is based on the recent auctions of U.S. Treasury bills. Occasionally it is based on the U.S. Treasury's daily yield curve.

The MSCI Emerging Markets (EM) Eastern Europe Index captures large and mid cap representation across 4 Emerging Markets (EM) countries* in Eastern Europe. With 47 constituents, the index covers approximately 85% of the free float-adjusted market capitalization in each country.

The CBOE Volatility Index, known by its ticker symbol VIX, is a popular measure of the stock market's expectation of volatility implied by S&P 500 index options.

The Consumer Price Index (CPI) measures the change in prices paid by consumers for goods and services. The CPI reflects spending patterns for each of two population groups: all urban consumers and urban wage earners and clerical workers.

The Producer Price Index (PPI) program measures the average change over time in the selling prices received by domestic producers for their output. The prices included in the PPI are from the first commercial transaction for many products and some services.

CBOE Global Indices is a leader in the creation and dissemination of volatility and derivatives-based indices.

The Conference Board's Leading Indexes are the key elements in an analytic system designed to signal peaks and troughs in the business cycle. The leading, coincident, and lagging economic indexes are essentially composite averages of several individual leading, coincident, or lagging indicators. They are constructed to summarize and reveal common turning point patterns in economic data in a clearer and more convincing manner than any individual component – primarily because they smooth out some of the volatility of individual components.

The volatility (beta) of a client's portfolio may be greater or less than its respective benchmark. It is not possible to invest in these indices.

Index returns include the reinvestment of income and dividends. The returns for these unmanaged indexes do not include any transaction costs, management fees or other costs. It is not possible to make an investment directly in any index.

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