ClarkCapital MANAGEMENT GROUP

Monthly Moves

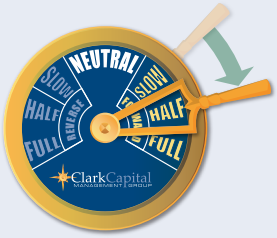
Charting Our Strategies

Economic Gauges

Economy

Monetary Policy

Valuations



Investor Sentiment

Interest Rates

Clark Capital's Bottom-Up, Fundamental Strategies

The S&P 500 Index declined in June (-7.5%), bringing the total year-to-date decline to -19.97%. Inflation and recession fears have weighed heavily on consumer confidence, which dropped to its lowest level in more than a year. The housing market continued to cool in the wake of the latest June rate hike of 75 basis points. The market currently expects another 75 basis point increase at the July 27th FOMC meeting. Recession fears persisted after Q1 GDP was revised lower to -1.6%, and the Atlanta Fed's GDPNow forecasted Q2 GDP at -2.1%.

Across our equity portfolios, we focused on companies with strong cash flow and sustainable profitability. In fixed income, spreads widened consistently throughout the month as recession fears dominated the market. Across the fixed income marketplace, outflows continued during June, which resulted in forced selling. Within Taxable Fixed Income, we continued to position the portfolio in shorter, higher-yielding bonds coupled with what we believe are high quality, longer bonds.

Below are strategy updates from June:

All Cap Core U.S. Equity

- The portfolio is positioned with approximately 67.4% in large-cap stocks and the remainder in mid/small-cap companies and cash.
- We added an aerospace company and a media company to the portfolio.
- We exited positions in a pharmaceutical company and a media and entertainment conglomerate.
- Albeit underweight to the benchmark, Information Technology remains the largest sector weight at 20.1%.

High Dividend Equity

- The portfolio has approximately 96.9% in developed countries with the remainder in cash.
- The U.S. is the largest country weight at 87.1%, followed by Britain at 4.7%, and Switzerland at 3.0%.
- Large-cap represents 89.4% of the portfolio, 6.6% is mid-cap, and the remainder is in cash.
- Healthcare is the largest sector weight at 19.8% versus the benchmark weight of 17.2%.
- The second and third largest portfolio weights are Financials at 18.1% and Technology at 10.1%, respectively.
- Of the eleven market sectors, Healthcare and Technology are the only overweight market exposures in the portfolio.
- In June, we purchased an American retailer, which sells farm, pet, and tradesman products, which we believe will provide durable earnings throughout the current market cycle.
- We reduced our Energy overweight with the sale of an energy company, and partial sales of two additional energy companies.

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- We increased exposure in defensive sectors with the purchase of a global non-alcoholic beverage company, a biotech company, and a fast food chain.
- The top contributing sectors for the month were Healthcare, Communications Services, and Technology.
- Detractors included Financials, Real Estate, and Energy.

International Equity ADR

- The portfolio is positioned with 13.6% in emerging markets with the balance in developed economies and cash.
- Britain, Canada, and Japan are the strategy's largest country weights, all ranging between 11% and 14%.
- During the month we added a Chinese technology company and a British consumer goods company to the portfolio.
- We exited positions in an American technology company and a Swedish telecommunications company.
- Financials, Healthcare, Industrials, and Information Technology remain our largest sector weights.

Taxable Fixed Income

- We continued to position the portfolio in shorter, higher yielding bonds coupled with what we believe are high quality longer bonds, which are trading cheap compared to intermediate bonds in our opinion.
- We sold lower credit quality longer bonds where we have already seen upgrades and spread tightening.
- We also continued to position the portfolio for expected spread widening by buying 5 and 10-year Treasuries, which enabled the portfolio to maintain duration without taking on the credit risk of corporate debt.
- These trades coupled with purchases of higher yielding shorter bonds helped to increase the overall yield of the portfolio to roughly 4.5%.

Tax-Free Fixed Income

- The Bloomberg Barclays Municipal 5-year index fell in June. Headwinds including withdrawals and a weaker overall market forced prices lower, despite June's reputation for being a constructive month for the market.
- 30-day municipal supply averaged $12.4B throughout June, approximately $1b over the trailing one-year average. The month included large deals in New York, California, Maryland, Texas, and Georgia.
- Supply overall is lagging initial 2022 expectations, in part due to issuer reluctance to lock in a higher cost of lending. We believe this scarcity should help the asset class should rates stabilize.
- Outflows continued throughout the month, and peaked mid-month, when withdrawals totaled $5.6B.

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Clark Capital's Top-Down, Quantitative Strategies

Broad market declines in June capped off the worst first half of the year for the S&P 500 since 1970. Year to date, the index has declined by 19.97% . Recession fears were top of mind, and Treasury yields, commodity prices, and inflation breakeven rates all declined.

We believe the market is oversold due to very pessimistic investor sentiment. As such, we are closely watching for an intermediate-term rally attempt. In our annual outlook, we said we expected a weak first half of the year followed by a stronger second half. The Style Opportunity portfolio moved into a broad market ETF after we harvested losses from the S&P 500. The Fixed Income Total Return and Global Tactical strategies are positioned defensively, waiting for credit conditions to improve. Both strategies ended the month in cash equivalents and bought U.S. Treasuries on July 1st.

Below are strategy updates from June:

Alternative

- Managed futures have been the top contributor of performance year to date, given their ability to short interest rates and own commodities. The bottom contributor year to date has been momentum.
- The portfolio harvested losses from several of its equity and commodity positions.
- Recent purchases include long-term Treasuries and short-term investment grade bonds, as we maintain a generally defensive position underweighting risk assets.
- We have taken new, smaller equity positions in beaten down growth stocks and biotechnology.

Fixed Income Total Return

- The portfolio sold out of high yield and moved into cash on June 13th.
- Since then, high yield spreads have moved 100 basis points, and at 5.69%, spreads are now above their 2018 peak.
- As of July 1st, the portfolio moved into U.S. Treasuries, which are up over 4% since mid-June.

Global Tactical

- The portfolio's entry into equities on June 1st was reversed back into cash on June 13th.
- Since then, weakening economic news and recession worries have turned interest rates down and spreads wider, which forced our credit models to new lows.
- We are unlikely to re-enter equity markets until stability returns. While we believe equities are oversold, corporate fundamentals and balance sheets are likely to weaken.

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Sector Opportunity

- For most of 2022 the inflation theme was dominant, and the portfolio favored Materials, Energy, and defensive Utilities and Staples.
- In June, Materials and Energy saw their relative strength finally fall off. As a result, we have moved into a broad market index.
- Currently the portfolio allocates 75% towards the broad market index, and our only other holdings are insurance, Utilities, lithium and battery, and pharmaceuticals.

Style Opportunity

- The portfolio overweighted a broad market index after harvesting losses from the S&P 500, which took place on June 17th. We also moved into a broad index because we prefer to increase market beta as we wait for new market leadership trends to emerge.
- Our only other holding is high dividend equity.

U.S. Strategic Beta

- After harvesting losses in June, we have shifted the portfolio's bias from favoring value stocks to mildly favoring growth, as we believe that interest rates may have peaked.
- The more aggressive stance is moderated by a position in minimum volatility, which has a bias towards defensive sectors such as Staples, Utilities, and Healthcare.

Treasury yield is the return on investment, expressed as a percentage, on the U.S. government's debt obligations. Looked at another way, the Treasury yield is the effective interest rate that the U.S. government pays to borrow money for different lengths of time

The Barclays Municipal Index (^BBMBTR) serves as a benchmark for the US municipal bond market. Investors will use this index to benchmark against portions of their portfolio that are allocated in fixed income securities.

The S&P 500 Index is a stock market index tracking the performance of 500 large companies listed on stock exchanges in the United States.

A municipal bond is a debt security issued by a state, municipality, or county to finance its capital expenditures, including the construction of highways, bridges, or schools. They can be thought of as loans that investors make to local governments.

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.

The securities of mid-cap companies may be subject to more abrupt or erratic market movements and may

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have lower trading volumes.

This document may contain certain information that constitutes forward-looking statements which can be identified by the use of forward-looking terminology such as "may," "expect," "will," "hope," "forecast," "intend," "target," "believe," and/or comparable terminology (or the negative thereof). Forward looking statements cannot be guaranteed. No assurance, representation, or warranty is made by any person that any of Clark Capital's assumptions, expectations, objectives, and/or goals will be achieved. Nothing contained in this document may be relied upon as a guarantee, promise, assurance, or representation as to the future.

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