ClarkCapital MANAGEMENT GROUP

Benchmark Review
& Monthly Recap

Highlights

After sharp declines in September, stocks rebounded strongly in October to put in solid gains for the month. The Dow had its best month since 1976.

Bond prices struggled as rates rose during most of the month. The yield on the 10-year U.S. Treasury closed at 4.25% on 10/24 – a more than decade high. The yield closed October at 4.10% after ending September at 3.83%.

There was no FOMC meeting in October, though the FOMC announced a 75-basis point rate hike for the fourth consecutive meeting in early November.

Tighter monetary conditions are slowing economic activity. However, the advance reading of 3rd quarter GDP showed an annualized gain of 2.6%, marking the first positive GDP reading in 2022.

Stocks Rebound in October; Bonds Struggle with Higher Rates

Equity Markets

Equity index returns for October were as follows: The S&P 500 gained 8.10%, the Dow Jones Industrial Average rallied 14.07% – its best monthly gain since 1976 – the Russell 3000 advanced 8.20%, the NASDAQ Composite rose by 3.94%, and the Russell 2000 Index, a measure of small-cap stocks, increased by 11.01%. It was a month where small-cap and value stocks fared better than large-cap and growth companies, but solid gains were enjoyed across U.S. equities. Year to date, these indices are down -17.70%, -8.42%, -18.44%, -29.32% and -16.86%, respectively.

The month started out choppy with the S&P 500 putting in its low close for the year on 10/12. However, stocks rallied from that point to put in strong gains for the month. As would be expected, the VIX Index rose during the first part of October as stocks slumped and hit its highest level since June. However, as stocks recovered, the VIX Index dropped below 26 by the end of the month. The first half of the month was dominated by ongoing concerns about inflation and the Fed's aggressive response, but that gave way to an expectation that the Fed might slow down its rate hiking activity.

Equity strength was widespread in October, but there was some dispersion of returns. As an example, the large-cap, tech-heavy NASDAQ Composite was only able to advance 3.94% during the month, but the Dow put in a market leading performance gaining 14.07%. Growth underperformed once again, which was a continuation of the broad theme for the year. The Russell 1000 Growth Index gained 5.84% for the month but is still off -26.61% for the year to date. The Russell 1000 Value Index advanced 10.25% in October and is down a more modest -9.32% so far this year. Small caps had better relative gains overall, but value also had the advantage. The Russell 2000 Growth Index rose 9.49% in October while the Russell 2000 Value Index gained 12.59%. Year to date, those indices have declined -22.57% and -11.19%, respectively. Growth stocks are sensitive to interest rate moves and higher interest rates this year have led to underperformance of growth stocks in 2022.

We at Clark Capital continue to use our disciplined approach of seeking out what believe to be high-quality companies with improving business conditions at what we believe are good prices, and those companies can be found in both the value and growth universe.

International stocks were mixed in October and while still elevated, the US Dollar Index (DXY) modestly declined during the month. Remember that an international stock loses value in dollar terms if the US Dollar appreciates against that stock's home currency. The MSCI ACWI ex USA Index, a broad measure of international equities, gained 2.99% in October, while the MSCI Emerging Markets Index fell by -3.10%. On a year-to-date basis, these indices are down -24.31% and -29.42%, respectively. Both U.S.

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and international equities have struggled this year with an aggressive Fed, high inflation and slowing economic growth, but international stocks have lagged their U.S. counterparts in 2022 with additional headwinds like the Russian invasion of Ukraine.

Fixed Income

Fixed income returns were as follows for October: the Bloomberg U.S. Aggregate Bond Index declined -1.30%, the Bloomberg U.S. Credit Index dropped -1.03%, the Bloomberg U.S. Corporate High Yield Index advanced 2.60% and the Bloomberg Municipal Index fell -0.83%. As would be expected, the 30-year U.S. Treasury Index had some of the worst results, dropping -6.85% for the month as rates rose, while the general U.S. Treasury Index slumped -1.39%. For the year to date, the returns for these indices in the same order were as follows: -15.72%. -18.92%, -12.53%, -12.86, -36.18% and -14.30%, respectively.

The 4% level on the 10-year U.S. Treasury was breached in October and closed on 10/24 at a more than 10-year high of 4.25% - a level not seen since the credit crisis. The yield closed the month at 4.10% compared to September's close of 3.83%. Clearly, the increase in interest rates put pressure on bond prices and returns suffered accordingly in October. While short-term returns are negatively impacted by the Fed raising rates, in our opinion future returns for bonds have become more attractive with the higher yields being offered. We think the move higher in rates in 2022 has run its course at the longer end of the yield curve and we expect the 10-year yield to move lower over the balance of the year.

Bonds have struggled this year as there has been a repricing of interest rates across the yield curve and across bond sectors under this Fed rate tightening cycle. 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, to provide stable cash flows and to help offset the volatility of stocks in the long run, has not changed. In fact, bonds are offering higher yields than they have in several years and as a result, are becoming a more attractive asset class in our view. Remember, that as the yield curve ultimately flattens, it is a less positive signal for stocks and provides unique opportunities for active bond management.

Economic Data and Outlook

The job market continued to show strength in September as non-farm payroll additions increased by 263,000, surpassing expectations of 255,000. The unemployment rate fell unexpectedly back to a post-pandemic low of 3.5% when expectations were calling for the rate to remain at 3.7%. Fed action is expected to raise the unemployment rate, but Fed rate increases so far have not resulted in a consistent move higher in unemployment. Typically, the unemployment rate starts to rise heading into a recession, but there are currently millions more job openings than job seekers. It is worth noting that the JOLTS reading of job openings in August showed more than one million fewer jobs available than the prior month. This might reflect businesses starting to rein in hiring activity. Ultimately, the job market is important to track with about 70% of U.S. economic activity driven by consumer spending.

Housing continues to be impacted by higher mortgage rates, and data was rather mixed in September. Building permits, existing and new home sales all surpassed expectations in September, but only building permits were above the prior month's levels. Housing starts missed expectations and were well under the prior month's mark (1439K vs. 1566K). In our opinion, the rise in mortgage rates overall in 2022 and still high home prices have taken some steam out of the housing market. As interest rates rose in October, the average 30-year mortgage moved above 7%. Home prices are still rising, but not at the same torrid pace seen earlier in the year. Based on the year-over-year reading of the S&P CoreLogic CS 20-City Index, home prices rose by 13.08% in August, but that was lower than the 14% expectation and July's increase of just over 16%. The housing market has been a source of strength in the economy and has historically been a good leading indicator as well. Higher mortgage rates, high home prices, and an aggressive Fed slowing general economic activity are all headwinds on housing and ultimately home activity will likely slow further as the broader economy slows down.

The ISM Manufacturing Index slowed in September and dropped to 50.9, the lowest mark since May 2020. (The October reading showed this index get even closer to the expansion/contraction line of 50 with a reading of 50.2.) The New Orders and Employment components for September were both lower than expectations and dropped below the 50 level after recent moves above that mark. The ISM Non-Manufacturing Index, which covers the much larger service industries in the U.S. economy, came in at 56.7, above expectations of 56.0, but below the prior mark of 56.9. Manufacturing has clearly slowed while services have remained rather resilient. Recall that ISM readings above 50 indicate expansion and below 50 signal contraction, so these current headline readings remain in growth territory.

Retail sales (ex. auto and gas) rose in September by 0.3%, which was above expectations of 0.2%. Also, August's reading was revised to show 0.6% growth, double the prior estimate of 0.3%. 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. The preliminary University of

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Michigan Sentiment reading for October improved to 59.8, surpassing expectations and September's final level. The Conference Board's Leading Index declined in September by a larger than expected -0.4%. However, August's reading was revised to a flat reading after initially declining by -0.3%. The first reading of Q3 2022 GDP was positive for the first time in 2022. The reading showed a 2.6% annualized growth rate for the economy compared to expectations of 2.4% and Q2's reading of -0.6%. Economic growth has clearly weakened in 2022, but we do not believe we are currently in a recession and the third quarter GDP number supports that opinion. However, we acknowledge the risk of a mild recession, most likely next year, has increased, especially as the 3-month T-Bill and the 10-year U.S. Treasury inverted in late October – historically a strong indicator that the economy might be headed toward a recession.

October seemed to reflect the market's hope for Fed policy to move toward a "step down" approach (meaning less aggressive rate hike moves) as we close out 2022 and move to 2023. The FOMC met over the first two days of November and announced a 75-basis point rate hike. The so-called "Fed pivot" failed to materialize earlier in the year and markets slumped. We do believe that we are in the late innings of this Fed rate hike cycle although inflation readings have continued to be problematic for the Fed. The headline Consumer Price Index dropped to 8.2% in September on an annual basis, but that was above expectations of 8.1%. The core CPI reading rose to 6.6% compared to expectations of 6.5% and August's level of 6.3%. Recall that the Fed targets the core reading of the Personal Consumption Expenditures price index and while it was lower than expectations in September, it rose to 5.1% from the 4.9% reading in August. October was the last month of 2022 without a FOMC meeting; more rate hikes are expected at the December meeting and likely into early 2023.

The shift in the Fed's stance to more restrictive monetary policy in 2022 as it battles inflation is having a clear impact on the markets and economy. The Fed is focused on bringing inflation under control, but its primary tool in achieving that goal is raising interest rates, which is a headwind to general economic activity. Markets are resetting valuations based on higher interest rates and lower corporate earnings expectations in this rate-tightening cycle. Growth has slowed and the chances of the Fed pushing us into a mild recession, due to their aggressive rate hikes, have risen. However, the job market has remained resilient and is a critical component of our overall economy. As always, 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. Importantly, stocks and bonds historically have hit their lows early in the rate hike cycle, well before the Fed has made its final rate hikes. Additionally, stocks should be entering a more constructive period as we move through the fourth quarter and into next year from both a calendar and four-year presidential cycle perspective.

Investment Implications

Clark Capital's Top-Down, Quantitative Strategies

From a technical perspective, we believe the markets were set up to rebound with overly pessimistic investor sentiment, an extreme oversold condition, and seasonal tailwinds heading into October.

The Style Opportunity portfolio has shifted out of defensive positions like minimum volatility and into mid cap value, momentum, and large cap value.

Clark Capital's Bottom-Up, Fundamental Strategies

Across the equity strategies, we continue to navigate portfolios towards antifragile business models and away from companies with deteriorating business momentum as we perceive the negative earnings revision cycle may be in its early innings.

Fixed income markets continue to be challenging with continued outflows, stressed liquidity, and uncertainty over the future pace of Fed rate hikes. The Tax-Free Fixed Income portfolio has been aggressively managing duration and extension risk, taking advantage of illiquidity to purchase what we view as attractive names at wider than usual spreads and percentages of Treasuries. Within the portfolio, the continued emphasis on shorter duration, higher yielding names, coupled with higher quality 7-year names resulted in reducing credit risk while increasing the overall yield in the portfolio.

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Economic Data

Event	Period	Estimate	Actual	Prior	Revised
ISM Manufacturing	Sept	52.0	50.9	52.8	—
ISM Services Index	Sept	56.0	56.7	56.9	—
Change in Nonfarm Payrolls	Sept	255k	263k	315k	—
Unemployment Rate	Sept	3.7%	3.5%	3.7%	—
Average Hourly Earnings YoY	Sept	5.0%	5.0%	5.2%	—
JOLTS Job Openings	Aug	11088k	10053k	11239k	11170k
PPI Final Demand MoM	Sept	0.2%	0.4%	-0.1%	-0.2%
PPI Final Demand YoY	Sept	8.4%	8.5%	8.7%	—
PPI Ex Food and Energy MoM	Sept	0.3%	0.3%	0.4%	0.3%
PPI Ex Food and Energy YoY	Sept	7.3%	7.2%	7.3%	7.2%
CPI MoM	Sept	0.2%	0.4%	0.1%	—
CPI YoY	Sept	8.1%	8.2%	8.3%	—
CPI Ex Food and Energy MoM	Sept	0.4%	0.6%	0.6%	—
CPI Ex Food and Energy YoY	Sept	6.5%	6.6%	6.3%	—

Event	Period	Estimate	Actual	Prior	Revised
Retail Sales Ex Auto and Gas	Sept	0.2%	0.3%	0.3%	0.6%
Industrial Production MoM	Sept	0.1%	0.4%	-0.2%	-0.1%
Building Permits	Sept	1530k	1564k	1517k	1542k
Housing Starts	Sept	1461k	1439k	1575k	1566k
New Home Sales	Sept	580k	603k	685k	677k
Existing Home Sales	Sept	4.70m	4.71m	4.80m	4.78m
Leading Index	Sept	-0.3%	-0.4%	-0.3%	0.0%
Durable Goods Orders	Sept P	0.6%	0.4%	-0.2%	0.2%
GDP Annualized QoQ	3Q A	60.0	59.5	58.2	—
U. of Mich. Sentiment	Oct P	58.8	59.8	58.6	—
Personal Income	Sept	0.4%	0.4%	0.3%	0.4%
Personal Spending	Sept	0.4%	0.6%	0.4%	0.6%
S&P CoreLogic CS 20-City YoY NSA	Aug	14.00%	13.08%	16.06%	16.01%

Source: Bloomberg: P=Preliminary, A=Advanced

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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.

Equity securities are subject to price fluctuation and possible loss of principal. Stock markets tend to move in cycles, with periods of rising prices and periods of falling prices. Certain investment strategies tend to increase the total risk of an investment (relative to the broader market). Strategies that concentrate their investments in limited sectors are more vulnerable to adverse market, economic, regulatory, political, or other developments affecting those sectors.

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 80% of U.S. equities.

The University of Michigan Consumer Sentiment Index rates the relative level of current and future economic conditions. There are two versions of this data released two weeks apart, preliminary and revised. The preliminary data tends to have a greater impact. The reading is compiled from a survey of around 500 consumers.

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.

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 New Orders Index shows if businesses in the sector are growing with new customers or orders. An index value above 50 percent indicates a positive development in the service sector new orders, whereas a value below 50 percent indicates a negative situation.

Employee Component means, collectively, those provisions of the Plan under which Awards may be granted to Employees that are intended to satisfy the requirements of an "employee share scheme" within the meaning of section 1166 of the Companies Act 2006.

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 "core" PCE price index is defined as personal consumption expenditures (PCE) prices excluding food and energy prices. The core PCE price index measures the prices paid by consumers for goods and services without the volatility caused by movements in food and energy prices to reveal underlying inflation trends.

The VIX Index is a calculation designed to produce a measure of constant, 30-day expected volatility of the U.S. stock market, derived from real-time, mid-quote prices of S&P 500® Index (SPX℠) call and put options. On a global basis, it is one of the most recognized measures of volatility -- widely reported by financial media and closely followed by a variety of market participants as a daily market indicator.

An estimated total of personal consumption expenditures (PCEs) is compiled by the U.S. government monthly as one way to measure and track changes in the prices of consumer goods over time. PCEs are household expenditures.

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.

Gross domestic product (GDP) is the standard measure of the value added created through the production of goods and services in a country during a certain period.

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.

The U.S. dollar index (USDX) is a measure of the value of the U.S. dollar relative to a basket of foreign currencies.

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