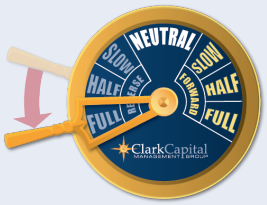
ClarkCapital MANAGEMENT GROUP

# Monthly Moves

## Charting Our Strategies

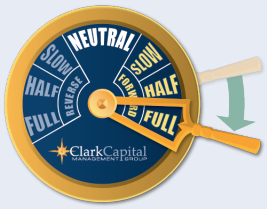
### Economic Gauges


Economy




Monetary Policy


Valuations




Investor Sentiment


Interest Rates

### Clark Capital's Bottom-Up, Fundamental Strategies

The markets added to gains following the late September/October lows as softening inflation data suggests the Fed rate hike cycle is in its late innings. From the October 12th low, the S&P 500 Index rallied over 14%, with the market exhibiting broad strength in value, Materials, Industrials, and international stocks. It was the first time the index advanced two months in a row since August 2021. Up over 11% in November and 15% since quarter-end, international equities rebounded from their bear market as investors recognized their relative value opportunity and how previous dollar strength increased foreign export competitiveness.

Catalysts for the recent strength in stocks include peak inflation, a weakening U.S. dollar, lower yields and commodity prices, and a cooling labor market. Dividend growers have performed well in this environment, and historically provide favorable market returns before and after recessions. Across our equity strategies, we continue to seek out companies with the ability to beat on the top-and bottom-line with improving business momentum.

In fixed income, the investment grade markets participated in the risk-on rally with credit spreads tightening throughout the month. Within the portfolios, the emphasis shifted to taking advantage of the rally and moving into higher quality names while still increasing the coupon and current yield.

Below are strategy updates from November:

#### All Cap Core U.S. Equity

- Navigator® All Cap is fully invested with approximately 68.2% in large-cap stocks and the remainder in mid/small-cap companies and cash.
- During the month, we added an energy company, an American multinational chain of coffeehouses, and a biotechnology company to the portfolio. We exited a different energy company, a pharmaceutical company, and a global commercial real estate company.
- Albeit underweight to the benchmark, Information Technology remains the largest sector weight in the strategy at 18.4%.

#### High Dividend Equity

- Financials remain the largest sector weight at 20.1% and slightly below the benchmark at 20.4%.
- The next two largest portfolio weights are Healthcare and Information Technology at 17.6% and 11.0%, respectively.
- During the month we sold a real estate investment trust and a multinational telecommunications conglomerate for tax losses. We also sold an American aerospace, arms, and defense company to reduce our overall defense exposure.

*Past performance is not indicative of future results.*
*This is not a recommendation to buy or sell a particular security. Please see attached disclosures.*

ClarkCapital MANAGEMENT GROUP

# Monthly Moves

## Charting Our Strategies

- New purchases included an American multinational heating and cooling equipment corporation, an American multinational chain of coffeehouses, and a financial services corporation.

### International Equity ADR

- The strategy is positioned with 17.7% in emerging markets with the balance in developed economies and cash.
- Britain, Canada, and Switzerland are the strategy's largest country weights, all ranging between 8% and 18%.
- During the month we added a defense technology company to the portfolio. We exited a household cleaning products manufacturer.
- Since quarter end, ADR has nearly doubled its exposure to China as we believe prices represent extreme value on a price-to-sales basis and COVID lockdown riots pressure government response.
- Consumer Discretionary, Consumer Staples, Financials, Industrials and Information Technology are our largest sector weights.

### Taxable Fixed Income

- November saw a reversal from the first ten months of the year. While the Fed continued their hiking with a 75 basis points increase, there were signs that the pace of hiking and inflation had begun to slow.
- The investment grade markets participated in the risk-on rally as well with credit spreads tightening throughout the month. After reaching a peak of 165 basis points in the middle of October, the option adjusted spread (OAS) on the Bloomberg Barclays Investment Grade Corporate Index has rallied more than 30 basis points, closing November at 133 basis points.
- Within the portfolio, the emphasis shifted to taking advantage of the rally and seeking to move into higher quality names while still increasing the coupon and current yield.
- While the yield to worst in the portfolio fell due to the Treasury rally, the current yield continued to climb and closed the month at the highest level of the year, 4.30%.
- The portfolio continued to add a few agency mortgage positions as we believe they are undervalued versus the corporate market and may help to increase the income of the portfolio.

### Tax-Free Fixed Income

- Flows, as reported by ICI, were negative for the month. Investors withdrew $9.82B through 11/22/2022. While the headline may be bearish, that is in stark contrast to the $13B+ withdrawn the prior month.
- We entered the month in an offensive position, seeking to take advantage of oversold conditions and out of favor structures.

Navigate Your Future. Enjoy the Journey.

*Past performance is not indicative of future results.*
*This is not a recommendation to buy or sell a particular security. Please see attached disclosures.*

ClarkCapital MANAGEMENT GROUP

# Monthly Moves

## Charting Our Strategies

- We believe the scope of the rally now dictates discipline, and we have shortened duration. We are again considering income and maturity as prime motivators on future purchases.

### Clark Capital's Top-Down, Quantitative Strategies

The market added to gains since the recent lows with participation broadening, which we believe is an encouraging sign that the recent rally may continue higher. For the month of November, the cap weighted S&P 500 gained 5.59%, underperforming the equal weighted S&P 500, which gained 6.70%. For the month, the Russell 1000 Value Index gained 6.25% compared to 4.56% for the Russell 1000 Growth Index. Year to date, large value has outperformed large growth by 19.58%.

Tactical strategies, including Fixed Income Total Return and Global Tactical remain risk-on, invested in high yield and global equity, respectively. The credit based risk management models that drive those allocations remain bullish on risk as we enter the home stretch of the year. In the Style Opportunity portfolio, the strategy currently favors value, particularly mid-cap and large-cap value.

Below are strategy updates from November:

#### Alternative

- The core portion of the portfolio has been driven by managed futures in 2022, with its ability to short currencies, own commodities, and short interest rates. However, managed futures momentum has slowed as markets have found stability in October and November.
- The tactical portion of the portfolio maintains a risk-facing stance, holding commodity equity (agribusiness, copper miners, and natural resources), listed private equities, biotech, and broad U.S. equities.
- The tactical fixed income slice of the portfolio has moved to favor high yield, and for the first time in 2022, longer duration investment grade corporates.

#### Fixed Income Total Return

- Since our buy into high yield at the end of October, our models remain positive on high yield on a tactical basis.
- Since our 2023 outlook includes a distinct possibility of recession, we will be watching closely for signs of credit fundamentals breaking down.

#### Global Tactical

- At the end of October, the portfolio shifted from a maximum defensive position in cash back towards favoring risk assets.

Navigate Your Future. Enjoy the Journey.

*Past performance is not indicative of future results.*
*This is not a recommendation to buy or sell a particular security. Please see attached disclosures.*

ClarkCapital MANAGEMENT GROUP

# Monthly Moves

## Charting Our Strategies


Author

**K. Sean Clark, CFA®**
*Executive Vice President*
*Chief Investment Officer*


- A sudden weakening in the dollar has led to over 10% gains in the strategy's international equity holdings.
- The reversal – and helpful tailwind to returns – is notable since international equities had been down year to date in 2022 through late October.

### Sector Opportunity

- The portfolio favors value-oriented cyclicals like Industrials, aerospace, broker-dealers, and metals and mining.
- Defensive insurance and more growth-oriented biotech also remain holdings.
- Technology and Consumer Discretionary have stabilized on a relative basis, and the two biggest laggards in 2022 have moved up to the middle of our rankings.

### Style Opportunity

- The portfolio continues to favor value, particularly mid-cap and large-cap value.
- Mid-cap value and buybacks are top positions, and large-cap growth continues to stand at the bottom of our rankings.
- Recently, growth stocks have stabilized in relative strength, but a more sustained move would be required to entice us into investing there.

### U.S. Strategic Beta

- The portfolio took some gains on its value positions before the election, shifting a portion of value towards growth.
- Overall, we are roughly neutral with regard to value vs. growth. A larger bias towards mid and small-cap stocks continues, and market breadth has been largely supportive of that stance.
- Large-cap growth, a laggard for most of 2022, appears to have temporarily stabilized, now that interest rates have established short and intermediate-term downtrends.

Navigate Your Future. Enjoy the Journey.

ClarkCapital MANAGEMENT GROUP

# Monthly Moves

## Charting Our Strategies

The opinions referenced are as of the date of publication and are subject to change due to changes in the market or economic conditions and may not necessarily come to pass. There is no guarantee of the future performance of any Clark Capital investments portfolio. Material presented has been derived from sources considered to be reliable and has not been independently verified by us or our personnel. Nothing herein should be construed as a solicitation, recommendation or an offer to buy, sell or hold any securities, other investments or to adopt any investment strategy or strategies. The "Economic Gauges" represent the firm's expectations for the market, and how changes in the market will affect the strategy, but are only projections which assume certain economic conditions and industry developments and are subject to change without notice. For educational use only. This information is not intended to serve as investment advice. This material is not intended to be relied upon as a forecast or research. The investment or strategy discussed may not be suitable for all investors. Investors must make their own decisions based on their specific investment objectives and financial circumstances. Past performance does not guarantee future results.

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 of an investment), credit, payment, 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).

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. 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

References to market or composite indices, benchmarks or other measures of relative market performance over a specified period of time (each, an "index") are provided for your information only. Reference to an index does not imply that the portfolio will achieve returns, volatility or other results similar to that index. The composition of the index may not reflect the manner in which a portfolio is constructed in relation to expected or achieved returns, portfolio guidelines, restrictions, sectors, correlations, concentrations, volatility or tracking error targets, all of which are subject to change. Investors cannot invest directly in an index.

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.

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.

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 Bloomberg Global Investment Grade Corporate Bond Index is a rules-based market-value-weighted index engineered to measure the investment-grade, fixed rate, global corporate bond market.

The option-adjusted spread (OAS) is the measurement of the spread of a fixed-income security rate and the risk-free rate of return, which is then adjusted to take into account an embedded option.

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

International Securities means securities listed on a foreign stock exchange and includes, but is not limited to stocks, shares, bonds, debentures or other debt securities, notes, rights, units, options and any other instruments representing rights to receive, purchase or subscribe for same.

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.

Clark Capital utilizes a proprietary investment model to assist with the construction of the strategy and to assist with making investment decisions. Investments selected using this process may perform differently than expected as a result of the factors used in the model, the weight placed on each factor, and changes from the factors' historical trends. There is no guarantee that Clark Capital's use of a model will result in effective investment decisions.

Clark Capital Management Group, Inc. 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's advisory services and fees can be found in its Form ADV which is available upon request. CCM-1188

Navigate Your Future. Enjoy the Journey.

*Past performance is not indicative of future results.*
*This is not a recommendation to buy or sell a particular security. Please see attached disclosures.*