

Monthly Moves

Charting Our Strategies

Economic Gauges



Economy



Monetary Policy



Valuations



Investor Sentiment



Interest Rates

Clark Capital's Bottom-Up, Fundamental Strategies

After three months of negative returns, a strong U.S. economy, lower rates, and moderating inflation contributed to the outsized rally in November. Broad equity indices experienced strong gains in November, fueled by a decline in 10-year Treasury yields and high yield credit spreads. While large-cap growth led the charge with nearly 11% growth, the rally was broad-based, encompassing large-cap value, small-caps, and international equities, all gaining at least 7.5%.

In our bottom-up portfolios, dividend stocks have lagged the broader market year to date. Historically, the best period for dividend stocks is the 6 to 12 months following a final rate hike, which tends to be a late cycle period.

Below are strategy updates from November:

All Cap Core U.S. Equity

- Navigator® All Cap is fully positioned with 75.3% in large-cap stocks and the remainder is positioned in mid/small-cap companies and cash.
- During the month, to benefit from improving business fundamentals, the three most recent additions to the portfolio were a global provider of risk management products and services, a semiconductor manufacturing company, and a beverage production company.
- The three most recent exits were a multinational digital communications technology conglomerate, an American insurance company, and an American food producer.
- Albeit underweight to the benchmark, Information Technology remains the largest sector weight in the strategy at 25.1%.

High Dividend Equity

- Navigator® High Dividend Equity is positioned with approximately 98.8% in developed countries with the remainder in cash. The United States is the largest country weight at 89.9%, followed by Britain at 3.1% and Ireland at 2.5%. Large-cap represents 92.1% of the portfolio, mid-cap represents 6.7%, and the remainder is in cash.
- Financials represent the largest sector weight at 20.9%, which is slightly below the benchmark at 21.6%. The next three largest portfolio weights are Healthcare, Industrials, and Information Technology at 14.8%, 14.0%, and 11.4%, respectively.
- During the month, we initiated a position in an American multinational biopharmaceutical company. We believe the company has a strong dividend record with annual dividends per shares growth rate over the last 10 years of 17.9%
- We sold our position in an American supplier of analytical instruments, life sciences solutions, specialty diagnostics, laboratory, pharmaceutical and biotechnology services.

International Equity ADR

- Navigator® International Equity/ADR is positioned with 13.1% in emerging markets with the balance positioned in developed economies and cash. Britain, Canada, China, Ireland, and Japan are the strategy's largest country weights, all ranging between 7% and 17%.

Past performance is not indicative of future results.

This is not a recommendation to buy or sell a particular security. Please see attached disclosures.



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- During the month, to benefit from improving business fundamentals, we added a Dutch multinational banking and financial services corporation, a German telecommunications company, and a Canadian-American multinational athletic apparel retailer.
- The three most recent exits were a manufacturer of snowmobiles and all-terrain vehicles, a private banking corporation, and a Switzerland-based luxury goods holding company.
- ADR's exposure to China is now ~7.4% and is slightly above its weighting in the All-Country World less US benchmark.
- Communication Services, Consumer Discretionary, Financials, Industrials and Information Technology are our largest sector weights.

Taxable Fixed Income

- In November, the focus remained the same as the prior month, but began to shift slightly as the month came to a close and the rally ramped up.
- The overall barbell of short bonds with the longer 10-year bonds continued the first few weeks, with names being added to that longer end of the curve.
- As new yearly lows in spreads were hit and rates trended lower, credit curves became too flat, and the excess spread for owning a longer bond was marginal in some names. This move in the market pushed the portfolio to refocus on the 5-year part of the curve in these names where the relationship had become too small.
- As more names continue to see their credit curves flatten and the portfolio isn't compensated for owning longer bonds, this move into the middle of the curve is expected to continue.

Tax-Free Fixed Income

- Within the portfolio, we maintained our focus on maximizing current yield while ensuring that the overall yield or credit quality isn't compromised.
- It's encouraging to note that historically, the period from December through January has shown seasonal strength in the municipal market. The Municipal Bond 5-Year Index shows positive returns in the past eight Decembers (Bloomberg).
- Muni ratios have reverted to near-term averages following November's strong performance. We perceive these current valuations as neither inexpensive nor overpriced, but more so driven by buyer needs across the credit and maturity curve.

Clark Capital's Top-Down, Quantitative Strategies

We have been fully risk-on across the tactical strategies including Fixed Income Total Return, Tactical Investment Grade, Global Tactical, and Global Risk Management since early November. We believe the markets and economy have a lot of momentum as we head into the end of the year.

The rally has been the result of a dramatic shift in the consensus on Wall Street with expectations growing that the Fed will begin cutting rates early next year with the deceleration in inflation. The 10-year Treasury note yield peaked at 5% in mid-October and fell 80 basis points to 4.2%. That is a massive move in Treasuries in a short period of time. December seasonality normally plays out with a pause in the first half of the

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month, with a rally in the back half into year-end.

Below are strategy updates from November:

Alternative

- Event-driven securities, long short real estate, and long short equity have driven the mutual fund core higher, with managed futures lagging.
- Precious metals are finally showing life, and we own both gold, silver, and their associated miners.

Fixed Income Total Return

- Our credit-based risk management models went risk-on on November 6th.
- A strong downward turn in interest rates has been a boon to high yield bonds and credit markets.
- Thus, our quantitative rankings are very positive towards high yield, and though the market is overbought, we expect our models should endure any corrective activity in December.

Global Tactical

- After entering risk-on equities in early November, markets have surged thanks to a huge downward move in interest rates.
- Our credit-based models have moved to new highs and while we expect an overbought correction, we anticipate the models will solidly favor stocks over the intermediate term.

Sector Opportunity

- Large-cap growth Technology and Telecommunications names comprise over 50% of the portfolio, with Software looking particularly strong.
- Insurance, Aerospace and Defense, and Homebuilders round out our positions.
- Healthcare, defensive Utilities and Staples, and Energy are to be avoided.

Style Opportunity

- The portfolio continues to focus on mega-cap growth stocks—the primary driver of market returns in 2023—to the extent we can via ETFs.
- The NASDAQ 100, large-cap growth, quality factor, and the S&P 500 itself are primary holdings.
- Mid-cap, small-cap, and high dividend are least favored in our model's rankings.

U.S. Strategic Beta

- The portfolio is neutral regarding value vs. growth, and positions in minimum volatility and mid-caps and small-caps provide diversification for the time when markets are no longer so narrowly driven by a small list of mega-cap names.

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Author



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

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The 10-year Treasury note is a debt obligation issued by the United States government with a maturity of 10 years upon initial issuance.

The Nasdaq Composite is a stock market index that includes almost all stocks listed on the Nasdaq stock exchange. Along with the Dow Jones Industrial Average and S&P 500, it is one of the three most-followed stock market indices in the United States.

The Standard and Poor's 500, or simply the S&P 500, is a stock market index tracking the stock performance of 500 large companies listed on stock exchanges in the United States.

The MSCI All Country World Index (ACWI) is a stock index designed to track broad global equity-market performance.

The MSCI ACWI ex USA Index captures large and mid cap representation across 22 of 23 Developed Markets (DM) countries (excluding the US) and 24 Emerging Markets (EM) countries

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