March 2024

Clark Capital 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 momentum style factor led the rally as market participation broadened in March with previously weaker sectors like large-cap value and small-caps gaining 5.0% and 3.6%, respectively. Since October, large-cap momentum has rallied 36.7%, outpacing the robust large-cap growth and Russell 2000 Small Cap gains of 29%. Most broad equity indices rest near all-time highs in concert with growing expectations of the S&P 500's next 12-month earnings and near record profit margins.

The bond market was driven by the Fed and economic expectations in March. After rallying the first 10 days of the month, yields trended higher as labor market and inflation data appeared to show a stronger economy with prices remaining high. However, this was reversed during the last half of the month as the Fed began to speak about being close to cutting rates while keeping rates steady when they met at the end of the month. While the Fed's dot plot reflected an unchanged median expectation of 4.625% at year end, the variance amongst Fed governors narrowed. As a result, there was an overall consolidation around that 4.625% area.

Below are strategy updates from March:

Navigator® All Cap Core U.S. Equity

- Navigator® All Cap is positioned with approximately 74.0% in large-cap stocks and the remainder in mid/small-cap companies and cash.
- During the month, to benefit from improving business fundamentals, the two most recent additions to the portfolio were a hydrocarbon exploration company and a pharmaceutical company.
- The two most recent exits were a multinational biopharmaceutical company and an electric car manufacturer.

High Dividend Equity

- Navigator® High Dividend Equity is positioned with approximately 98.3% in developed countries with the remainder in cash. The United States is the largest country weight at 89.9%, followed by Britain at 3.0%, and Ireland at 2.7%. Large cap represents 91.8% of the portfolio, Mid cap is 6.5%, and the remainder in cash.
- Financials represent the largest portfolio sector weight at 22.1%, which is below the benchmark at 22.7%. The next three largest portfolio weights are Industrials, Healthcare, and Information Technology at 14.7%, 13.9%, and 10.1%, respectively.
- During the month, we initiated a position in a company that engages in the provision of lifestyle and housing solutions for consumer purchases.
- On a relative basis, positioning in the Consumer Discretionary and Utility sectors contributed to positive performance versus Information Technology and Healthcare, which were detractors.

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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Navigator® International Equity ADR

- Navigator® International Equity/ADR is positioned with 17.1% in emerging markets with the balance in developed economies and cash. Britain, Canada, China, Ireland, and Japan are the strategy's largest country weights, all ranging between 7% and 18%.
- The strategy's exposure to China is now 7.7% and is above its weighting in the All-Country World less US benchmark.
- Consumer Discretionary, Financials, Industrials, and Information Technology are our largest sector weights.
- During the month, to benefit from improving business fundamentals, we added a Canadian financial services company, a Chinese multinational technology company specializing in internet-related services and products, and a state-owned Brazilian petroleum company.
- We exited our positions in a British multinational plumbing and heating products distributor, a Canadian-American multinational athletic apparel retailer, and a British bank and financial services company.

Taxable Fixed Income

- Within the portfolio, the focus continued to be buying short maturity, high yielding bonds and pairing them with what we believe are higher quality, longer maturity bonds. This approach seeks to take advantage of price appreciation when rates begin to move lower.
- The best example of this strategy during the month was a bond in a banking company. The portfolio sold 5-year bonds and bought 2-year bonds and almost 10-year bonds.
- This trade was done on a duration neutral basis, which resulted in the overall interest rate risk remaining the same, but increasing the overall yield by 20 basis points. It also lowered the average price of the bonds by over 2 points.

Tax-Free Fixed Income

- Year-to-date municipal issuance remains approximately 25% higher than the figures recorded in 2023. Looking ahead, 30-day visible supply stands at $7.6 billion, which is lower than the 60-day average of $9.2 billion.
- According to reports from the Investment Company Institute (ICI), flows remain positive, with investors injecting more than $2.4 billion into the municipal bond asset class in March. This brings the year-to-date inflow total to $11.7 billion (as of 03/20/2024).
- Last month, a cargo ship collided with The Francis Scott Key Bridge, leading to the bridge's collapse, and tragically resulting in the deaths of several construction workers. The federal government has pledged support for the rebuilding efforts, and we expect resilience within the local and state credits associated with the Port of Baltimore. This resilience is primarily attributed to a diverse asset portfolio, robust cash flows, high-quality credit ratings, and substantial reserve funds.

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Clark Capital's Top-Down, Quantitative Strategies

The S&P 500 Index was positive for the fifth straight month and finished higher for the tenth time in the past thirteen months. Market breadth continued to improve with the equal-weighted S&P 500 Index outperforming the cap-weighted Index. Small-caps posted a fourth month of gains in the past five, with a resurgence in smaller, less profitable companies shifting away from the momentum and secular leaders. We believe the market is approaching overbought levels consistent with a pullback, but momentum suggests the long-term trend remains bullish, even if we have a correction.

Credit remained firm while duration suffered with the repricing of fewer Fed rate cuts. Yields across the curve have moved up with higher for longer being the predominant theme. Within credit, lower quality paper outperformed higher quality for the quarter.

Below are strategy updates from March:

Alternative

- Managed futures and options-based strategies are leading the mutual fund core, while market neutral income and long/short Real Estate have trailed.
- While the portfolio has reduced broader equity exposure for cash, it has selectively added niche positions such as micro-caps, silver miners, and natural resources.
- We slightly reduced our position in gold, but broadly, we are overweight metals and commodities.

Fixed Income Total Return (MultiStrategy Fixed Income)

- The portfolio's position in high yield bonds is solid as spreads versus Treasuries have hit recent cycle lows despite the 10-Year Treasury yield rising over 40 basis points in 2024.
- We believe corporate balance sheets and revenue remain strong, and we do not see signs of weakness on the horizon.

Global Risk Management

- The portfolio favors equities over cash or Treasuries, and our models continue to indicate a favorable backdrop for risk assets.
- In the credit portion of the portfolio, we favor high yield over Treasuries and cash, but favor cash over investment grade corporates, which have a higher duration and have declined during 2024.

Global Tactical

- Our credit-based models remain strong and do not appear to display weakness despite rising interest rates. As a result, our risk-on position in equities appears stable.
- U.S. stocks continue to outperform international and have been driven by themes in Technology and A.I.
- Large-caps are outperforming small-caps, but that trend appeared to slow in March.

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Sector Opportunity

- The portfolio remains focused on Technology and growth, particularly in software, semiconductors, A.I. and robotics, internet, and cloud companies.
- Homebuilders, infrastructure, and retail are the only non-Technology holdings, though we do have 17% in the S&P 500 Index. Consumer Staples, Utilities, Financials, and Healthcare rank lowest, and are to be avoided.

Style Opportunity (MultiStrategy Equity)

- The portfolio moved to favor large-cap growth in February and March, but with mega-cap Technology names appearing to peak out, mid-cap growth (including momentum and quality) has risen to the top of the rankings.
- A cash flow yield screened ETF has also moved into the portfolio and was a recent new entrance to the universe.

U.S. Strategic Beta

- The portfolio continues to modestly favor value over growth, and we are now seeing signs a potential stalling of large-cap growth's relative strength.
- During the month, we purchased two new value-factor oriented ETFs that screen based upon cash flow yield.
- We still maintain a modest overweight to mid and small-cap stocks based upon relative valuations.

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