Benchmark Review
& Monthly Recap

Highlights

New all-time highs were achieved for the NASDAQ Composite, S&P 500, and Dow Jones Industrial Average in March. The S&P 500 turned in a double-digit gain for the quarter—its best Q1 since 2019.

Bonds made gains for the month after struggling to begin the new year in the face of rising rates. For March, bonds reversed some of the declines from earlier in the year, but Q1 results were largely negative (outside of high yield).

The 10-year U.S. Treasury yield declined in March after rising the first two months of 2024. The yield closed February at 4.25%, and slipped modestly lower to 4.20% by the end of March.

The U.S. economy continues to reflect growth. The third reading of Q4 2023 GDP was 3.4%, which surpassed expectations and the prior reading of 3.2%.

The FOMC meeting in March largely confirmed earlier ideas laid out by the Fed. Primarily, that there will be rate cuts in 2024, but likely closer to 3 and the market has adjusted for this potential scenario. Chairman Powell acknowledged that the rate hike cycle is likely over and, while not in a hurry, rate cuts will likely be coming in 2024.

Stocks Have the Best Q1 Since 2019; Bonds Rise in March, but Close Down for the Quarter

Equity Markets

Despite rate cut expectations being reduced by half by the market, stocks continued their rally since the end of 2023. Since the start of the year, each month has seen gains for the major market indices, and March was no different. The NASDAQ, S&P 500, and Dow Jones Industrial Average all recorded new all-time highs. Furthermore, the market rally broadened in March with value stocks outpacing growth, and small-caps outgaining their large-cap counterparts.

The better results of the S&P 500 Equal-Weight Index compared to the main S&P 500 Index for March reflected this broadening of the rally, but also signaled the strength of large-cap growth so far this year. Large-cap growth outperformed for the quarter, but value and small-caps closed that gap in March. Small-caps showed some strength in February after posting negative results in January and that momentum continued in March. See Table 1 for equity results for March 2024, Q1 20204, and calendar year 2023.

Table 1.

Index	March 2024	Q1 2024	2023
S&P 500	3.22%	10.56%	26.29%
S&P 500 Equal Weight	4.46%	7.91%	13.87%
DJIA	2.21%	6.14%	16.18%
Russell 3000	3.23%	10.02%	25.96%
NASDAQ Comp.	1.85%	9.31%	44.64%
Russell 2000	3.58%	5.18%	16.93%
MSCI ACWI ex U.S.	3.13%	4.69%	15.62%
MSCI Emerging Mkts Net	2.48%	2.37%	9.83%

Source: Bloomberg. For illustrative purposes only. Indexes are unmanaged and have been provided for comparison purposes only. No fees or expenses are reflected. You cannot invest directly in an index. Past performance is not indicative of future results.

2023 will be remembered for the dominance of large-cap growth and 2024 has started in a similar fashion. However, the market broadened once again in March as it had in late 2023. We believe the market could continue to broaden in 2024 with valuations more compelling in value, small, mid-cap, and international stocks.

International stocks continued to underperform U.S. equities with emerging markets among the weakest equity areas to begin 2024. Gains in March accounted for the year-to-date advance for emerging market stocks. We still see opportunities in international markets with valuations that are lower than the U.S. We also believe that the U.S. dollar will likely weaken over the short to intermediate-term as the Fed begins cutting rates in 2024.

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

Fixed Income

The rally in bonds to close out 2023 sent the 10-year U.S. Treasury yield sharply lower, closing last year at 3.88%. Most of 2024 has seen the yield move higher after such a sharp drop in a short time frame late last year. However, March saw yields drift lower, and this set up a better backdrop from fixed income returns for March. However, gains for the month were not enough to overcome declines from January and February and the quarter ended with most bond sectors down, with the exception being high yield bonds. After closing February at 4.25%, the 10-year U.S. Treasury yield ended March at 4.20%. See Table 2 for fixed income index returns for March 2024, Q1 2024, and calendar year 2023.

Table 2.

Index	March 2024	Q1 2024	2023
Bloomberg U.S. Agg	0.92%	-0.78%	5.53%
Bloomberg U.S. Credit	1.23%	-0.41%	8.18%
Bloomberg U.S. High Yld	1.18%	1.47%	13.44%
Bloomberg Muni	0.00%	-0.39%	6.40%
Bloomberg 30-year U.S. TSY	0.77%	-4.06%	1.93%
Bloomberg U.S. TSY	0.64%	-0.96%	4.05%

Source: Bloomberg. For illustrative purposes only. Past performance is not indicative of future results. Indexes are unmanaged and have been provided for comparison purposes only. No fees or expenses are reflected. You cannot invest directly in an index.

High yield bonds and credit posted solid returns for the month, but only high yield enjoyed gains for the first quarter when looking at these broad bond indices. High yield bonds often follow what is happening with stocks, so during a month and quarter where stocks performed well, it is not a surprise to see high yield bonds advance.

The other areas of the bond market have been more impacted by the general move higher in rates, except for the modest reprieve in March. We expect the 10-year U.S. Treasury yield to drift lower as we move through 2024 and believe it will be in a range between 3.25% and 4.5% during the year. We believe rates at the front end of the yield curve will decline as the Fed begins to cut rates in 2024.

We maintain our long-standing position favoring credit versus pure rate exposure in this interest rate environment and that has served us well so far in 2024. We also believe the role bonds play in a portfolio, to provide stable cash flow and to help offset the volatility of stocks in the long run, has not changed. Furthermore, we believe that bond yields remain attractive even though rates have dropped from their October 2023 highs. In our opinion, having an active bond management approach makes sense in these volatile times.

Economic Data Highlights and Outlook

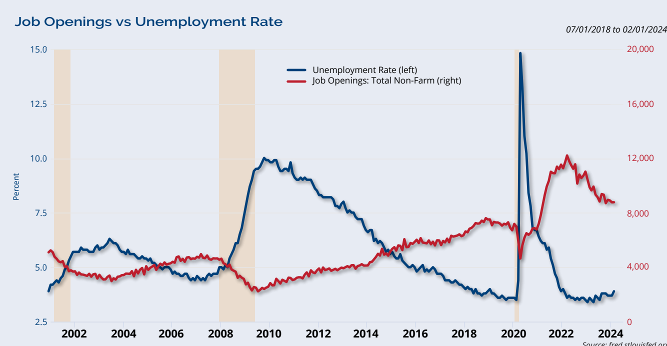
Data released in March (largely covering February), continued to show an economy that was growing. The final reading of Q4 GDP reflected an economy that grew stronger than originally estimated. With a 3.4% annualized growth rate, the final reading was ahead of expectations and the prior estimate of 3.2% growth for the U.S. economy. The Atlanta Fed GDPNow estimate for economic growth (as of March 29) shows the economy running at an estimated 2.3% growth rate for the first quarter of 2024. That pace is right in line with our Clark Capital GDP growth expectation for all of 2024 at 2.25%. We do expect growth to slow in 2024 from 2023, but we also think the odds favor a soft landing and not a recession at this point.

One ongoing reason we continue to expect growth in the economy comes from ongoing gains in the job market. Non-farm payroll additions were 275,000 in February, easily surpassing expectations of 200,000. However, January's strong reading of 353,000 new jobs was revised sharply lower to "only" 229,000.

The unemployment rate moved up to 3.9% when it was expected to remain flat at 3.7%. Average hourly earnings grew by 4.3% on an annual basis in February as expected. As a consumer-based economy, strength in the job market has been a key driver of economic growth. Overall, the job market data for February appears a little cooler than the data from January, but it continues to reflect labor market strength. Some moderation in the job market could allow the Fed to cut rates more comfortably in the near future.

We are still in a situation with millions more job openings than unemployed people in the U.S. economy. We acknowledge that several tech companies announced layoffs early this year and we will monitor whether that becomes a bigger macroeconomic theme or whether it is more contained to the technology sector. **Chart 1** shows the unemployment rate and job openings. As job openings have come down over the last couple of years, we have seen only a modest tick up in the unemployment rate, but this graph shows some initial convergence.

Chart 1



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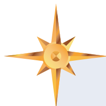
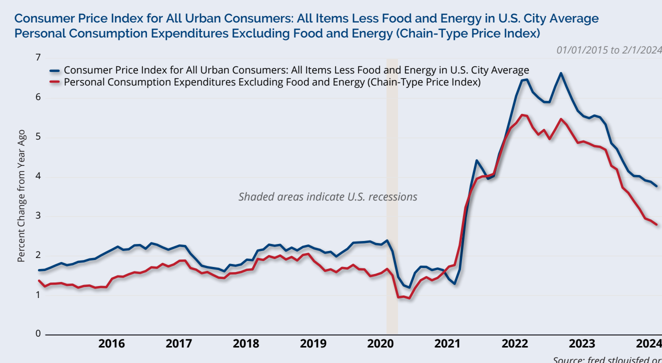


With the current strength in the job market, we maintain our opinion that it seems unlikely that the economy would slow too drastically. However, even a modest slowdown in the job market could be a headwind to economic activity due to the central role that consumer spending plays in the U.S. economy. Moving into 2024, we expect the economy will slow, but that we will likely avoid a recession. Even if a recession developed, we believe it would be mild due to the strength of the consumer. We believe opportunities exist in the stock and bond markets under either a slow growth or mild recession scenario.

Inflation data for February was above expectations. The headline Consumer Price Index (CPI) showed an annual increase of 3.2%, which was higher than expectations of 3.1% for February. The core CPI showed an annual gain of 3.8% compared to expectations of 3.7%. The headline reading showed a faster annual increase than January, while the core reading was a slower annual increase in comparison. The headline Producer Price Index (PPI) rose by 1.6% on an annual basis in February when a 1.2% gain was anticipated. The core PPI had an annual increase of 2.0%, again, higher than expectations of 1.9%. We do not expect this sort of data to decline in a straight line and some periods of volatility should be expected. We would argue that the trend is still clearly showing improvements made regarding inflation and we believe that the Fed will cut rates during 2024 due to this improvement.

Focusing on the preferred inflation measure of the Fed, the Personal Consumption Expenditures (PCE) Index for February was in-line with expectations. The headline PCE Index had an annual increase of 2.5% in February as expected but this was above the 2.4% annual gain from January. The core PCE reading (the reading the Fed targets) was 2.8% - in-line with expectations and a modest improvement from December's revised higher annual increase of 2.9%. **Chart 2** shows the core PCE Price Index and the core CPI, which have both been trending lower since their rapid rise following the pandemic period.

Chart 2



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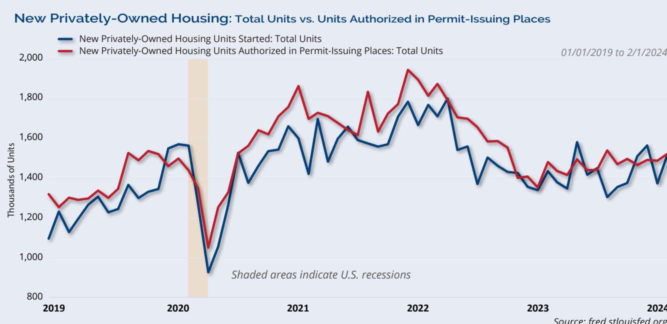
Progress has been made on inflation. The Fed has indicated it believes the rate hike cycle is over and rate cuts will occur in 2024. To start the year, the market, based on the Fed Fund Futures, was anticipating too many cuts compared to what the Fed was indicating. After the FOMC meeting at the end of January and the "hot" CPI reading released in February, market expectations, according to the CME FedWatch Tool, showed 4 expected cuts in 2024. This reading has subsequently come down to 3, which is more or less in line with the Fed's "dot plot" expectations of where the Fed Funds will end this year. It is notable that stocks logged a strong quarter even as rate cut expectations have been trimmed.

Housing data was stronger in February after the move higher in rates seemed to be a headwind to housing in January. Building permits, housing starts and existing home sales all surpassed expectations and all were above January's level. Existing home sales were particularly strong at an annualized rate of 4.38 million, easily surpassing estimates of 3.95 million and the prior reading of 4 million. New home sales missed expectations and were just modestly below the prior month's level. The S&P CoreLogic 20-City Index of home prices rose by 6.59% on an annual basis in January, fractionally below expectations but ahead of December's annual increase of 6.15%. It will be important to see how housing reacts as interest rates have bounced higher from their 2023 close, but some initial weakness in housing in January was followed up by general strength in February. **Chart 3** shows that housing starts and building permits have declined from the early 2022 highs but have largely leveled off over the last year.

Chart 3



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At 47.8, the ISM Manufacturing Index for February was disappointing compared to estimates of 49.5 and the prior mark of 49.1. This marked the 16th straight month of manufacturing declines. (However, the streak was broken in March when this reading came in at 50.3 compared to expectations of 48.3 driven higher in part by better-than-expected new orders.) The ISM Non-Manufacturing Index, which covers the much larger service industries in the U.S. economy, slipped to 52.6 in February, which missed expectations of 53.0 and was a drop from 53.4 in January. The service industries have consistently shown growth in

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recent years and the surprise growth in manufacturing in March was a welcome sign. While one month is not a trend, it is a positive development to see improvement in the manufacturing sector. Recall, the dividing line between expansion and contraction for the ISM indices is 50.

The health of U.S. consumers is in constant focus due to the consumer's significant role in the U.S. economy. Retail sales (ex. auto and gas) grew by 0.3% as expected in February. The preliminary University of Michigan Sentiment reading for March ticked modestly lower to 76.5 from the prior month reading of 76.9 and expectations of 77.1. The Conference Board's Leading Index broke a two-year streak by recording a positive reading, a 0.1% gain for February when a -0.1% drop was expected. The leading economic index has been flashing a warning sign of slower growth that has yet to materialize to any real degree.

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.

Investment Implications

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.

Clark Capital's Bottom-Up, Quantitative 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.

Economic Data

Event	Period	Estimate	Actual	Prior	Revised
ISM Manufacturing	Feb	49.5	47.8	49.1	—
ISM Services Index	Feb	53.0	52.6	53.4	—
Change in Nonfarm Payrolls	Feb	200k	275k	353k	229k
Unemployment Rate	Feb	3.7%	3.9%	3.7%	—
Average Hourly Earnings YoY	Feb	4.3%	4.3%	4.5%	4.4%
JOLTS Job Openings	Jan	8850k	8863k	9026k	8889k
PPI Final Demand MoM	Feb	0.3%	0.6%	0.3%	—
PPI Final Demand YoY	Feb	1.2%	1.6%	0.9%	1.0%
PPI Ex Food and Energy MoM	Feb	0.2%	0.3%	0.5%	—
PPI Ex Food and Energy YoY	Feb	1.9%	2.0%	2.0%	—
CPI MoM	Feb	0.4%	0.4%	0.3%	—
CPI YoY	Feb	3.1%	3.2%	3.1%	—
CPI Ex Food and Energy MoM	Feb	0.3%	0.4%	0.4%	—
CPI Ex Food and Energy YoY	Feb	3.7%	3.8%	3.9%	—

Event	Period	Estimate	Actual	Prior	Revised
Retail Sales Ex Auto and Gas	Feb	0.3%	0.3%	-0.5%	-0.8%
Industrial Production MoM	Feb	0.0%	0.1%	-0.1%	-0.5%
Building Permits	Feb	1496k	1518k	1470k	1489k
Housing Starts	Feb	1440k	1521k	1331k	1374k
New Home Sales	Feb	677k	662k	661k	664k
Existing Home Sales	Feb	3.95m	4.38m	4.00m	—
Leading Index	Feb	-0.1%	0.1%	-0.4%	—
Durable Goods Orders	Feb P	1.0%	1.4%	-6.2%	-6.9%
GDP Annualized QoQ	4Q T	3.2%	3.4%	3.2%	—
U. of Mich. Sentiment	Mar P	77.1	76.5	76.9	—
Personal Income	Feb	0.4%	0.3%	1.0%	—
Personal Spending	Feb	0.5%	0.8%	0.2%	—
S&P CoreLogic CS 20-City YoY NSA	Jan	6.60%	6.59%	6.13%	6.15%

Source: Bloomberg: P=Preliminary; T=Third Reading

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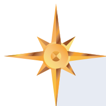

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Clark Capital Management Group is an investment adviser registered with the U.S. Securities and Exchange Commission. Registration does not imply a certain level of skill or training. More information about Clark Capital Management Group's advisory services can be found in its Form ADV which is available upon request.

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).

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.

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.

JOLTS is a monthly report by the Bureau of Labor Statistics (BLS) of the U.S. Department of Labor counting job vacancies and separations, including the number of workers voluntarily quitting employment.

The Core Consumer Price Index (CPI) is a measure of the average change over time in the prices paid by urban consumers for a market basket of consumer goods and services

The Core Producer Price Index (PPI) program measures the average change over time in the selling prices received by domestic producers for their output. The prices included in the PPI are from the first commercial transaction for many products and some services.

The PCE price index, released each month in the Personal Income and Outlays report, reflects changes in the prices of goods and services purchased by consumers in the United States.

Earnings per share (EPS) is a company's net profit divided by the number of common shares it has outstanding.

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 Dow Jones Industrial Average® (The Dow®), is a price-weighted measure of 30 U.S. blue-chip companies. The index covers all industries except transportation and utilities.

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 Bloomberg US Treasury Index measures US dollar-denominated, fixed-rate, nominal debt issued by the US Treasury. Treasury bills are excluded by the maturity constraint, but are part of a separate Short Treasury Index.

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 S&P 500® Equal Weight Index (EWI) is the equal-weight version of the widely-used S&P 500. The index includes the same constituents as the capitalization weighted S&P 500, but each company in the S&P 500 EWI is allocated a fixed weight - or 0.2% of the index total at each quarterly rebalance.

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 Index is a stock market index that tracks the highest-ranking 1,000 stocks in the Russell 3000 Index, which represent about 93% of the total market capitalization of that index.

The iShares Russell 1000 Growth ETF seeks to track the investment results of an index composed of large- and mid-capitalization U.S. equities that exhibit growth characteristics.

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 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.

Nonfarm payrolls (NFPs) are the measure of the number of workers in the United States excluding farm workers and workers in a handful of other job classifications.

A municipal bond, commonly known as a muni, is a bond issued by state or local governments, or entities they create such as authorities and special districts.

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 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 10 Year Treasury Yield 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 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 Bloomberg Aggregate Bond Index or "the Agg" is a broad-based fixed-income index used by bond traders and the managers of mutual funds and exchange-traded funds (ETFs) as a benchmark to measure their relative performance.

The Bloomberg US Trsy Bellwethers 30Y is a U.S. Treasury debt obligation that has a maturity of 30 years.

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 Leading Economic Index provides an early indication of significant turning points in the business cycle and where the economy is heading in the near term.

In the United States, the Core Personal Consumption Expenditure Price (CPE) Index provides a measure of the prices paid by people for domestic purchases of goods and services, excluding the prices of food and energy.

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.

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.

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