April 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

After two strong quarters, the S&P 500 Index declined -4.0% in April due to higher market valuation, rising employment costs and persistent inflation concerns. Equities retreated in April as higher interest rates across both U.S. Treasury and credit yield curves now present a competitive alternative to stocks. At this stage of the market cycle, factors such as free cash flow yield, ROE, and earnings growth tend to outperform prior to a Fed pivot.

The sell-off in rates that began in March accelerated in April as expectations for Fed rate cuts and lowering inflation diminished. Without a Federal Reserve meeting during the month, all eyes were on the economic data. Employment remained strong while every inflation indicator during the month came in higher than expected, pressuring duration while credit remained fairly stable.

Below are strategy updates from April:

Navigator® All Cap Core U.S. Equity

- Navigator® All Cap is positioned with approximately 71.8% in large-cap stocks and the remainder in mid/small-cap companies and cash.
- Albeit underweight to the benchmark, Information Technology remains the largest sector weight in the strategy at 23.6%.
- During the month, to benefit from improving business fundamentals, we added a Canadian-American multinational drink and brewing company and a global media, marketing and corporate communications holding company.
- We exited our position in a multinational telecommunications and media conglomerate.

High Dividend Equity

- The portfolio is positioned with approximately 97.8% in developed countries with the remainder in cash. The United States is the largest country weight at 90.4% followed by Britain at 3.0% and Ireland at 1.7%.
- Large cap represents 90.8% of the portfolio with 7.0% in mid-cap and the remainder in cash.
- Financials is the largest sector weight at 23.0% and slightly above the benchmark at 22.6%. The next three largest portfolio weights are Industrials, Healthcare, and Information Technology at 14.9%, 13.6%, and 9.8%, respectively.
- During the month, we initiated a position in a manufacturer of computer graphics processors, chipsets, and related multimedia software.
- We exited our position in an energy equipment manufacturing and services company, a multinational IT company, and a global supplier of paints, coatings, and specialty materials.

Navigator® International Equity ADR

- Navigator® International Equity/ADR is positioned with 15.4% in emerging markets and 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%.

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

- ADR's exposure to China is now 7.3% and is above its weighting in the All-Country World less US benchmark.
- Financials, Industrials, and Information Technology are our largest sector weights.
- During the month, to benefit from improving business fundamentals, we added to existing positions in a Canadian energy company, a Spanish multinational financial services company, and a Japanese manufacturing company. We exited our position in a Brazilian metals and mining company.

Taxable Fixed Income

- Within the portfolio, the focus continued to be the same as it has been throughout the year. We continued to buy short maturity, higher yielding bonds, paired with higher quality longer maturity bonds.
- The portfolio took advantage of these higher yields and the wider credit spreads within the bank sector in April.
- The focus on increasing yields in names where there is limited credit risk should continue as we expect interest rates to remain higher for longer.

Tax-Free Fixed Income

- Municipal bond issuance was robust in April as we expected and was driven by deferred issuance earlier this year as well as refunding's taking place in taxable muni space. Overall, April's supply was approximately $39 billion and up over 26% year over year.
- Muni funds experienced net outflows in April through 4/24, as reported by the Investment Company Institute (ICI). This is a reversal from the previous month's inflows but is in line with traditional muni market seasonal dynamics.
- Many participants were expecting larger withdrawals, but retail investors seemed to have enough cash on hand.
- Institutional customer selling was manageable at $1.14 billion average per day, versus 2024's $1.05 billion average. The month was characterized by spikes in selling, and 2024's high was set on 4/11 at $1.8 billion (Bloomberg data).

Clark Capital's Top-Down, Quantitative Strategies

The S&P 500 advanced by over 28% in a 21-week rally from 10/27/23 to 3/28/24 in which there was not even a 2% correction. We do know that the markets are cyclical, and on average, the S&P 500 has experienced three 5% corrections a year, a 10% decline once a year, a 15% decline every 2 years, and a 20% or greater bear market every three years.

In April, the S&P 500 had a 5% drawdown into mid-month and as a result, seeds of fear were replanted with investor sentiment statistics turning pessimistic. During the correction, credit markets continued showing relative strength, even as interest rates rose.

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Alternative

- Managed futures and market neutral income performed well during a down month for equities, largely due to their low sensitivity to interest rates or, in the case of managed futures, their ability to short rates.
- Long-short equity and options-based strategies lagged. Our precious metals positions enjoyed strong gains in April, and we took some profits in mid-April after a strong run.
- We added positions in Technology, Private Credit, and Biotechnology during the month and reduced our positions in Infrastructure and MLPs.

Fixed Income Total Return (MultiStrategy Fixed Income)

- Credit markets continue their historical pattern of displaying relative strength during times of rising interest rates.
- Spreads remain close to 3%, with very few signs of weakness. Cash is preferred as the defensive vehicle over Treasuries.

Global Risk Management

- According to our credit models, equities continue to look strong,and we expect that position to continue into May and June.
- Whenever weakness within credit markets does develop, we expect to employ cash as the defensive vehicle over Treasuries.
- Improved breadth and performance by value and small-cap stocks are also encouraging and make our risk-on positions more sustainable.

Global Tactical

- Our credit-based models indicate a healthy backdrop for risk assets, and we are encouraged by broader market participation that includes value and small-caps slightly more than the first quarter.
- Our position in risk-on equities looks to be stable over the intermediate term. It also appears that U.S. stocks are losing relative performance vs. international equities, which we would view as a positive and overdue development.

Sector Opportunity

- Financials, Industrials, Energy, Telecommunications, and Homebuilders are our major positions.
- Technology has fallen down the ranks and been reduced to only one position (internet). Healthcare, Consumer Staples, and Consumer Discretionary rank lowest; we would also note that Utilities have begun to rise and could become a part of the portfolio soon.

Style Opportunity (MultiStrategy Equity)

- The portfolio favors mid-cap growth stocks (mid-cap momentum, mid-cap quality), along with some large-cap growth (S&P 500 momentum, momentum factor), and a small position in a cashflow yield-based ETF.
- Having said that, very few ETFs are making recent relative strength highs, so the market has provided few trend-based opportunities right now.

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U.S. Strategic Beta

- We continue to slightly favor value stocks over growth and have a modest mid-cap and small-cap bias along with a position in minimum volatility.
- If growth stocks continue to correct and become more deeply oversold, we would expect to move back towards a growth stock overweight.