Second Quarter 2021

Clark Capital MANAGEMENT GROUP

Portfolio Commentary

Navigator® All Cap Core U.S. Equity

Portfolio Manager

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Senior Portfolio Manager

Top Contributors as of June 30, 2021

Company Name	Avg. Weight (%)	Contribution to Return (%)
Facebook, Inc. Class A	3.64	0.61
Alphabet Inc. Class A	3.43	0.59
Charles River Laboratories International, Inc.	2.18	0.55

Top Detractors as of June 30, 2021

Company Name	Avg. Weight (%)	Contribution to Return (%)
Williams-Sonoma, Inc.	1.98	-0.23
Penske Automotive Group, Inc.	1.12	-0.18
Freeport-McMoRan, Inc.	0.38	-0.16

Source: Factset. For illustrative purposes only. Past performance does not guarantee future results. The holdings identified do not represent all of the securities purchased, sold or recommended for advisory clients. In the chart above, "weight" is the average percentage weight of the holding during the period, and "contribution" is the contribution to overall performance during the period. To obtain the calculation methodology and a list showing every holding's contribution to the overall composite during the period, contact: PortfolioAnalytics@ccmg.com.

Talking, Tapering, Tightening

Market Review

Intermediate and long-term inflation expectations cooled this quarter as supply/demand imbalances corrected across a few material sectors such as corn, soybeans, copper, platinum, and lumber. Additionally, the U.S. Central Bank slightly altered its monetary stance from "not talking about even talking about tapering or tightening, to talking about tapering or tightening." This nuance in policy change plus the reduction in overall longer-term inflation expectations has pushed 10-year U.S. Treasury yields lower to 1.30% in early July from 1.75% in March and has shifted equity market style focus to growth from value. From March 31st to June 30th, large-cap growth has outperformed large-cap value and small-caps by approximately 6.73% and 7.64%, respectively.

Transitory or Permanent?

Inflation within commodity markets appears to be ROLLING. As Ed Yardeni states, "the best cure for rising commodity prices is rising commodity prices." Or to say it another way, supply/demand imbalances in commodity markets self-correct over time. Just as oil has reached a 4-year high in early July, Energy stock prices have begun to decline, validating the economic principles noted above. Another is example is lumber. High lumber prices forced home builders to lift home prices, which has reduced affordability which, in turn, has temporarily reduced de¬mand. Other commodity markets should function similarly.

While the short-term nature of commodity boom and bust cycles depict TRANSITORY inflation, over 50% of inflation is highly correlated to unit labor costs. Prior to the pandemic in January 2020 as unemployment dipped to 3.5%, wage inflation climbed to 3.0%. Post pandemic, as the labor supply/demand mismatch accentuates especially among lower wage workers, average hourly earnings in that group, who currently account for 81% of payroll employment, rose 9.3% over the 24-month period through May. Although some of the demographic constraints will be relieved as more states stop paying Supplemental Pandemic Unemployment Benefits and parents return to the workplace when in-person school begins, constraints in the lower wage group existed prior to COVID. This source of inflation is likely PERMANENT and potentially presents a large obstacle to continued expansionary Fed policy from this point forward.

Second Quarter Performance Highlights

- For the second quarter of 2021, the Navigator® All Cap strategy had a return of 7.72% (6.94% net) vs. a 8.24% gain in the Russell 3000 index. For the five years ending June 2021, All Cap gained 14.05% gross on annualized basis (10.71% net) vs. 17.89% for the Russell 3000.
- Our positioning in Financials and Communication Services helped relative performance while our positioning in Consumer Discretionary and Industrials acted as a drag.

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

- Portfolio holdings in Facebook and Alphabet helped relative performance while holdings in Williams-Sonoma and Penske Automotive Group hurt performance. During the quarter, the strategy was positioned approximately 67% in large-cap companies with the balance in small-cap/mid-cap companies and cash.

Positioning and Outlook

Just as the best cure for rising commodity prices is rising commodity prices, the best cure for rising value stock prices is value outperformance. From September 2020 thru May 2021, large-cap value outperformed large-cap growth by 21% and had gained 94% since the COVID March 23, 2020 low. Similarly, the S&P Small Cap 600 Index's 134% gains pushed its price-to-value ratio to 110% or two standard deviations higher than its 10-year average. Additionally, as Q2 earnings growth across market capitalization segments likely represents the peak in year-over-year growth, it makes sense that value and small-cap stocks pause to allow earnings catch up. Prior gains likely reflected both undervaluation and an anticipation of large future earnings gains due to the back-to-work recovery.

Given mixed market conditions, which include a strong labor market and economy for the foreseeable future, some permanent inflation above 2%, an accommodative Fed leaning hawkish, and relatively high equity prices, we think DIVERSIFICATION and balance between growth and value, large-caps and SMID caps remain our wisest choice. Early on in COVID, our focus was on "survive and thrive", then portfolios transitioned to "high quality, cyclical winners." Now as the bull market reaches its later stages and many cyclicals have reached "full value," we need to redouble our focus on core undervalued, high quality companies with improving business momentum that are capable of compounding growth regardless of economic outcome.