Clark Capital Management Group

Market Outlook

Mid Year 2019

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Thursday, June 20, 2019

Agenda

- What We Said in January
- Where We Are Now
- What's Next

What We Said in January

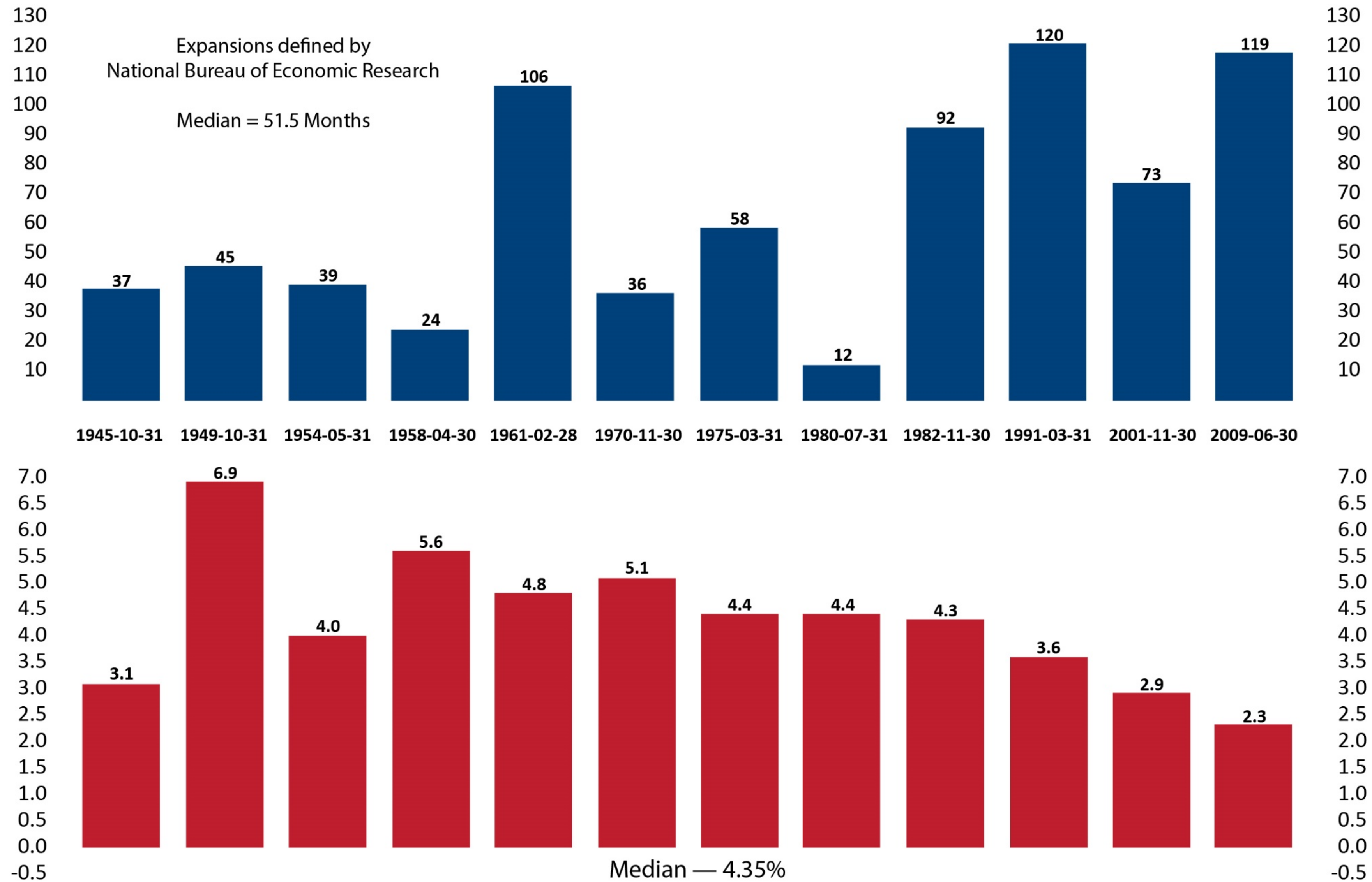
2019 Outlook – January Highlights

- Cyclical bear ending within context of Secular bull. Expect global equity markets to rebound. 2019 S&P 500 target of 2900.
- International — We believe emerging markets set to outperform.
- We believe volatility will remain elevated given correction and late cycle economic expansion.
- Economy — about to become longest U.S. economic expansion on record. Strong economic momentum, leading indicators, labor market, yield curve suggest continued economic growth. For U.S. economy, we believe growth to moderate to 2.3%. Global economy to grow 3.5%.
- Risks to the Outlook — Peak in earnings growth, risk of policy mistake by Federal Reserve, budget deficit, China trade war, geopolitical risks in Europe (Brexit, political turmoil on continent), politics in U.S.
- Federal Reserve — Expect one additional rate hike. Market beginning to price in potential for rate cut late 2019 / 2020. May slow balance sheet reduction.
- Fixed Income — 3.00% target for 10-year yields. Favor risk off coming into year. Credit conditions and strength of economy still supportive of credit after correction.

Where We Are Now

Length of U.S. Postwar Expansion (Months)

2019-05-31



Strength of U.S. Postwar Expansions (% Gain Per Annum in Real GDP From Series Trough to Peak)

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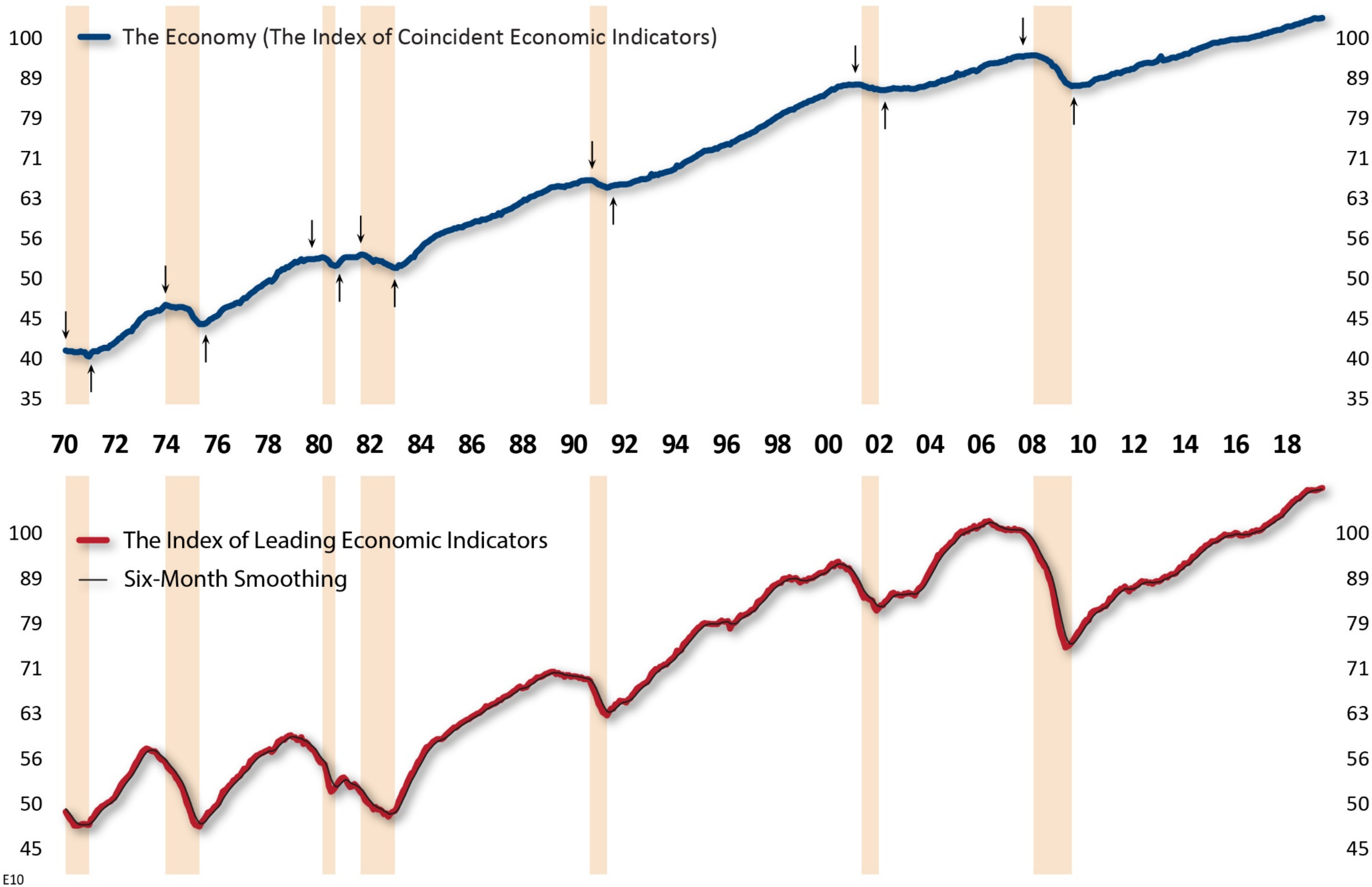
The Index of Leading Economic Indicators

Monthly Data 1969-12-31 to 2019-04-30

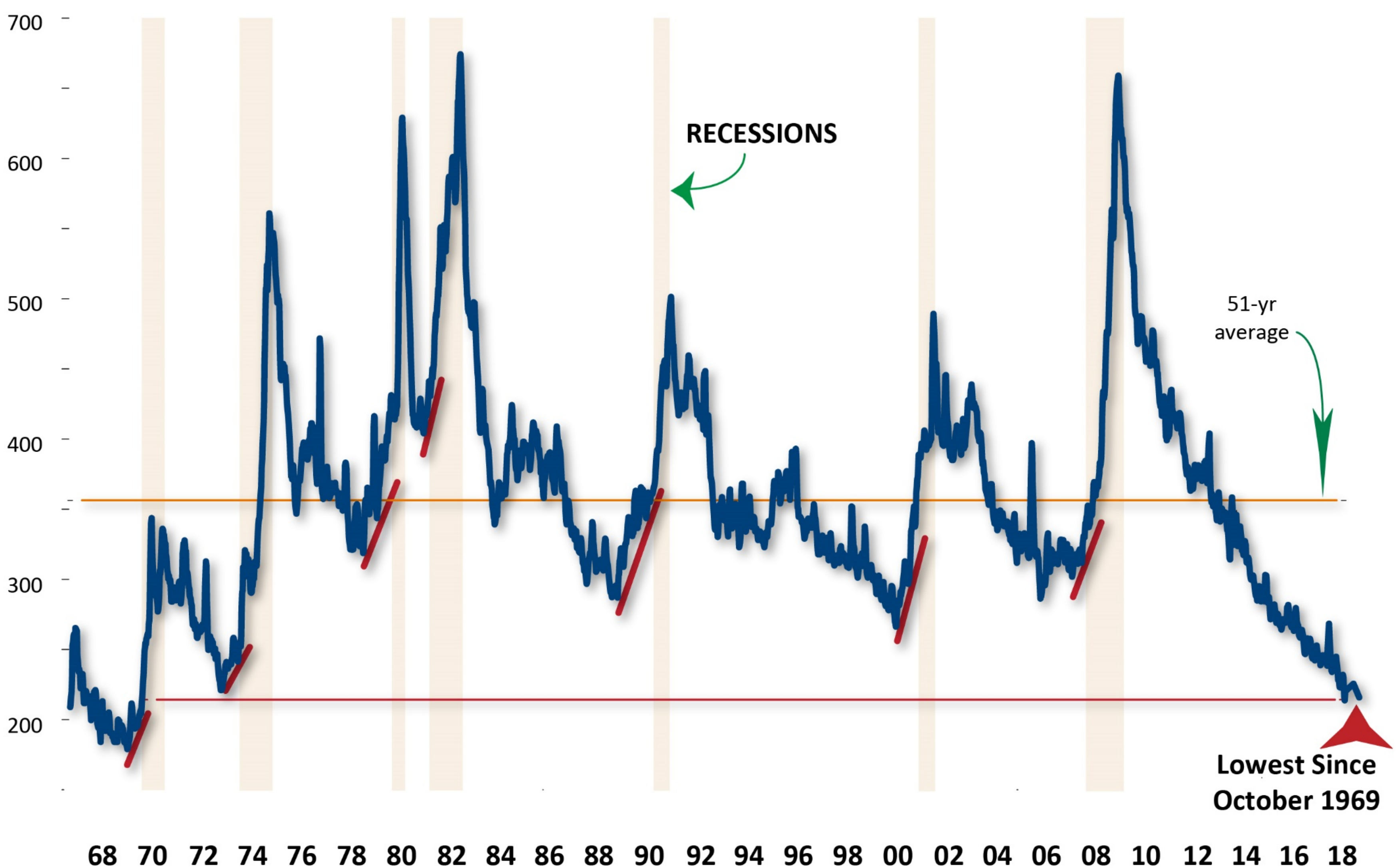


LEI Recession Lead Times

LEI Peak	Recession Start	Months from Peak to Start
12/31/1959	4/30/1960	4
4/30/1969	12/31/1969	8
2/28/1973	11/30/1973	9
10/31/1978	1/31/1980	15
10/31/1980	7/31/1981	9
1/31/1989	7/31/1990	18
4/30/2000	3/31/2001	11
3/31/2006	12/31/2007	21

Source: Ned Davis Research. For illustrative purposes only.

Unemployment Claims (4-wk moving avg)



U.S. Bureau of Labor Statistics

Source: Ned Davis Research. For illustrative purposes only.

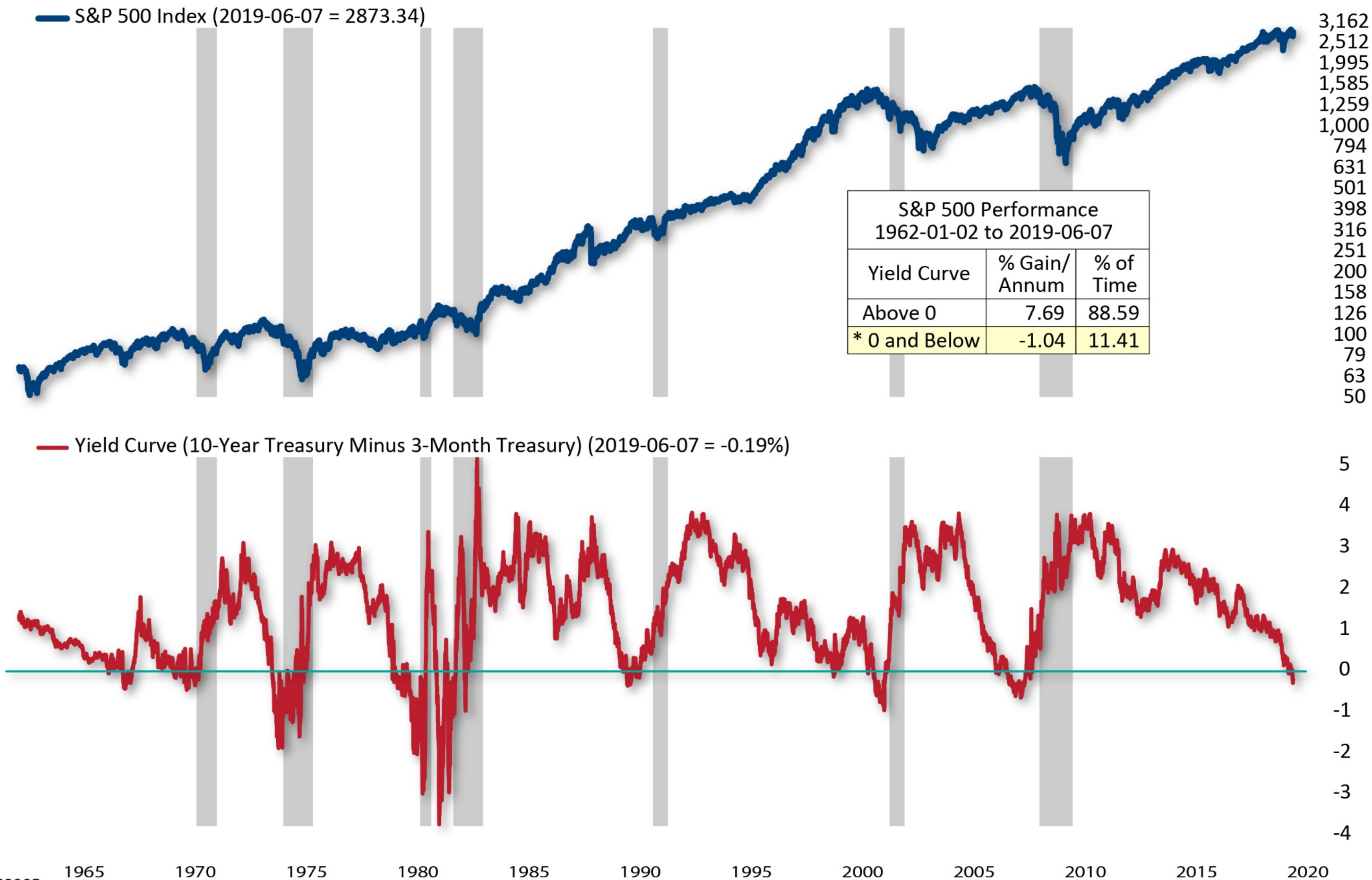
Unemployment Rate Before Recessions

Unemployment Low	Rate	Recession	Rate	Point Change	Number Days
5/31/1948	3.5	11/30/1948	3.8	0.3	183
5/31/1953	2.5	7/31/1953	2.6	0.1	61
3/31/1957	3.7	8/31/1957	4.1	0.4	153
2/29/1960	4.8	4/30/1960	5.2	0.4	61
9/30/1968	3.4	12/31/1969	3.5	0.1	457
10/31/1973	4.6	11/30/1973	4.8	0.2	30
5/31/1979	5.6	1/31/1980	6.3	0.7	245
12/31/1980	7.2	7/31/1981	7.2	0.0	212
3/31/1989	5.0	7/31/1990	5.5	0.5	487
4/30/2000	3.8	3/31/2001	4.3	0.5	335
10/31/2006	4.4	12/31/2007	5.0	0.6	426
Mean				**0.35**	**241**
Median				**0.4**	**212**

Source: Ned Davis Research. For illustrative purposes only.

S&P 500 vs. Yield Curve (10-Year Minus Three-Month)

Daily Data 1962-01-02 to 2019-06-07 (Log Scale)



S&P 500 Performance
1962-01-02 to 2019-06-07

Yield Curve	% Gain/ Annum	% of Time
Above 0	7.69	88.59
* 0 and Below	-1.04	11.41

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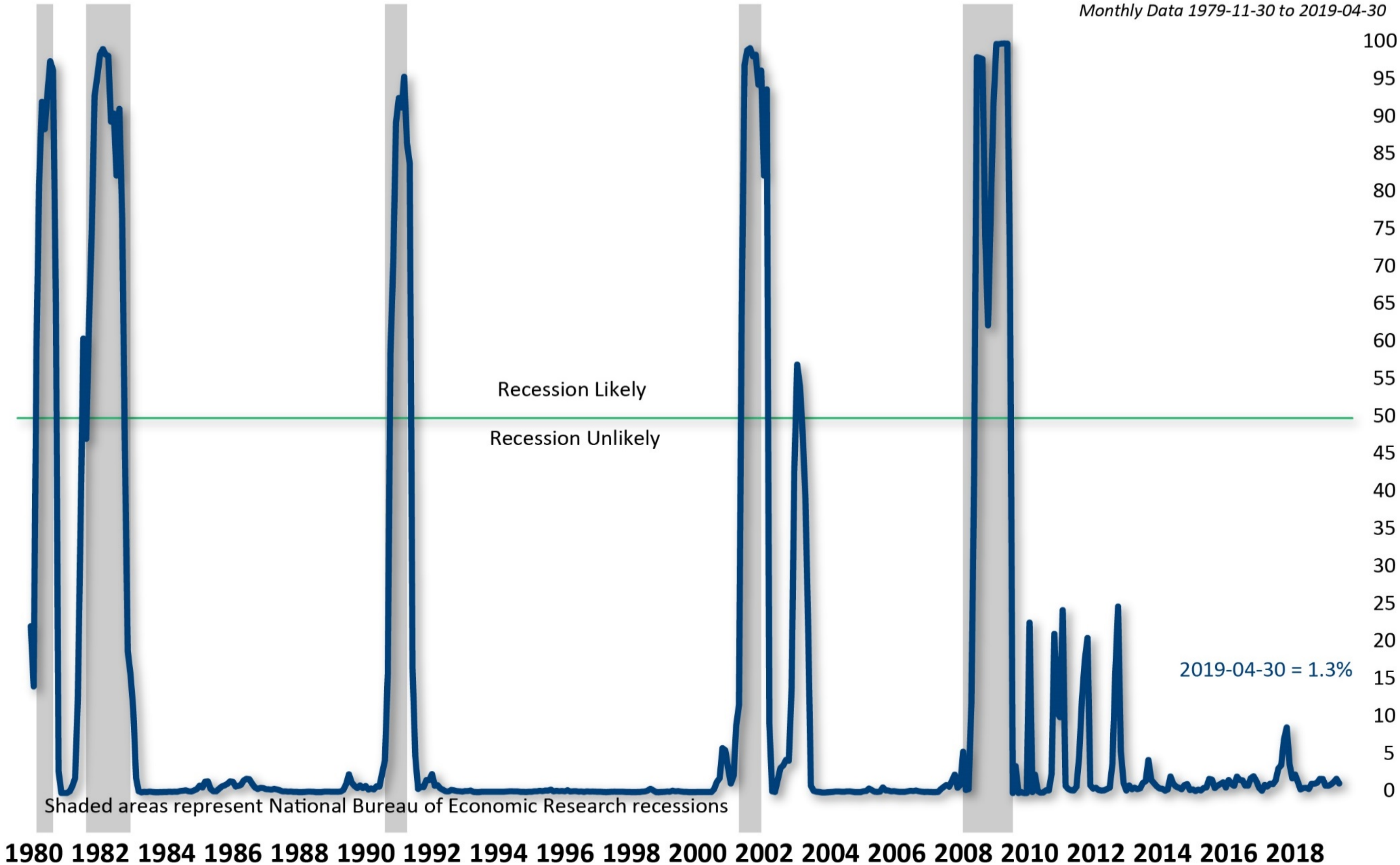
U.S. Recession Probability Model Based on State Conditions (Real Time)



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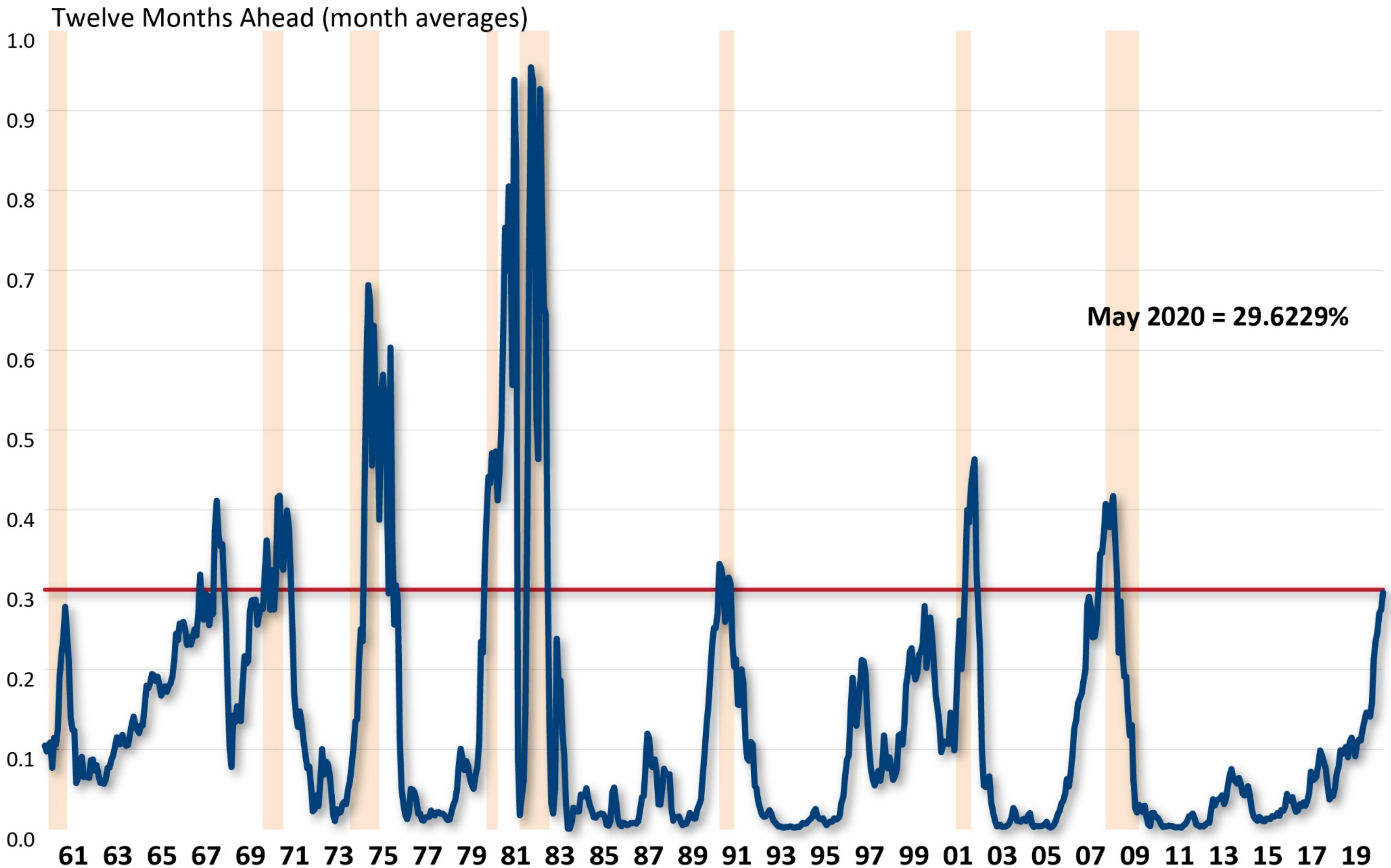
Economic and market forecasts presented herein reflect a series of assumptions and judgments as of the date of this presentation and are subject to change without notice. Forward-looking statements cannot be guaranteed.

Source: Ned Davis Research. For illustrative purposes only.

NY Fed Probability of Recession in Next 12 Months



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Source: InvesTech Research. For illustrative purposes only.

What's Next

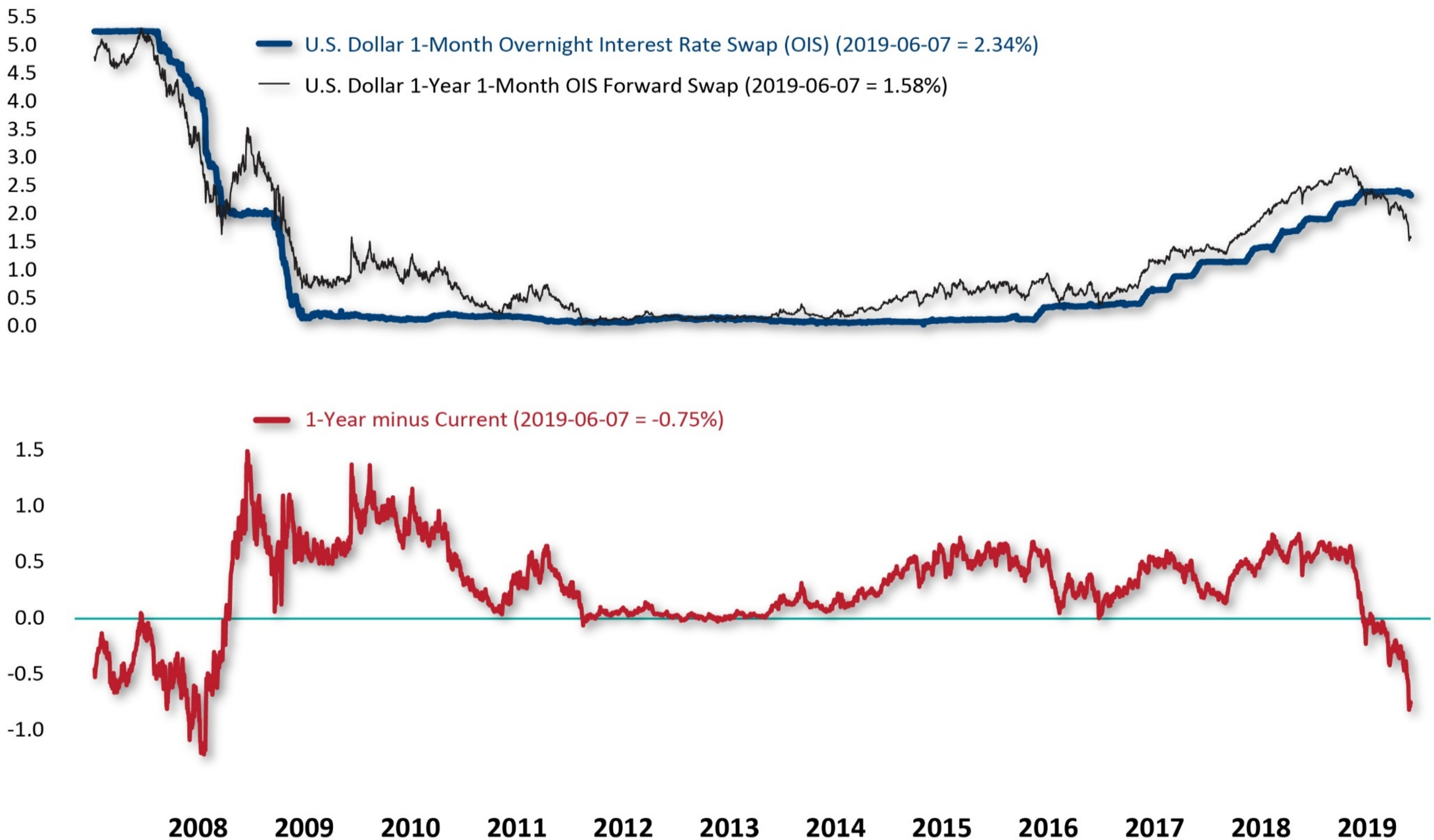
What Usually Happens After The Fed Tightens Rates?

Tightening Cycle Began in:	U.S. Manufacturing PMI Fell Below 50	EPS Recession	GDP Recession
1954	YES	YES	YES
1958	YES	YES	YES
1961	YES	YES	NO
1967	YES	YES	YES
1972	YES	YES	YES
1977	YES	YES	YES
1980	YES	YES	YES
1983	YES	YES	NO
1988	YES	YES	YES
1994	YES	NO	NO
1999	YES	YES	YES
2004	YES	YES	YES
Hit Rates	**100%**	**92%**	**75%**

Source: Cornerstone Macro, U.S. Global Investors. For illustrative purposes only.

Policy Rate Expectations Using OIS Curve

Daily Data 2007-01-03 to 2019-06-07



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Source: Ned Davis Research. For illustrative purposes only.

S&P 500 Forward vs. Trailing Price/Earnings Ratios

Monthly Data 1983-02-28 to 2019-05-31

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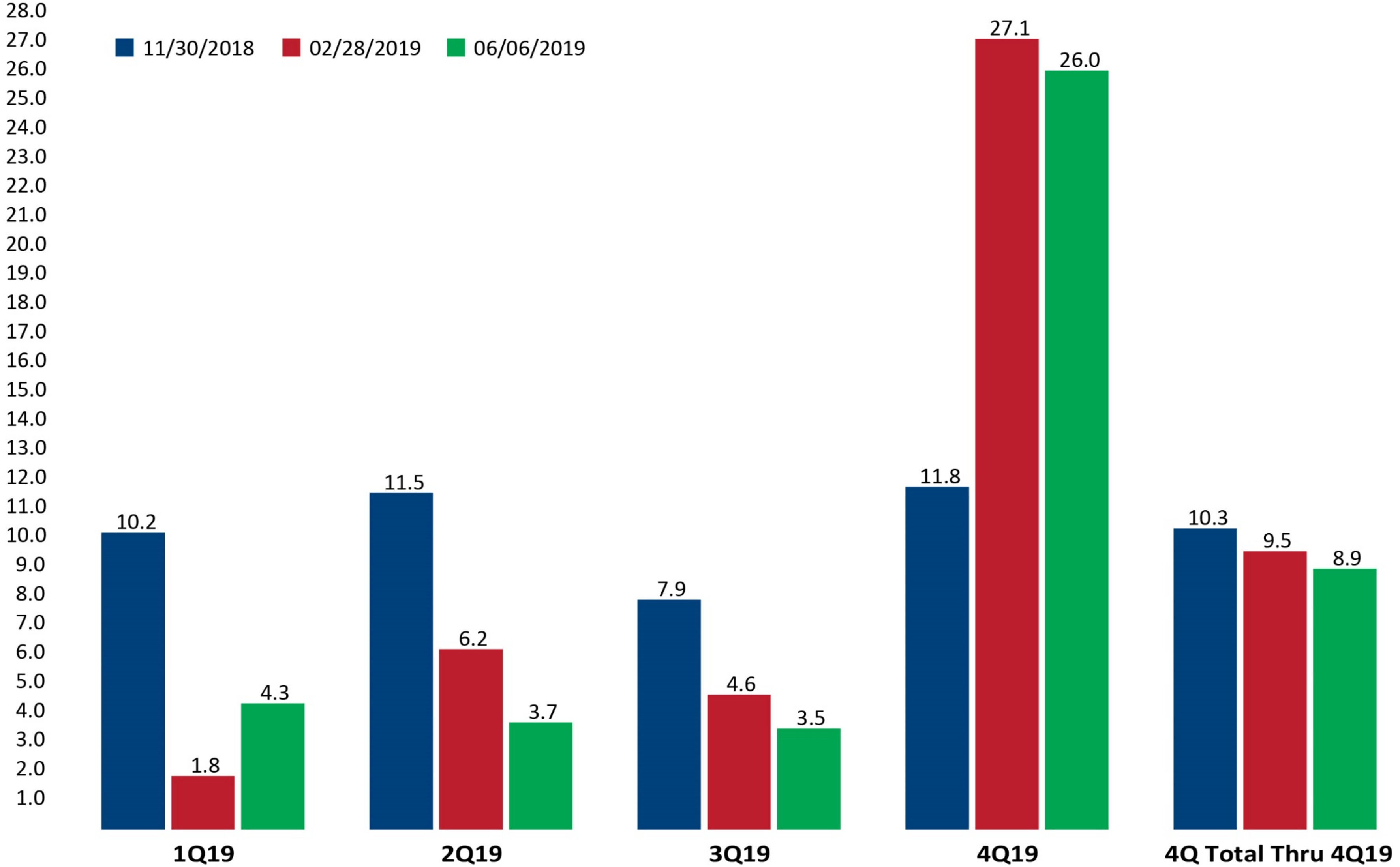
S&P 500 Consensus Operating EPS Estimates (Year/Year % Change)



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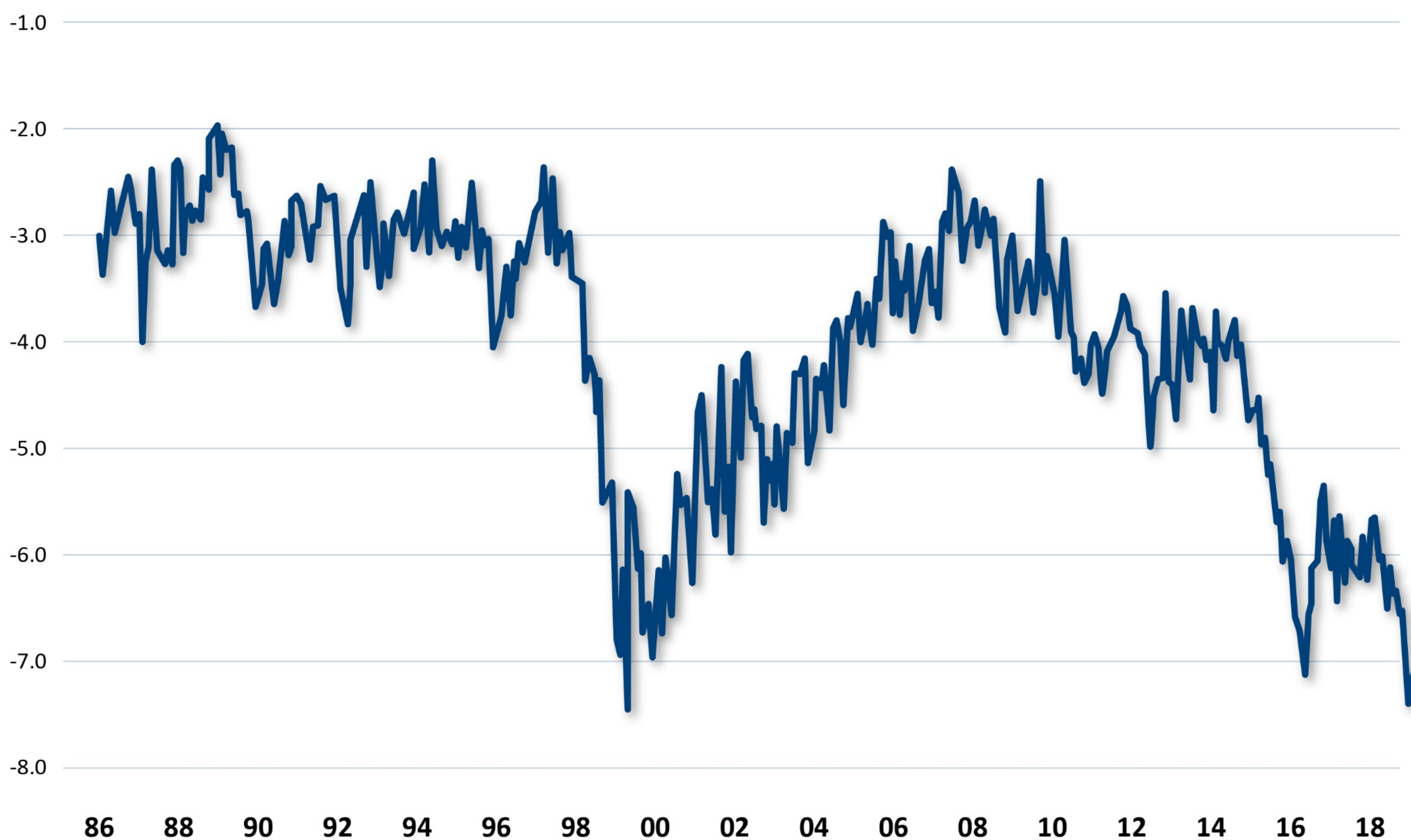
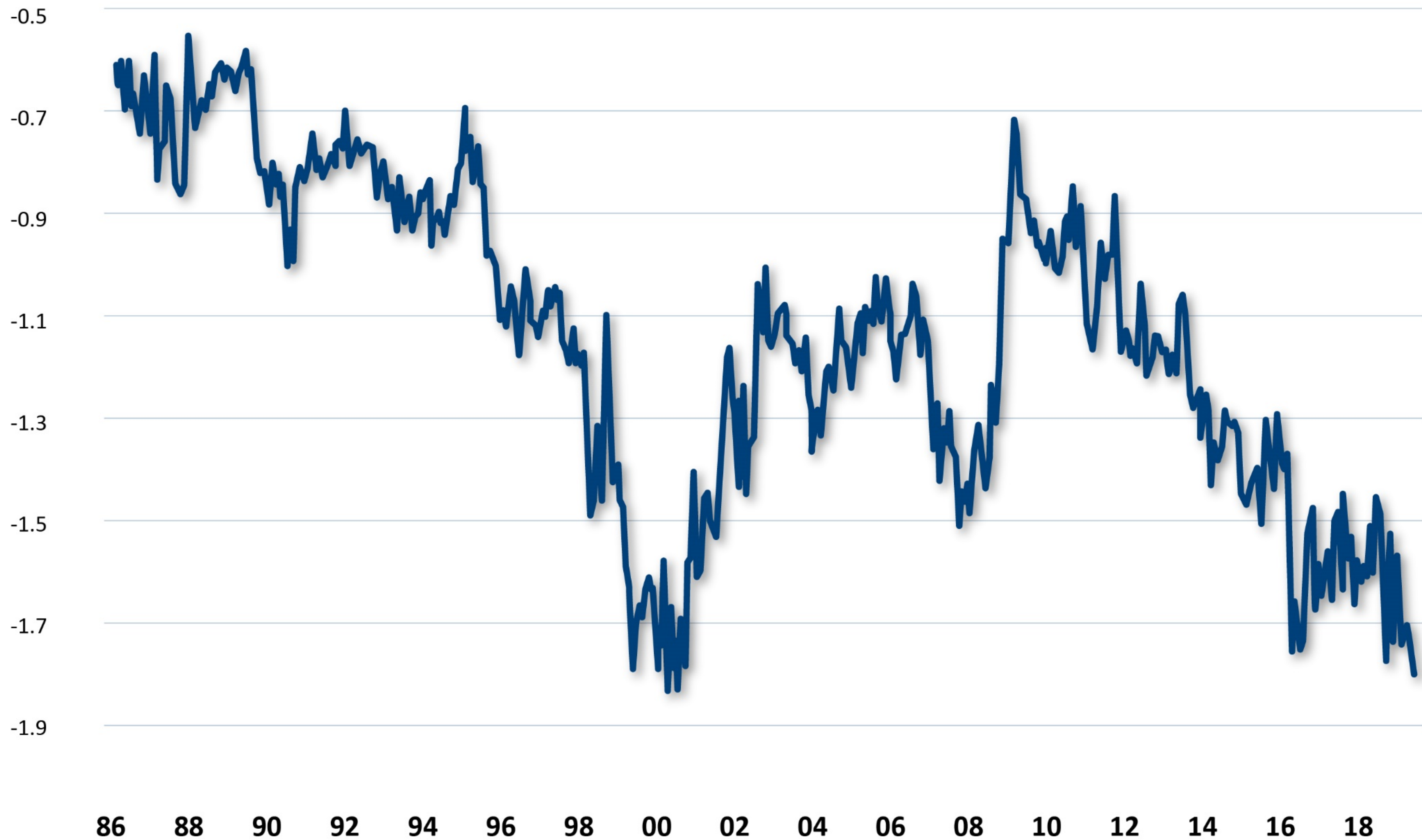
Source: Ned Davis Research. For illustrative purposes only.

Foward P/E Spread, S&P 500, Value vs. Market

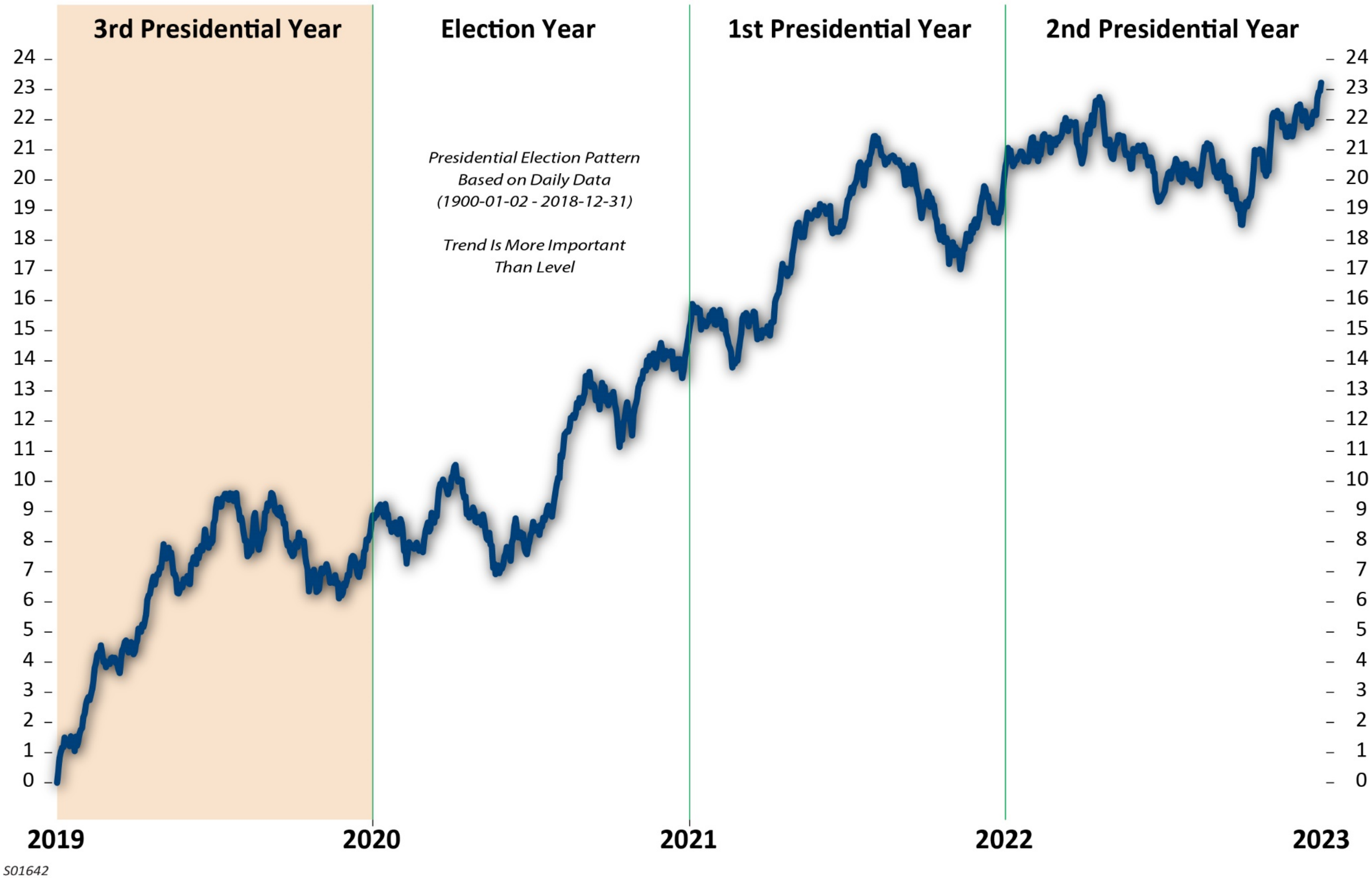


Source: JPMorgan US Equity Strategy and Quantitative Research. For illustrative purposes only. Past performance is not indicative of future results.

P/B Spread, S&P 500, Value vs. Market



Dow Industrials Four-Year Presidential Cycle



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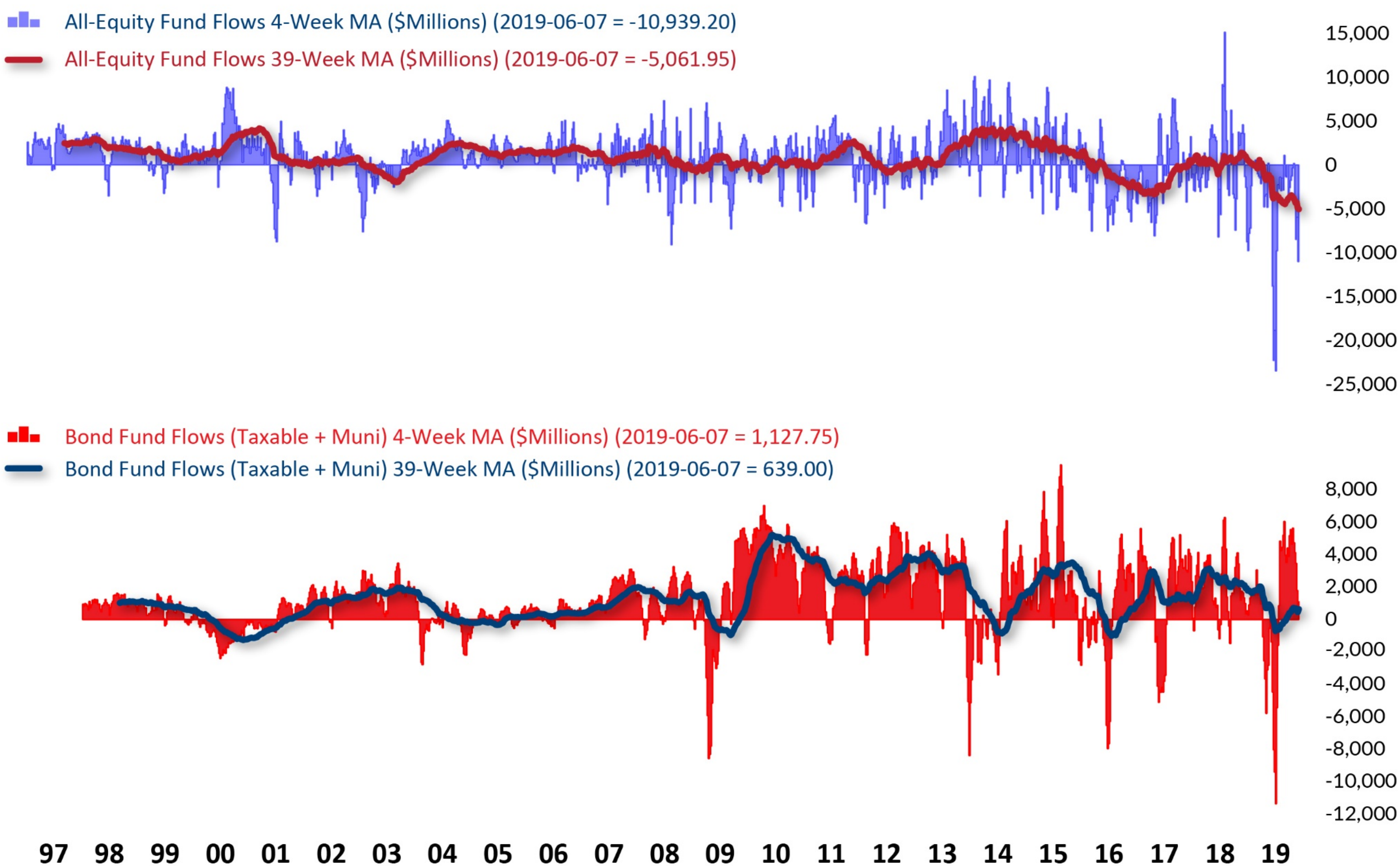
Source: Ned Davis Research. For illustrative purposes only.

Equity and Bond Flows Including ETFs

Weekly Data 1996-06-21 to 2019-06-07



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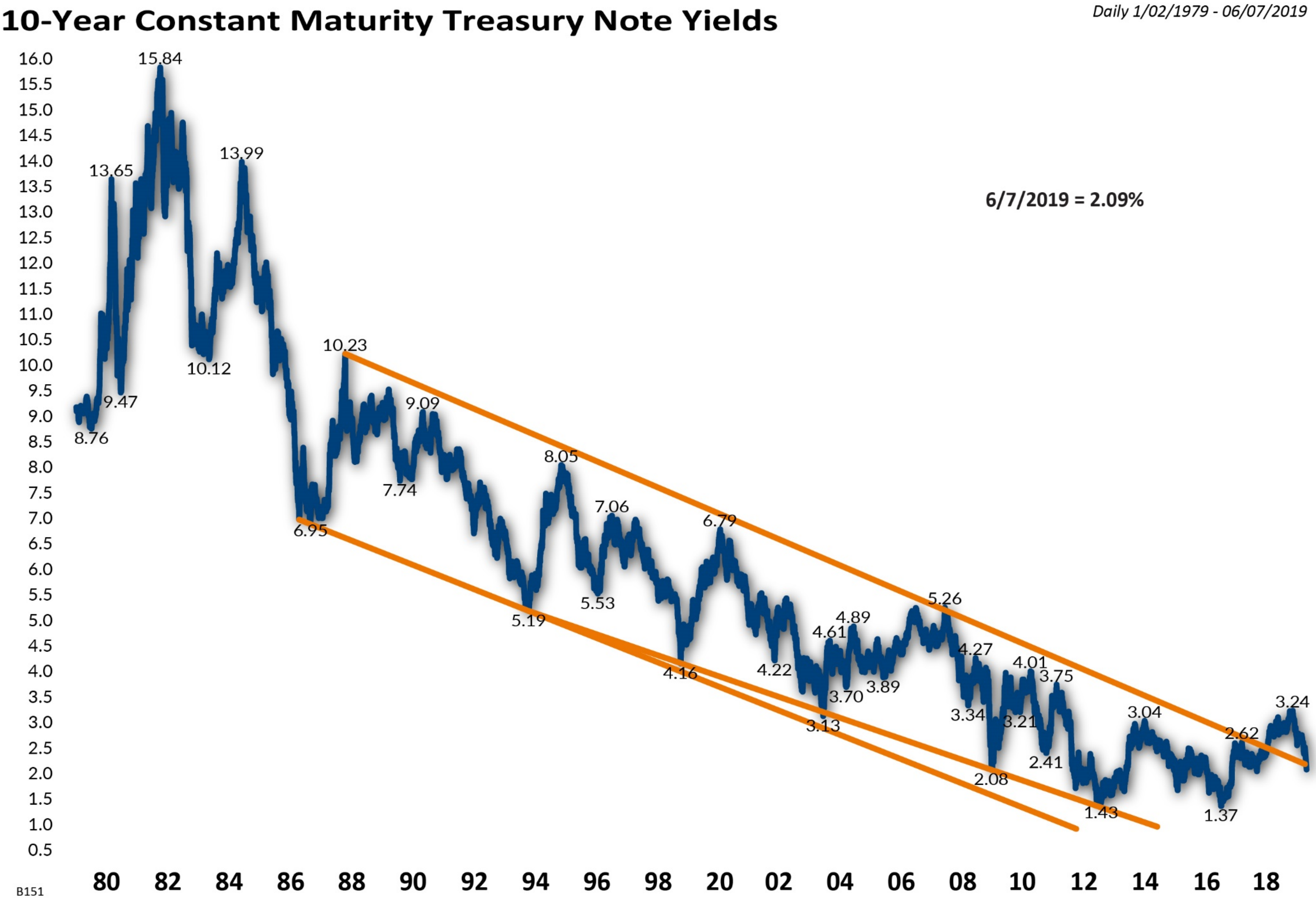
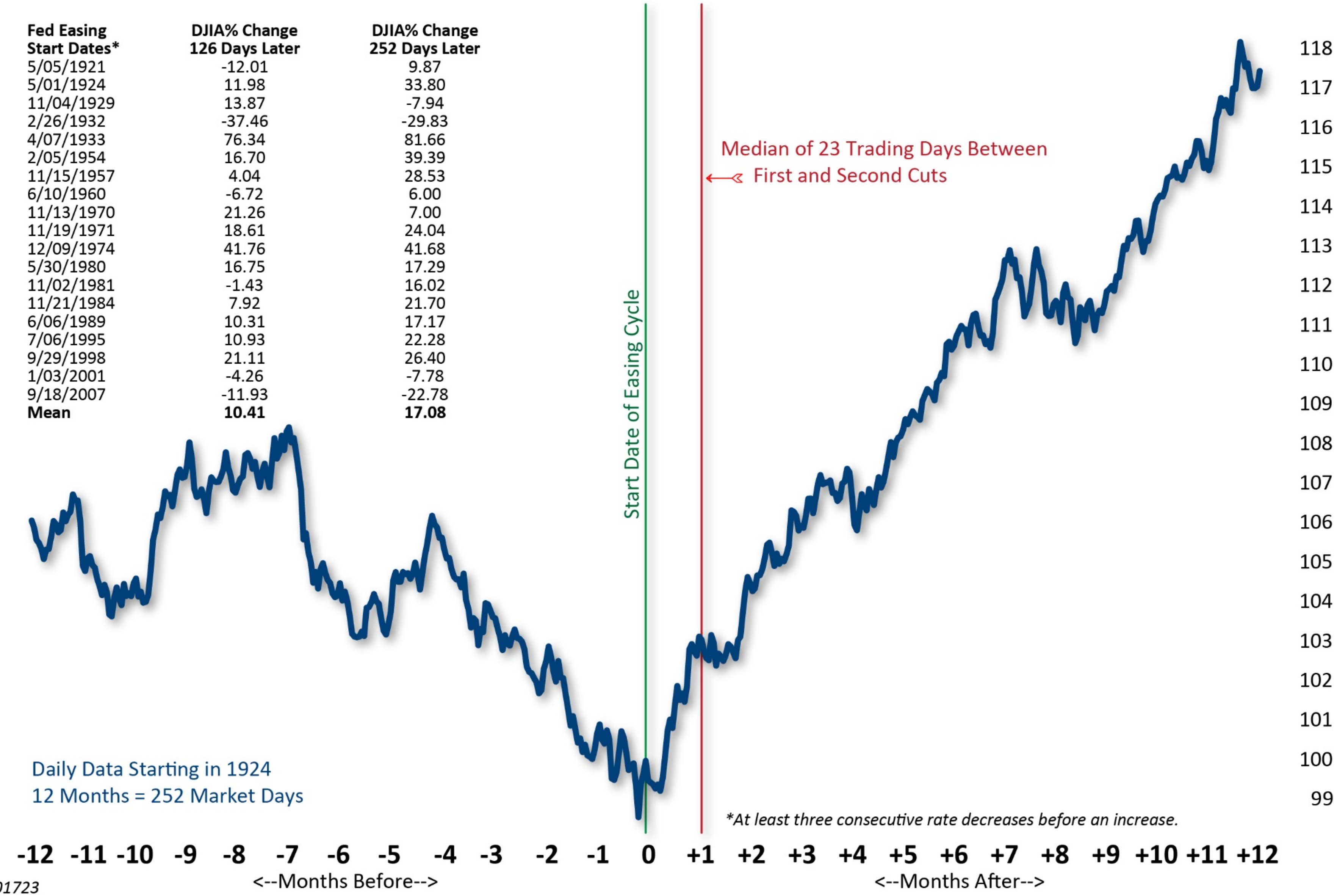
10-Year Constant Maturity Treasury Note Yields



Dow Jones Industrial Average Around Beginning of Fed Easing Cycles

Fed Easing Start Dates*	DJIA% Change 126 Days Later	DJIA% Change 252 Days Later
5/05/1921	-12.01	9.87
5/01/1924	11.98	33.80
11/04/1929	13.87	-7.94
2/26/1932	-37.46	-29.83
4/07/1933	76.34	81.66
2/05/1954	16.70	39.39
11/15/1957	4.04	28.53
6/10/1960	-6.72	6.00
11/13/1970	21.26	7.00
11/19/1971	18.61	24.04
12/09/1974	41.76	41.68
5/30/1980	16.75	17.29
11/02/1981	-1.43	16.02
11/21/1984	7.92	21.70
6/06/1989	10.31	17.17
7/06/1995	10.93	22.28
9/29/1998	21.11	26.40
1/03/2001	-4.26	-7.78
9/18/2007	-11.93	-22.78
Mean	**10.41**	**17.08**



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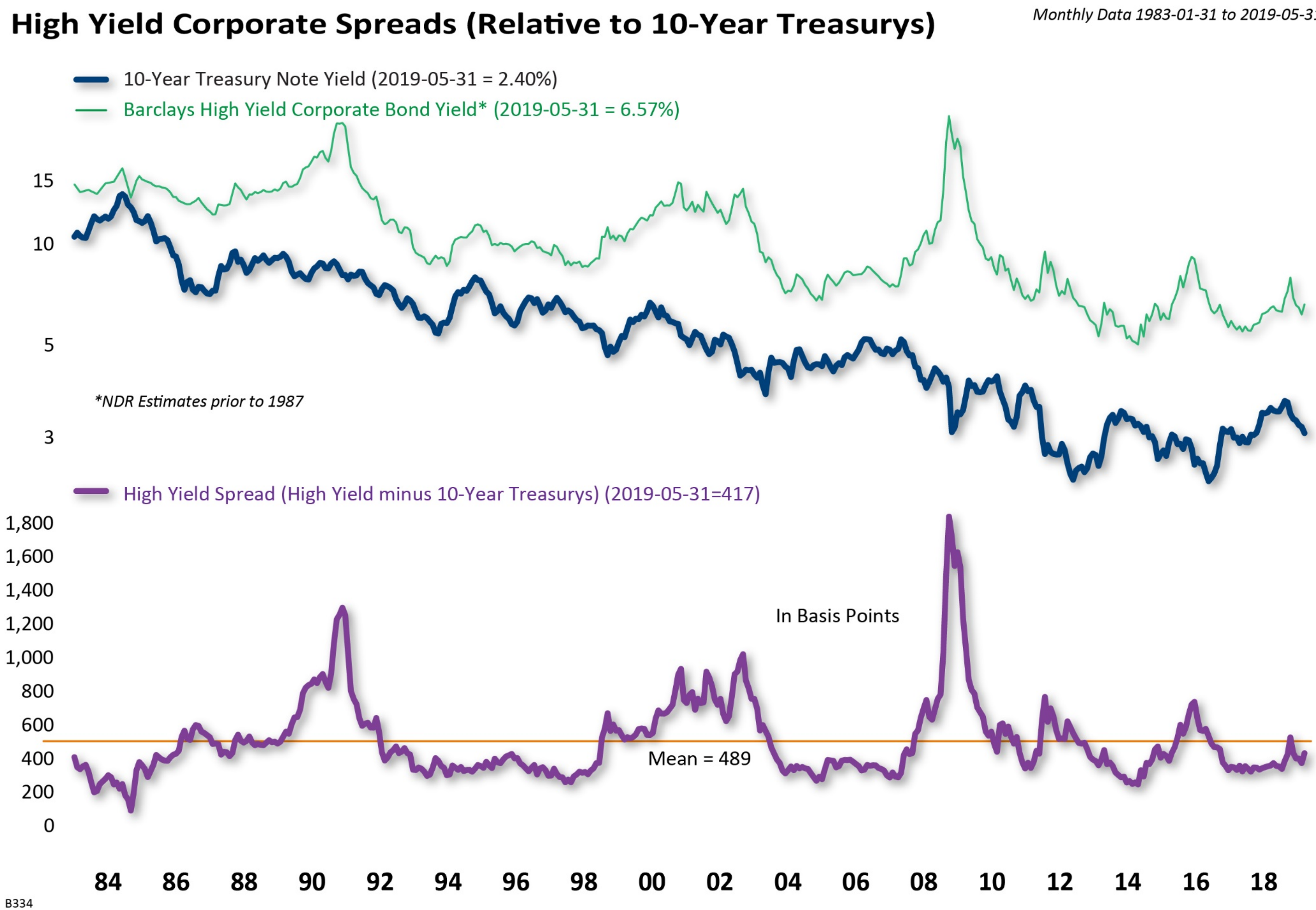
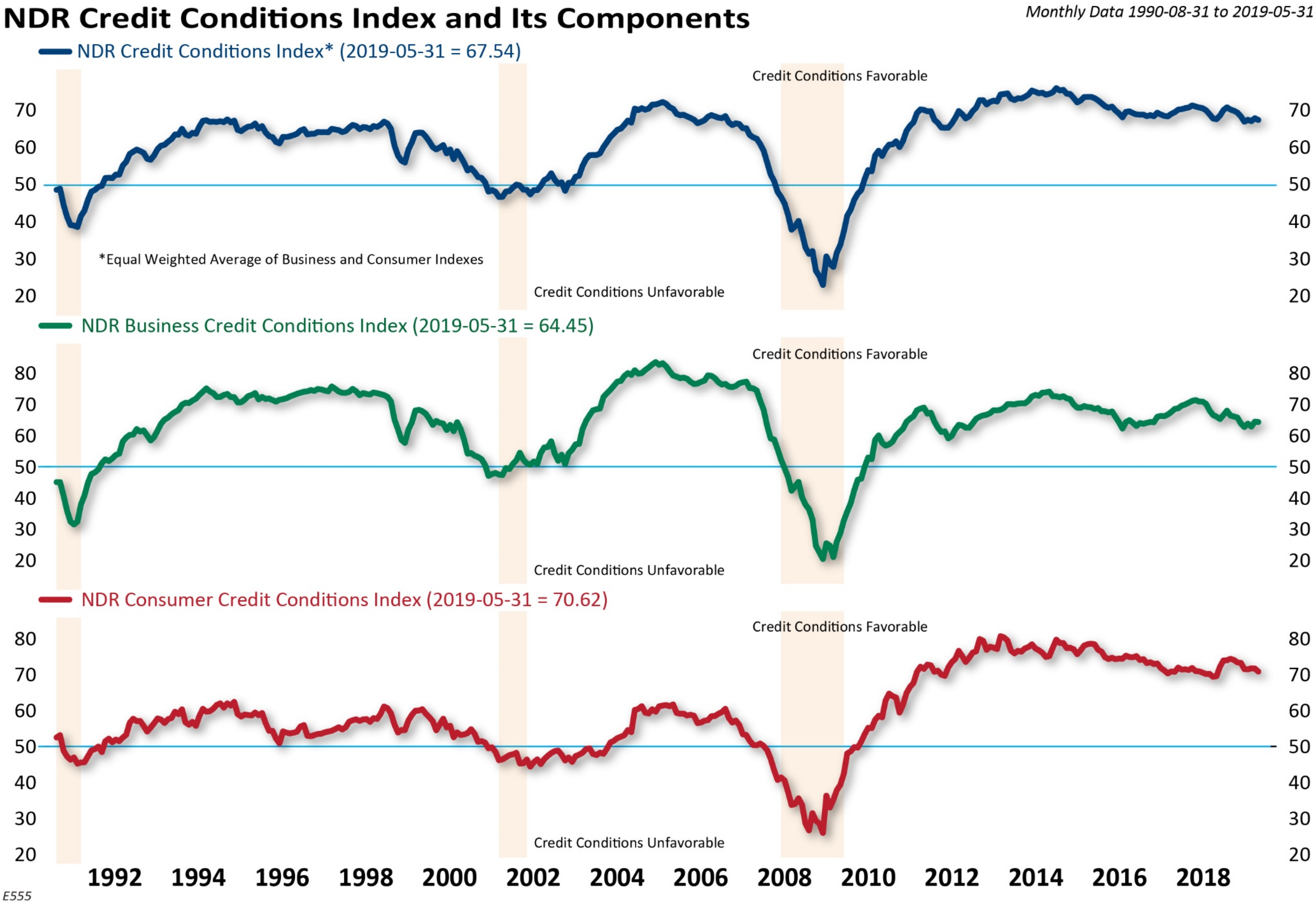
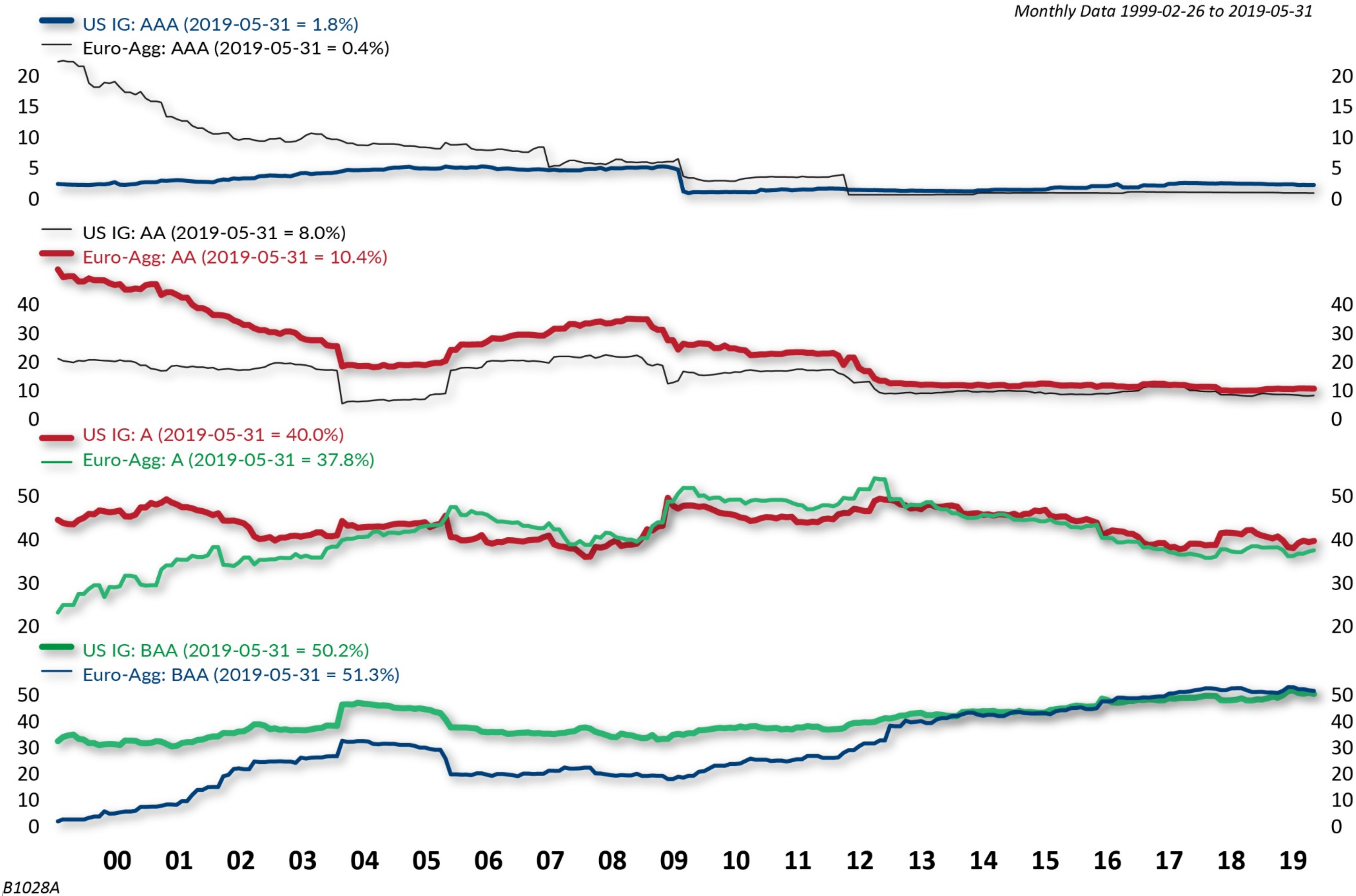
High Yield Corporate Spreads (Relative to 10-Year Treasurys)



NDR Credit Conditions Index and Its Components

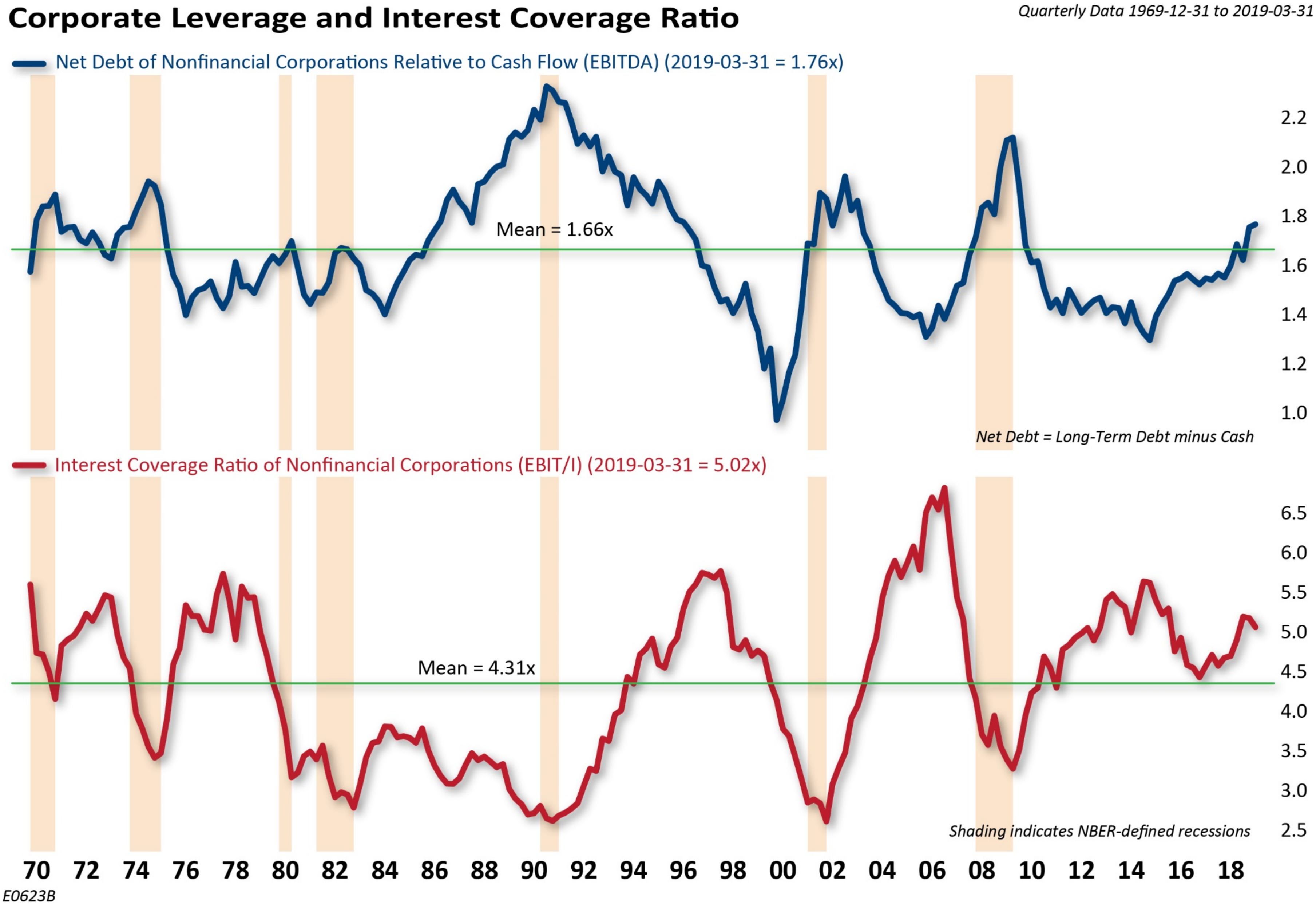


U.S. and European Investment Grade Corporates by Credit Quality (as a % of Total)



Source: Ned Davis Research. For illustrative purposes only. Past performance is not indicative of future results.

Corporate Leverage and Interest Coverage Ratio



Source: Ned Davis Research. For illustrative purposes only. Past performance is not indicative of future results.

Total Credit Market Debt's (All Sectors, as a % of GDP) Potential Impact On Growth

Quarterly Data 1951-12-31 to 2019-03-31 (Log Scale)

CPI Inflation Gain/Annum When

Debt/GDP is:	% Gain/ Annum	% of Time
* Above 318	2.05	21.18
Between 160 and 318	3.64	36.81
Below 160	3.92	42.01

Real GDP

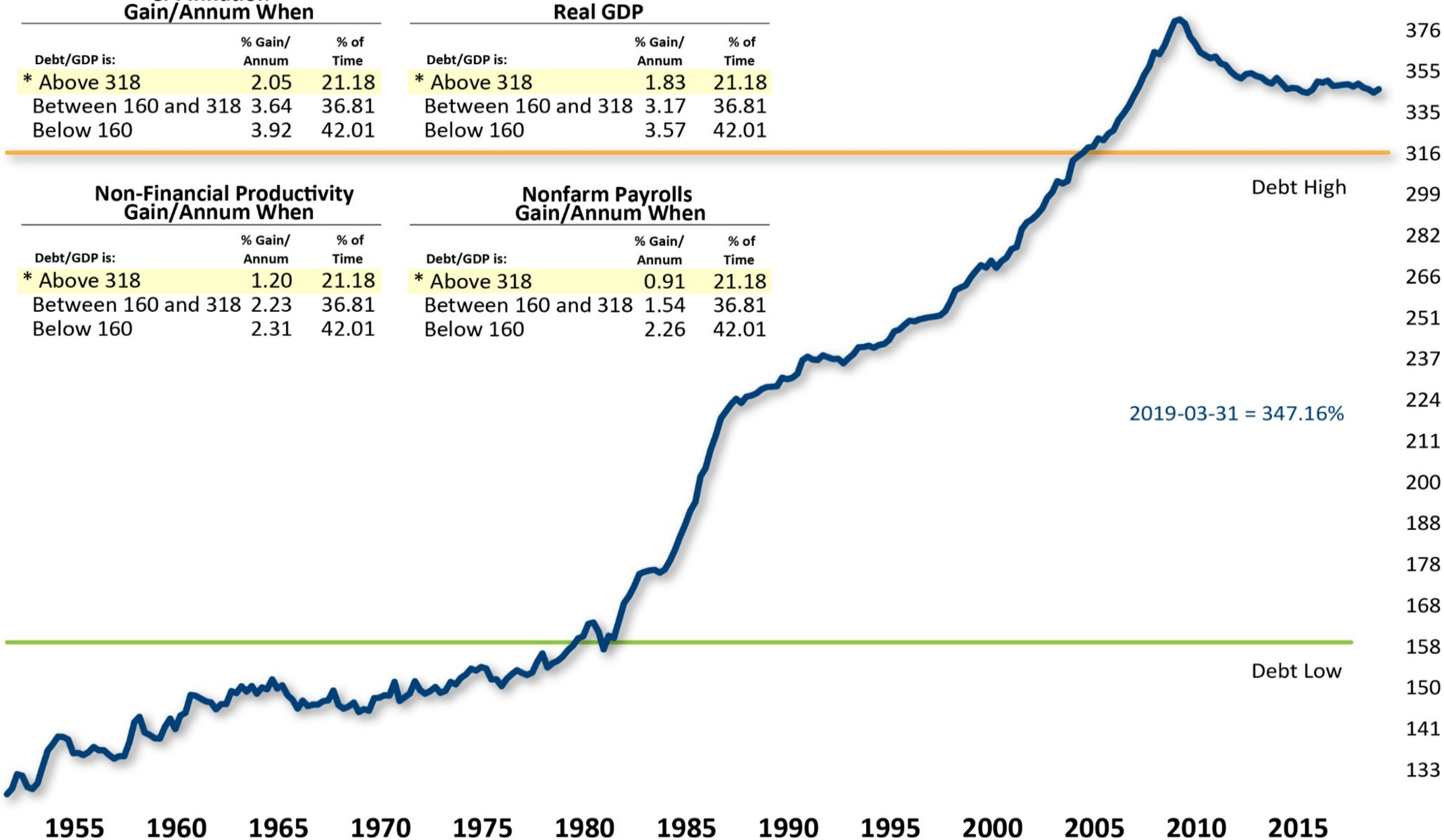
Debt/GDP is:	% Gain/ Annum	% of Time
* Above 318	1.83	21.18
Between 160 and 318	3.17	36.81
Below 160	3.57	42.01

Non-Financial Productivity Gain/Annum When

Debt/GDP is:	% Gain/ Annum	% of Time
* Above 318	1.20	21.18
Between 160 and 318	2.23	36.81
Below 160	2.31	42.01

Nonfarm Payrolls Gain/Annum When

Debt/GDP is:	% Gain/ Annum	% of Time
* Above 318	0.91	21.18
Between 160 and 318	1.54	36.81
Below 160	2.26	42.01



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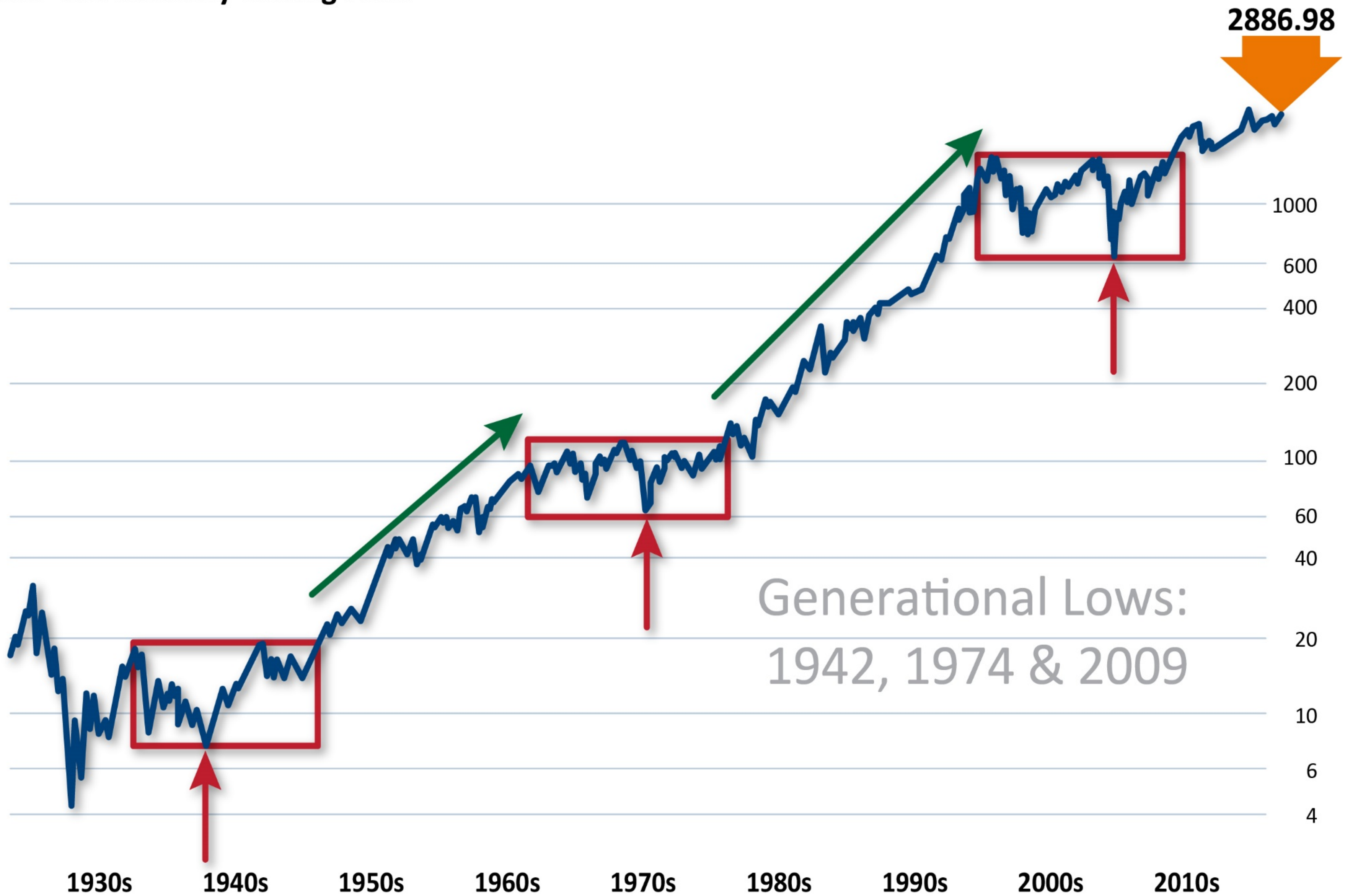
S&P 500 Monthly Closing Price



2019 Mid-Year Outlook – Executive Summary

- Secular Bull Market — We expect global equity markets to rebound with a 2019 S&P 500 target range of 2800–3100. Range due to wider potential outcomes, and a lot depends on trade and economic trends.
- Economy — About to become longest U.S. economic expansion on record. We do not anticipate a recession in 2019, but signs are beginning to appear. We believe end of 2020 is the potential time for recession.
- Risks to the Outlook — China trade war, risk of policy mistakes by the Fed, budget deficit, geopolitical risks in Europe and Iran, U.S. political division.
- Emerging Markets – It's a trade war call. If an agreement is reached, then emerging markets should outperform.
- Federal Reserve — Market is pricing in four rate cuts over next 12 months. We think that is too much and expect one rate cut, maybe two if trade war worsens.
- Fixed Income — Low interest rates are here to stay given debt burden and negative rates across the globe. Credit conditions and strength of economy are still supportive of credit. Growing concern over debt at BBB credit risk.

2019 Market Outlook

- Will be provided in pdf format


ClarkCapital MANAGEMENT GROUP

MarketOutlook Mid-Year 2019

Market Commentary by K. Sean Clark, CFA® Chief Investment Officer

January 2019

Title

K. Sean Clark, CFA
Chief Investment Officer

As Clark Capital's Chief Investment Officer, Sean oversees all of the Firm's investment activities and heads the Firm's portfolio team. Sean joined the Firm in 1993 and is responsible for asset allocation and investment selection for Navigator Investment Solutions as well as directing ongoing market research and contributing to the development of proprietary products. Sean is a member of the Clark Capital Executive Committee and the Board of Directors. He graduated from the University of Delaware, earning a B.S. and an M.A. in Economics. Sean is a Chartered Financial Analyst and a member of the CFA Institute (formerly AIMR) and the Financial Analysts of Philadelphia, Inc. Sean is considered an industry expert and is often asked to appear on CNBC and Bloomberg television to share his views on the market. In addition, Sean was featured in an article in Barron's and has been quoted in a number of articles in nationally distributed business journals and newspapers.

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Q&A

Disclosure

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The S&P 500 measures the performance of the 500 leading companies in leading industries of the U.S. economy, capturing 75% of U.S. equities.

The Barclays U.S. Corporate High-Yield Index covers the USD-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.

Index returns include the reinvestment of income and dividends. The returns for these unmanaged indexes do not include any transaction costs, management fees or other costs. It is not possible to make an investment directly in any index.

The volatility (beta) of an account may be greater or less than its respective benchmark.

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