Clark Capital Management Group

Market Outlook 2019

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Thursday, January 3, 2019

2018 Review

Domestic Equity		Q4 2018	2nd Half 2018	2018
	S&P 500	-13.52%	-6.85%	-4.39%
	Russell 1000	-13.83%	-7.42%	-4.79%
	Russell 2000	-20.21%	-17.35%	-11.03%
	Russell 3000	-14.31%	-8.20%	-5.25%
	Russell 1000 Value	-11.73%	-6.69%	-8.28%
	Russell 1000 Growth	-15.89%	-8.17%	-1.52%
International Equity				
	MSCI Emerging Market	-7.47%	-8.49%	-14.49%
	MSCI All Country World (ex US)	-11.49%	-10.84%	-14.20%
Fixed Income				
	BBgBarc U.S. Aggregate Bond	1.64%	1.65%	0.01%
	BBgBarc U.S. Treasury	2.57%	1.96%	0.86%
	BBgBarc U.S. Corporate	-0.18%	0.79%	-2.51%
	BBgBarc U.S. Corporate High Yield	-4.53%	-2.24%	-2.08%
	BBgBarc Municipal	1.69%	1.53%	1.28%

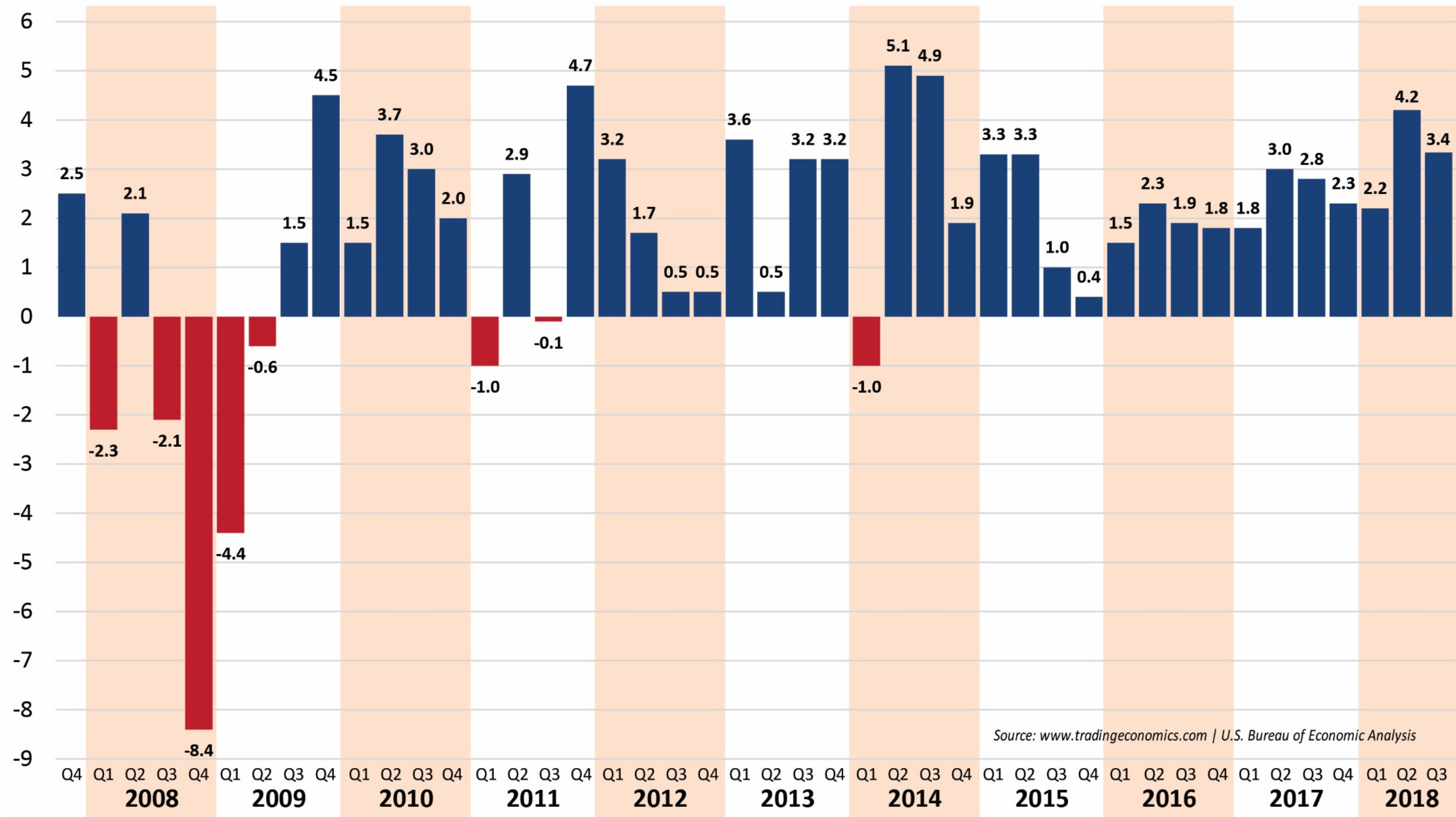
Source: Morningstar Direct.

2019 Outlook – Executive Summary

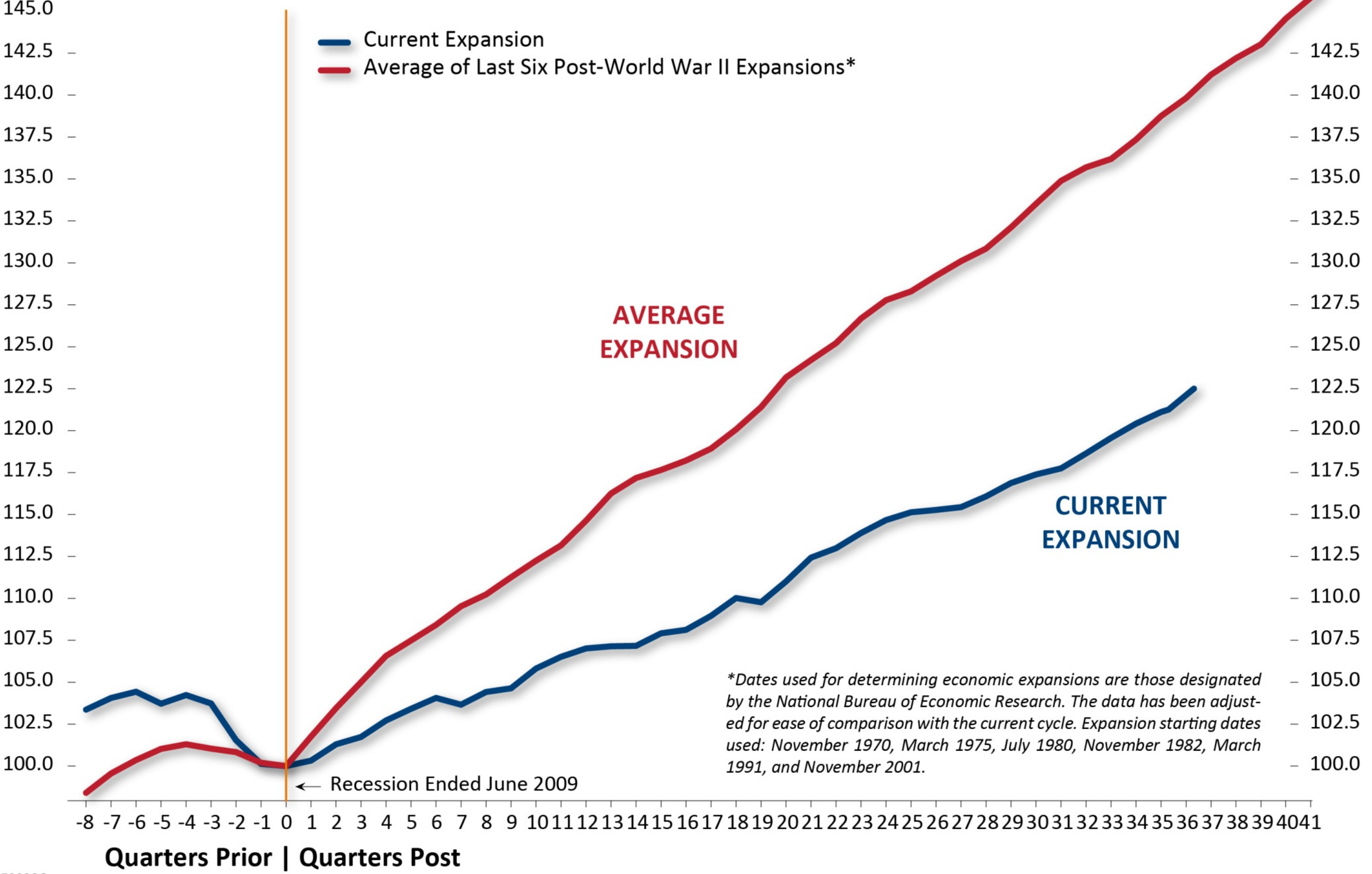
- Cyclical bear ending within context of Secular bull. Expect global equity markets to rebound. 2019 S&P 500 target of 2900.
- International – emerging markets set to outperform.
- Expect to see volatility remain elevated given correction and late cycle economic expansion.
- Economy — about to become 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 expect 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.

United States GDP Growth Rate

Percent Change in Gross Domestic Product



Performance of Real GDP vs. Average of Last Six Expansions



**Dates used for determining economic expansions are those designated by the National Bureau of Economic Research. The data has been adjusted for ease of comparison with the current cycle. Expansion starting dates used: November 1970, March 1975, July 1980, November 1982, March 1991, and November 2001.*

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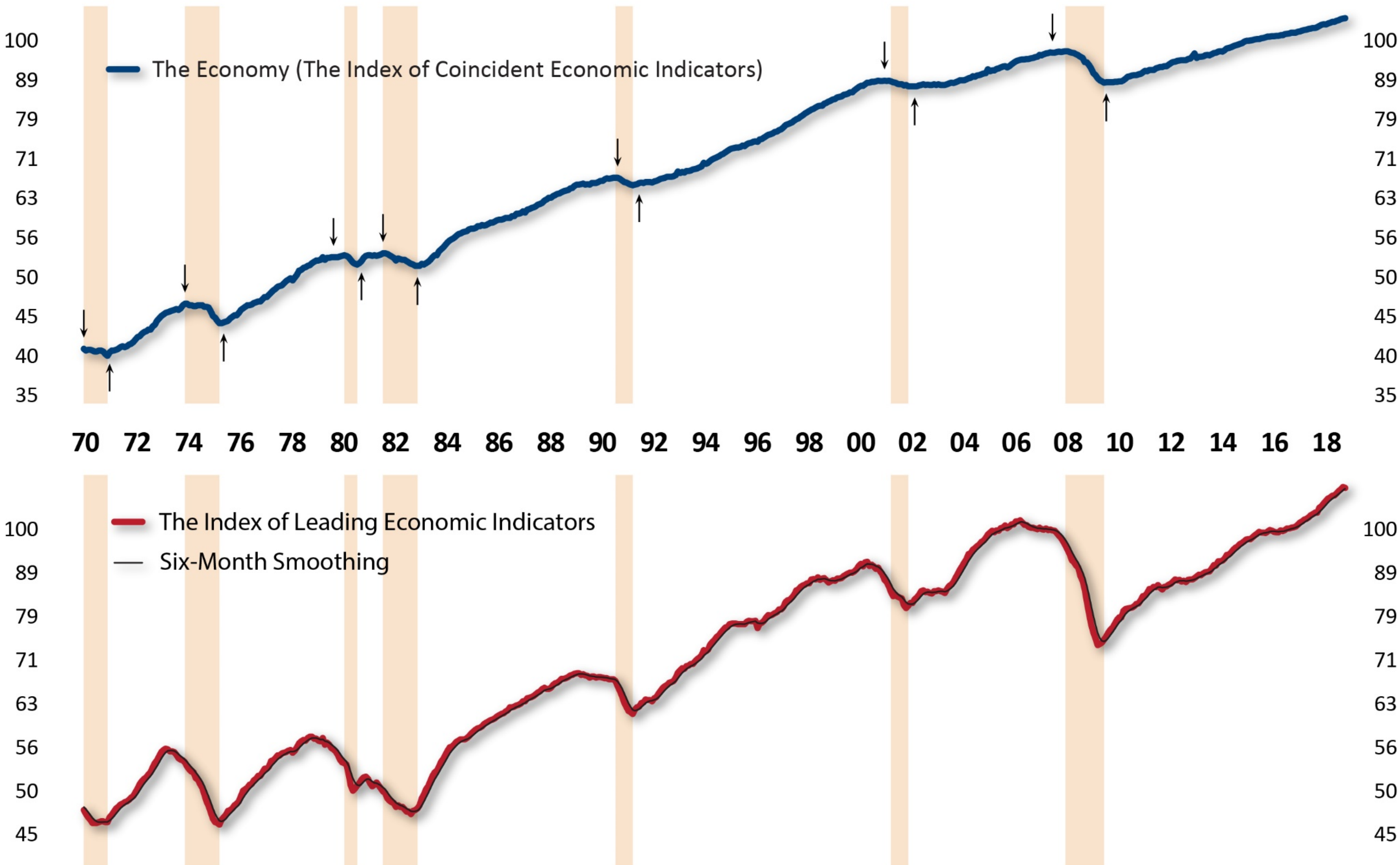
Source: Ned Davis Research

The Index of Leading Economic Indicators

Monthly Data 1969-12-31 to 2018-10-31



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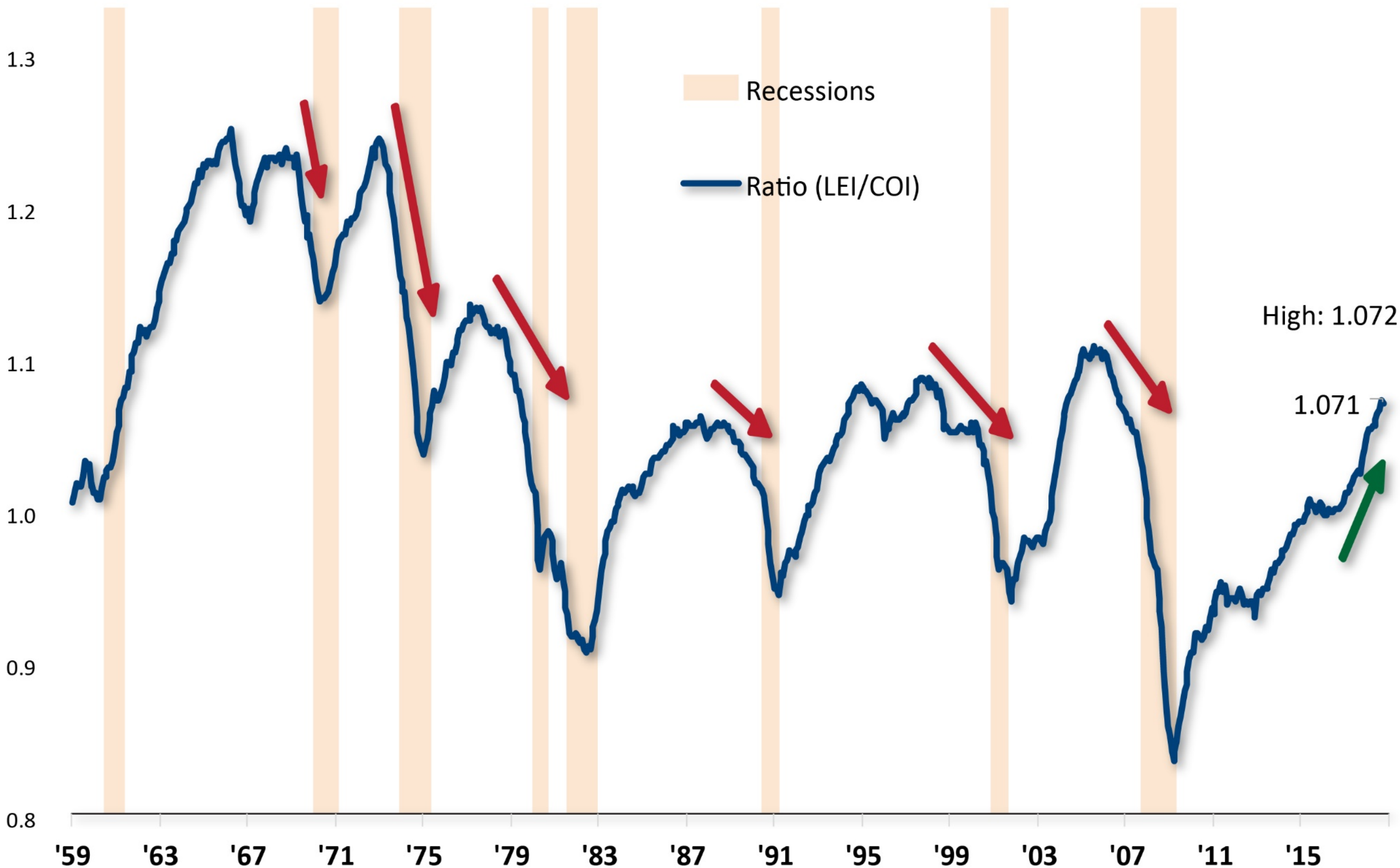
LEI Recession Lead Times

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

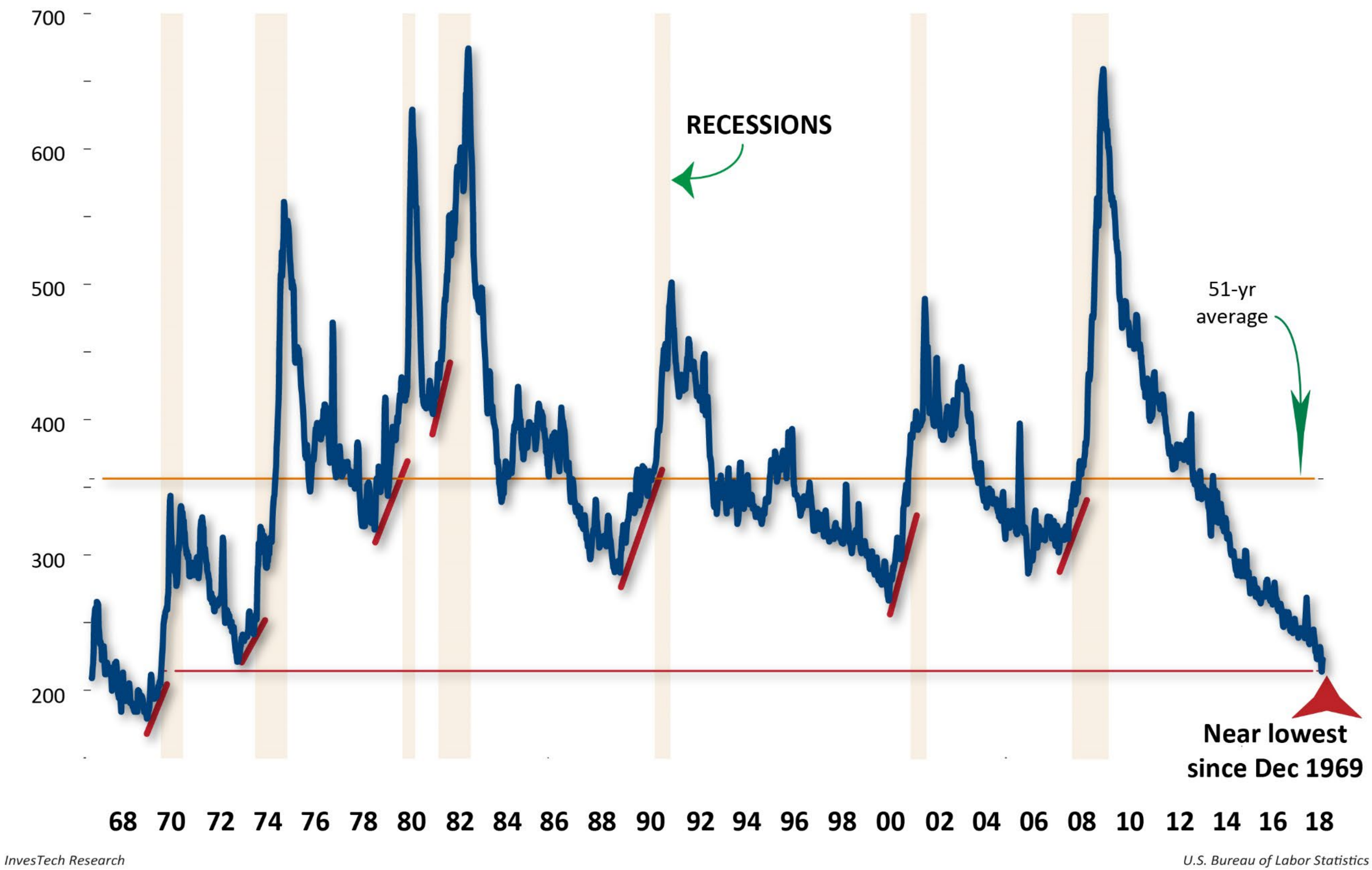
Ratio of Leading to Coincident Indicators: 1959 - 2018

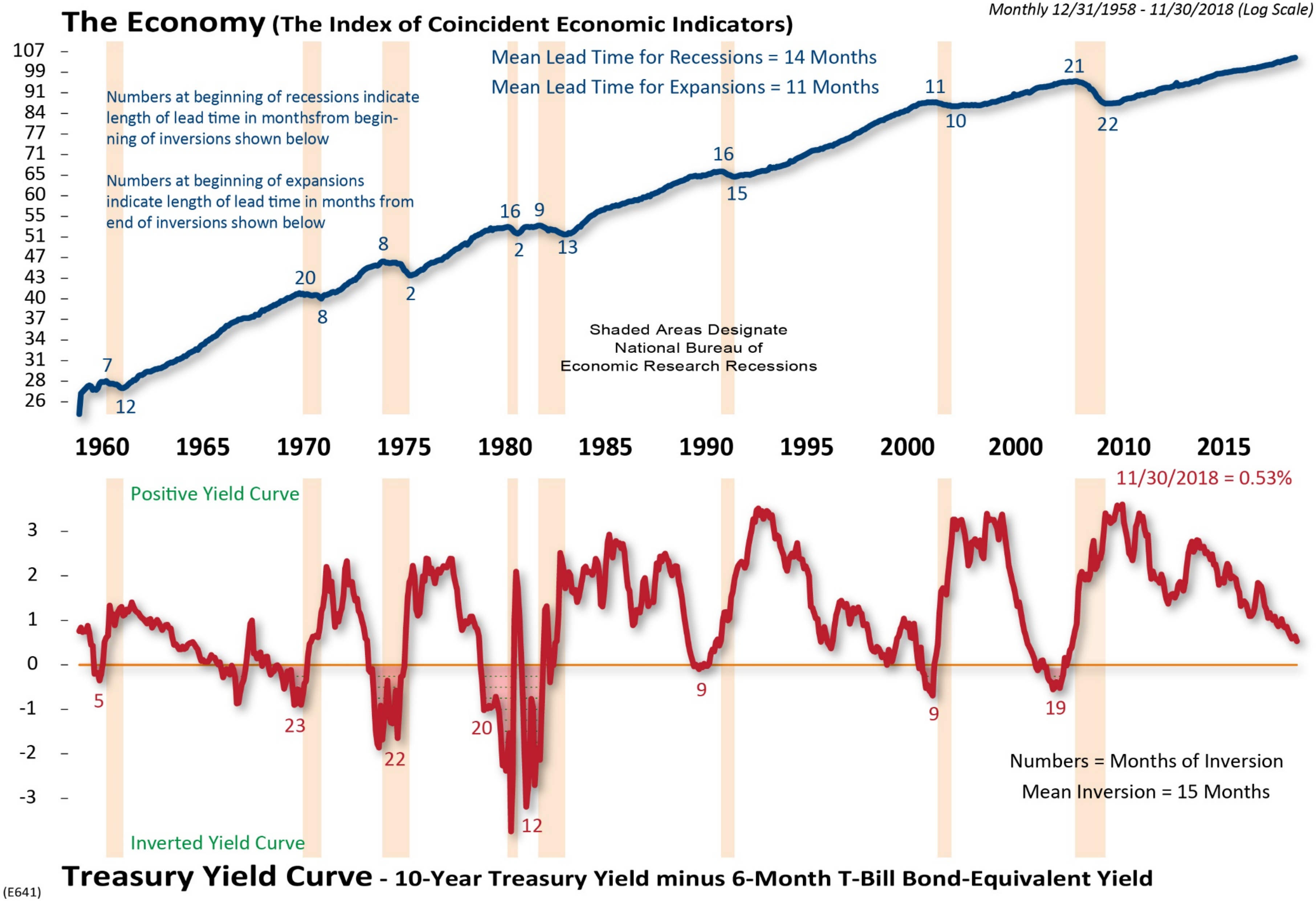


Housing Starts (12 Month Average, mln): 1967 - 2018

Source: Bespoke

Unemployment Claims (4-wk moving avg)





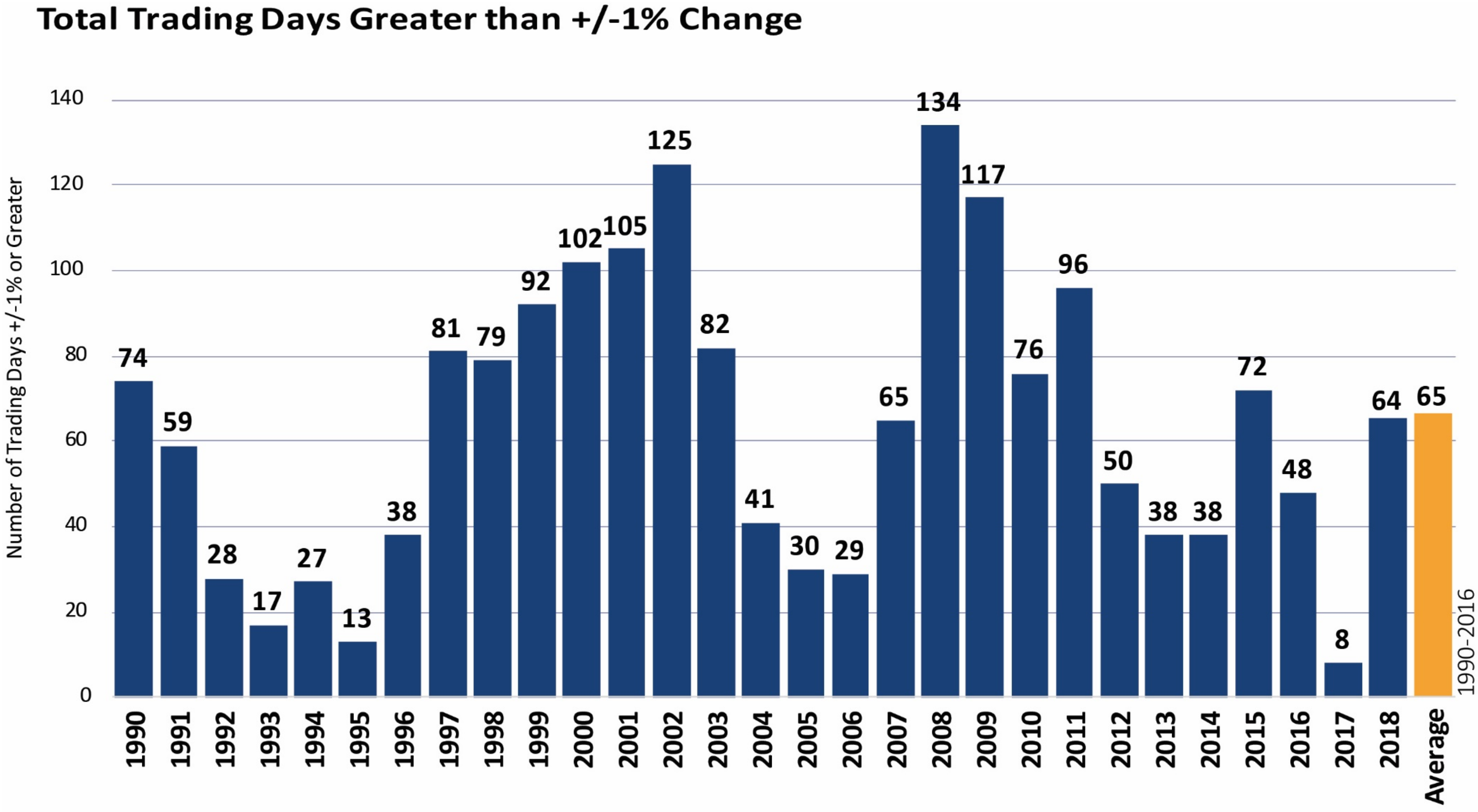
The Economy (The Index of Coincident Economic Indicators)
Monthly 12/31/1958 - 11/30/2018 (Log Scale)
Mean Lead Time for Recessions = 14 Months
Mean Lead Time for Expansions = 11 Months
Numbers at beginning of recessions indicate length of lead time in monthsfrom beginning of inversions shown below
Numbers at beginning of expansions indicate length of lead time in months from end of inversions shown below
Shaded Areas Designate National Bureau of Economic Research Recessions
1960
1965
1970
1975
1980
1985
1990
1995
2000
2000
2010
2015
11/30/2018 = 0.53%
Positive Yield Curve
Inverted Yield Curve
Numbers = Months of Inversion
Mean Inversion = 15 Months
Treasury Yield Curve - 10-Year Treasury Yield minus 6-Month T-Bill Bond-Equivalent Yield
(E641)

Yield Curve Leading Up to Recessions

	Yield Curve (bps)	
Start of Recession	At Start of Recession	52-Week Low
12/31/1969	-13	-45
11/30/1973	-61	-187
01/31/1980	-87	-208
07/31/1981	-20	-373
07/31/1990	61	-16
04/02/2001	72	-99
12/31/2007	79	-60
Current	31	31

Source: InvesTech Research

Volatility – A Tale of Two Cities

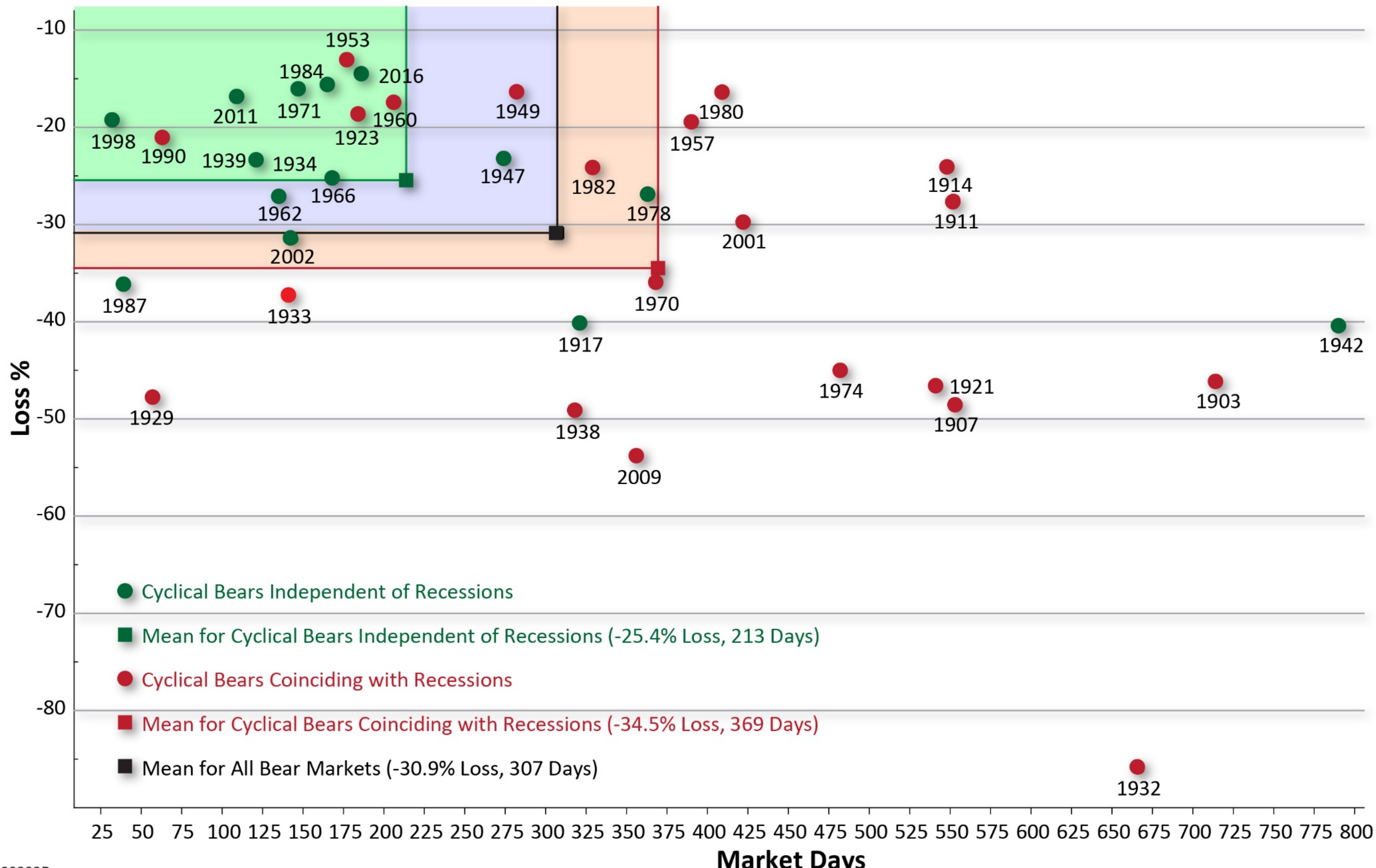


Frequency of Declines

S&P 500 Declines	Occurrences Per Year	Frequency Average	Probability of Decline Moving to Next Stage	Mean Decline
-5% or more	3.4	Every 14 weeks	32%	-10.9%
-10% or more	1.1	Every Year	45%	-19.5%
-15% or more	0.5	Every 2 years	58%	-28.2%
-20% or more	0.3	Every 3 years	N/A	-35.7%

Source: Ned Davis Research

A History of Bear Markets II: Dow Jones Industrial Average (1900-Present)



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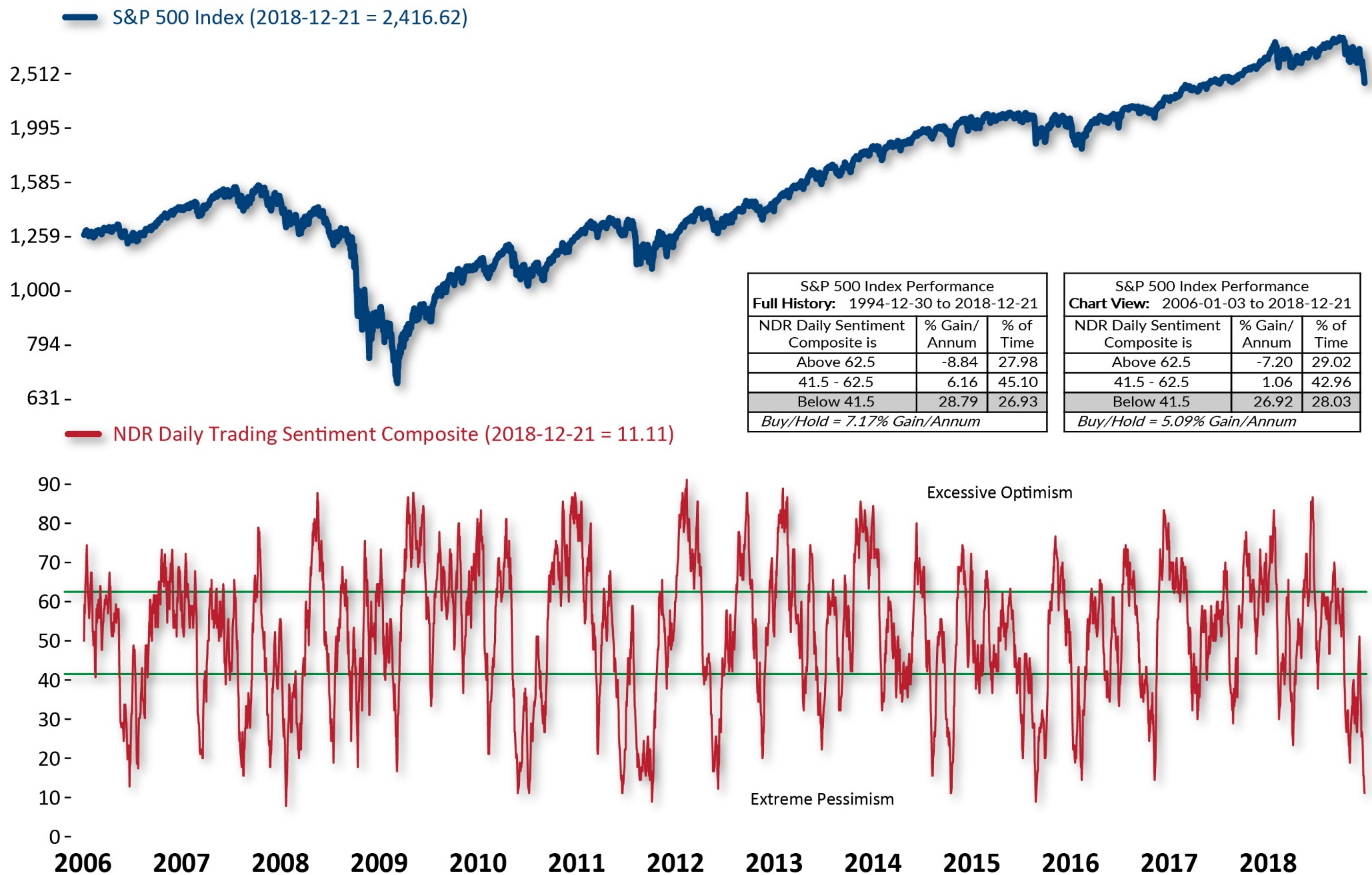
S&P 500 vs. NDR Daily Trading Sentiment Composite

Daily Data 2006-01-03 to 2018-12-21



S&P 500 Index Performance **Full History:** 1994-12-30 to 2018-12-21		
NDR Daily Sentiment Composite is	% Gain/ Annum	% of Time
Above 62.5	-8.84	27.98
41.5 - 62.5	6.16	45.10
Below 41.5	28.79	26.93
Buy/Hold = 7.17% Gain/Annum		

S&P 500 Index Performance **Chart View:** 2006-01-03 to 2018-12-21		
NDR Daily Sentiment Composite is	% Gain/ Annum	% of Time
Above 62.5	-7.20	29.02
41.5 - 62.5	1.06	42.96
Below 41.5	26.92	28.03
Buy/Hold = 5.09% Gain/Annum		

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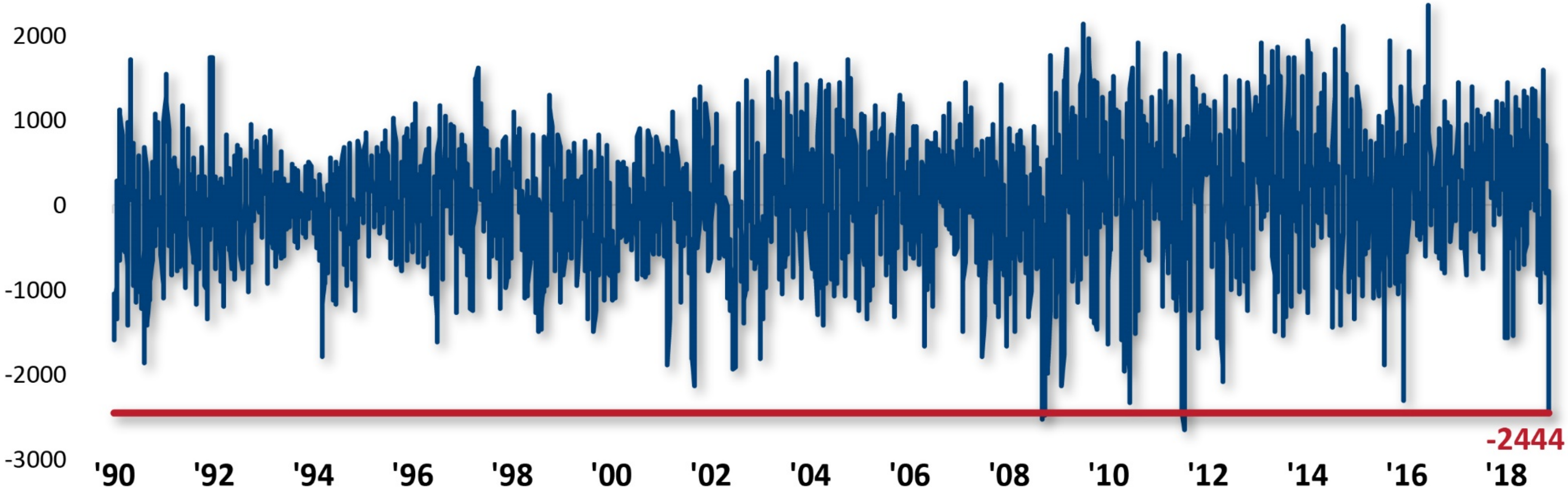
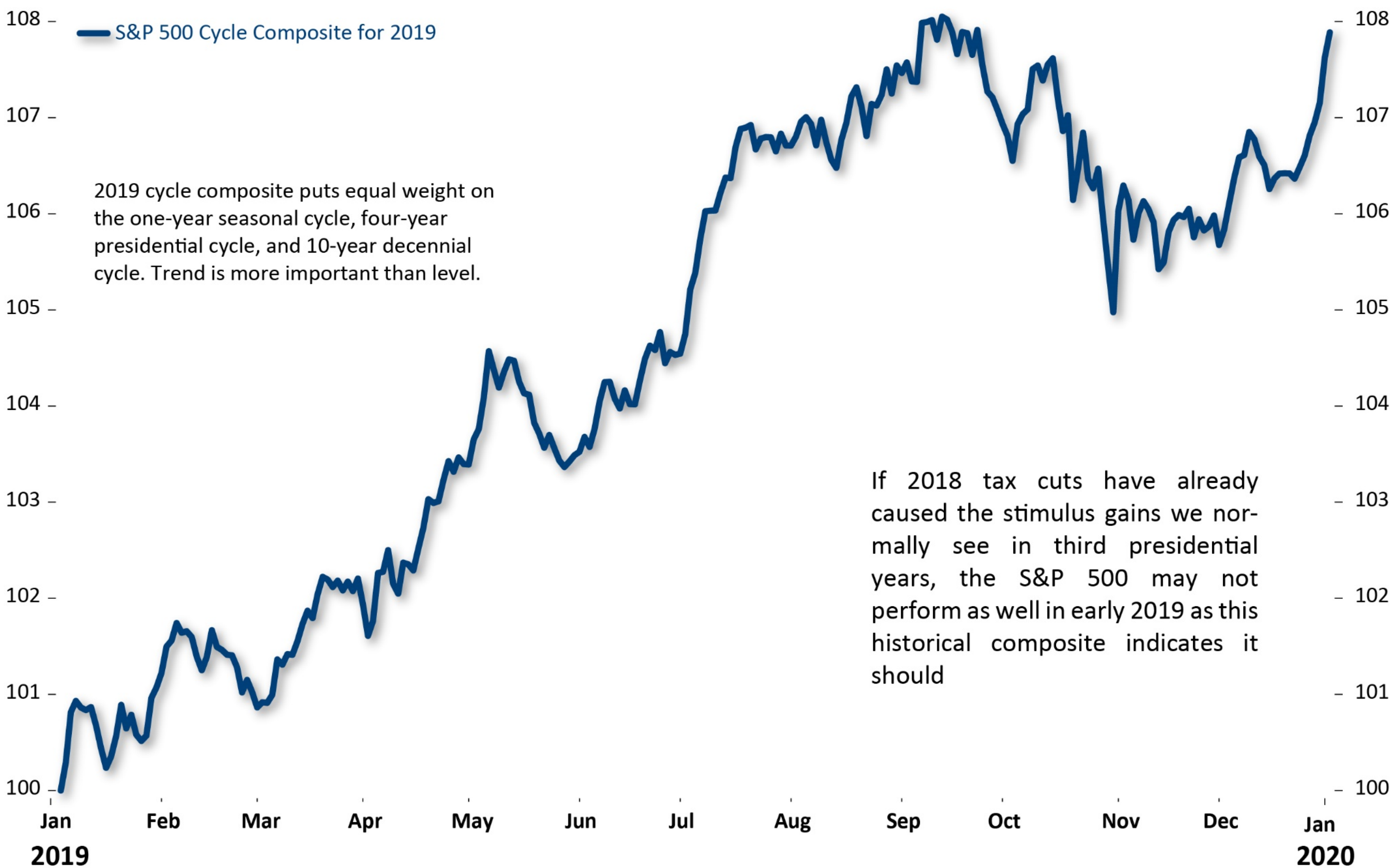
S&P 500 10-Day A/D Line: 1990 - 2018



S&P 500 After Extreme Readings in 10-Day A/D Line: 1990 -2018

Date	Most Negative Reading	S&P 500 Performance (%)				
		One Week	One Month	Three Months	Six Month	One Year
10/9/08	-2525	4.01	2.32	-2.15	-5.86	17.76
7/2/10	-2334	5.42	10.10	12.09	22.99	31.01
8/4/11	-2644	-2.29	-2.17	4.43	12.07	15.91
1/13/16	-2296	-1.64	-1.35	10.16	13.87	20.33
12/24/18	-2444					
Average		**1.38**	**2.22**	**6.13**	**10.76**	**21.25**
Median		**1.19**	**0.48**	**7.30**	**12.97**	**19.05**

What History Says 2019 Should Look Like

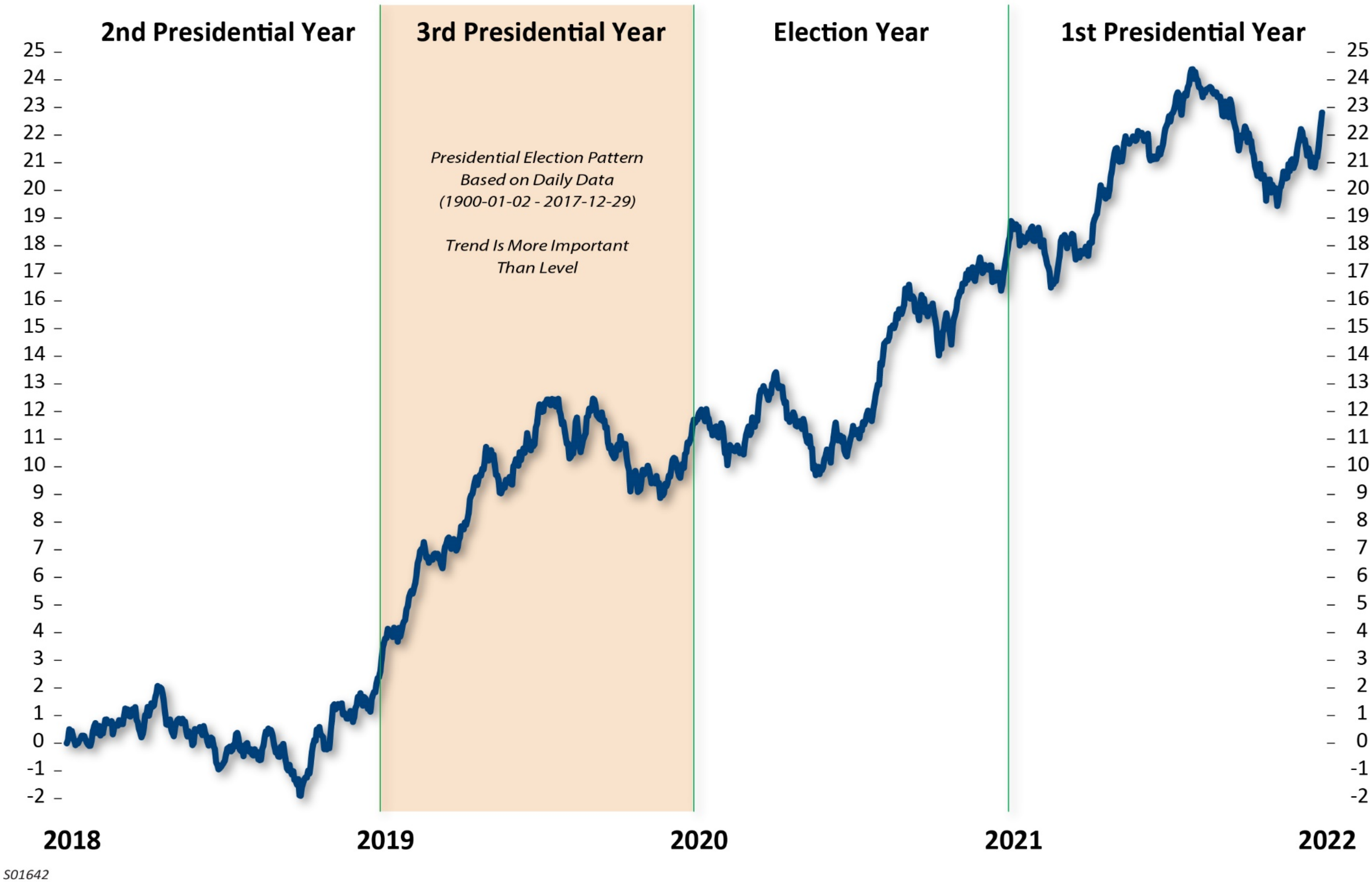


2019 cycle composite puts equal weight on the one-year seasonal cycle, four-year presidential cycle, and 10-year decennial cycle. Trend is more important than level.

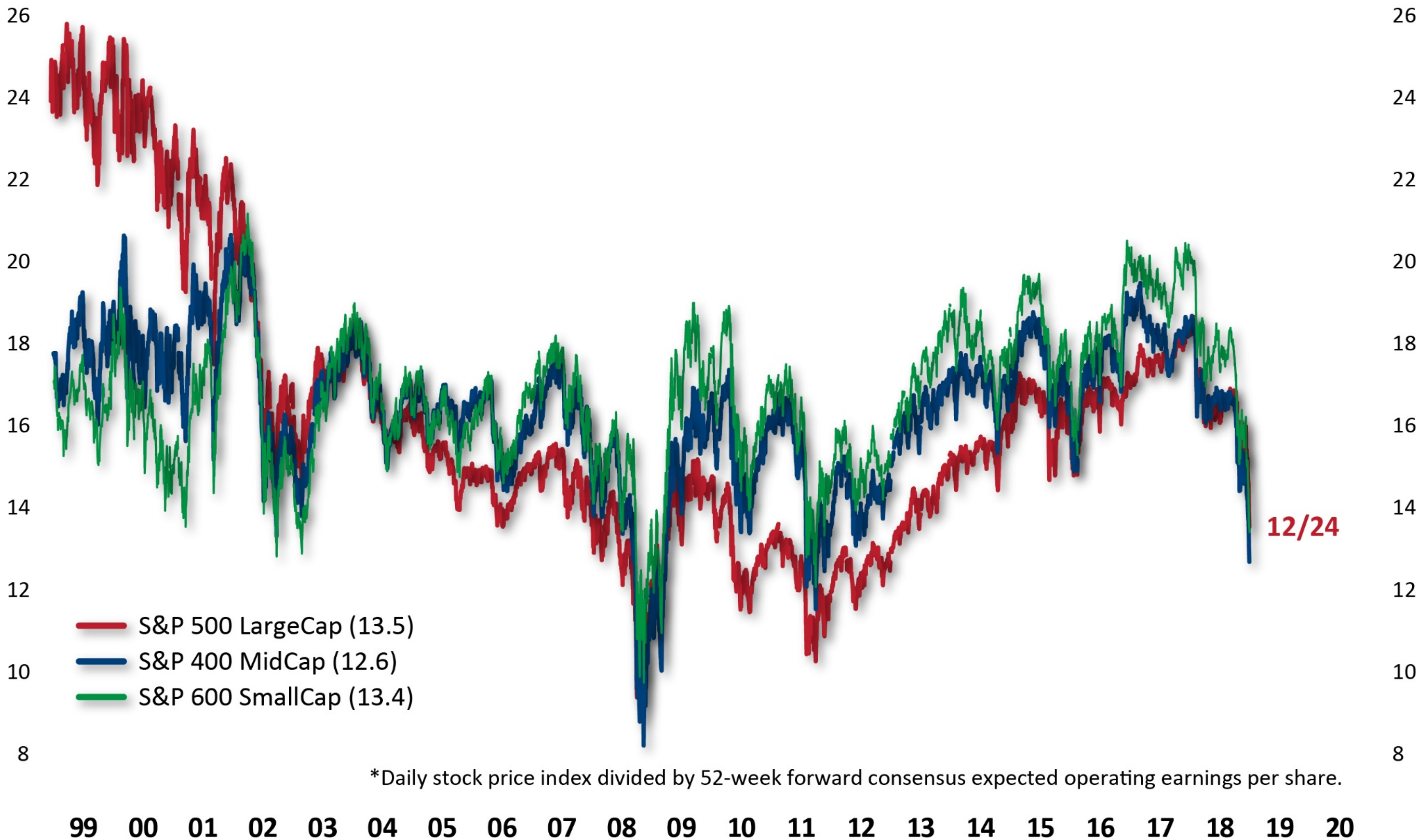
If 2018 tax cuts have already caused the stimulus gains we normally see in third presidential years, the S&P 500 may not perform as well in early 2019 as this historical composite indicates it should

CYCLE_2019

Dow Industrials Four-Year Presidential Cycle



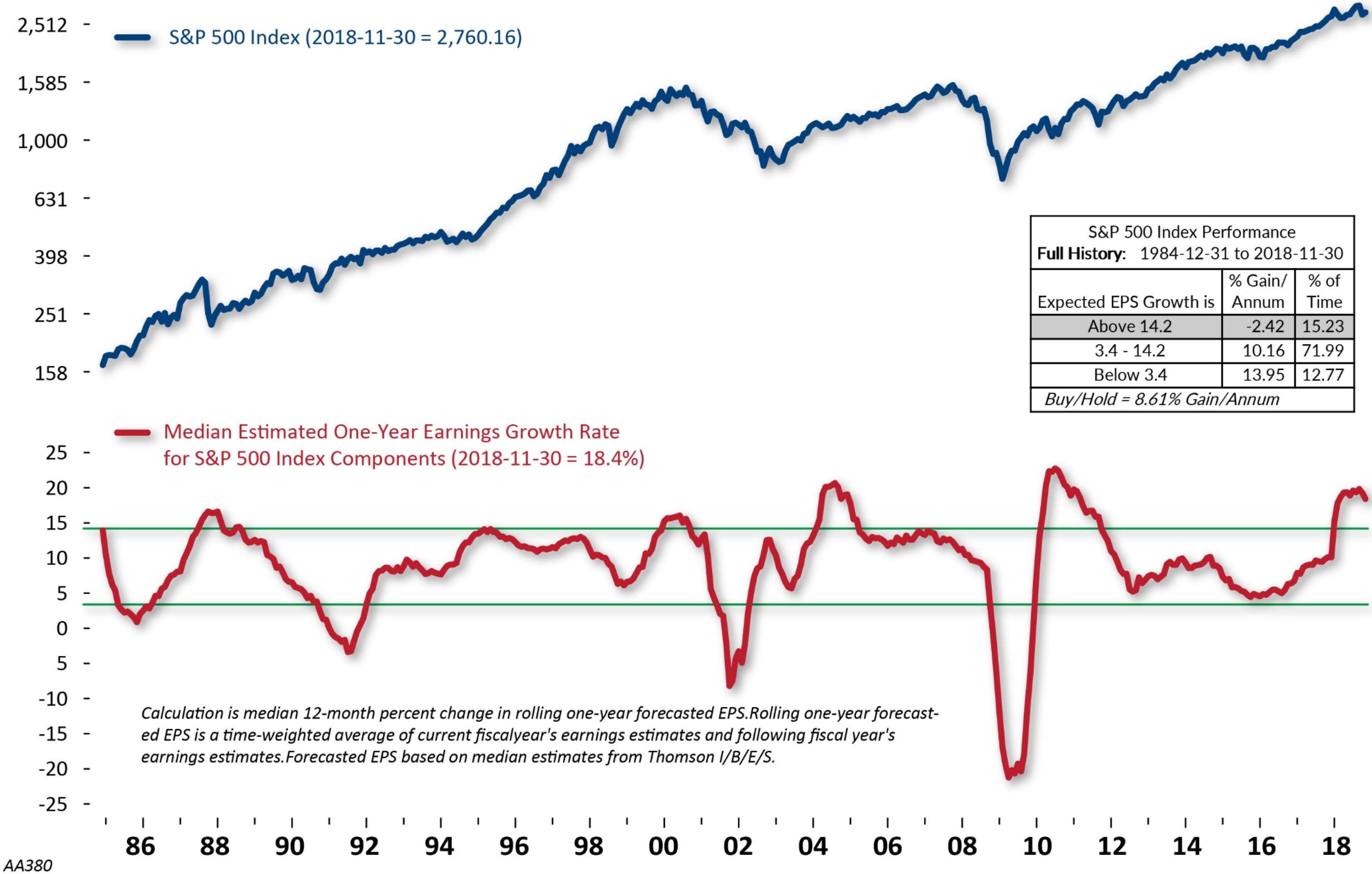
Forward P/E Ratios For S&P Stock Price Indexes*



*Daily stock price index divided by 52-week forward consensus expected operating earnings per share.

S&P 500 Index vs. Median Expected Earnings Growth

Monthly Data 1984-12-31 to 2018-11-30



S&P 500 Index Performance
Full History: 1984-12-31 to 2018-11-30

Expected EPS Growth is	% Gain/ Annum	% of Time
Above 14.2	-2.42	15.23
3.4 - 14.2	10.16	71.99
Below 3.4	13.95	12.77

Buy/Hold = 8.61% Gain/Annum

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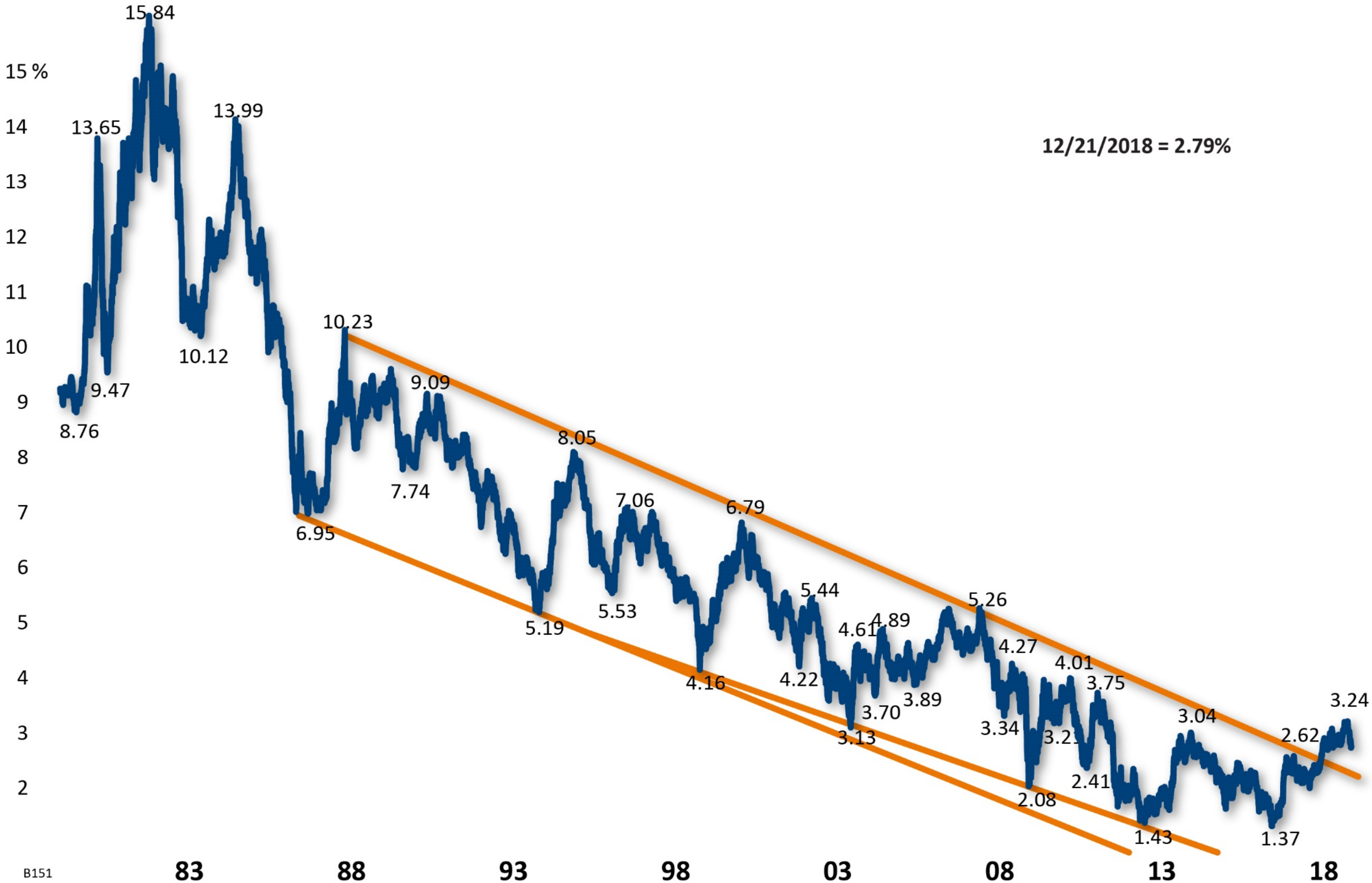
Source: Ned Davis Research

10-Year Constant Maturity Treasury Note Yields

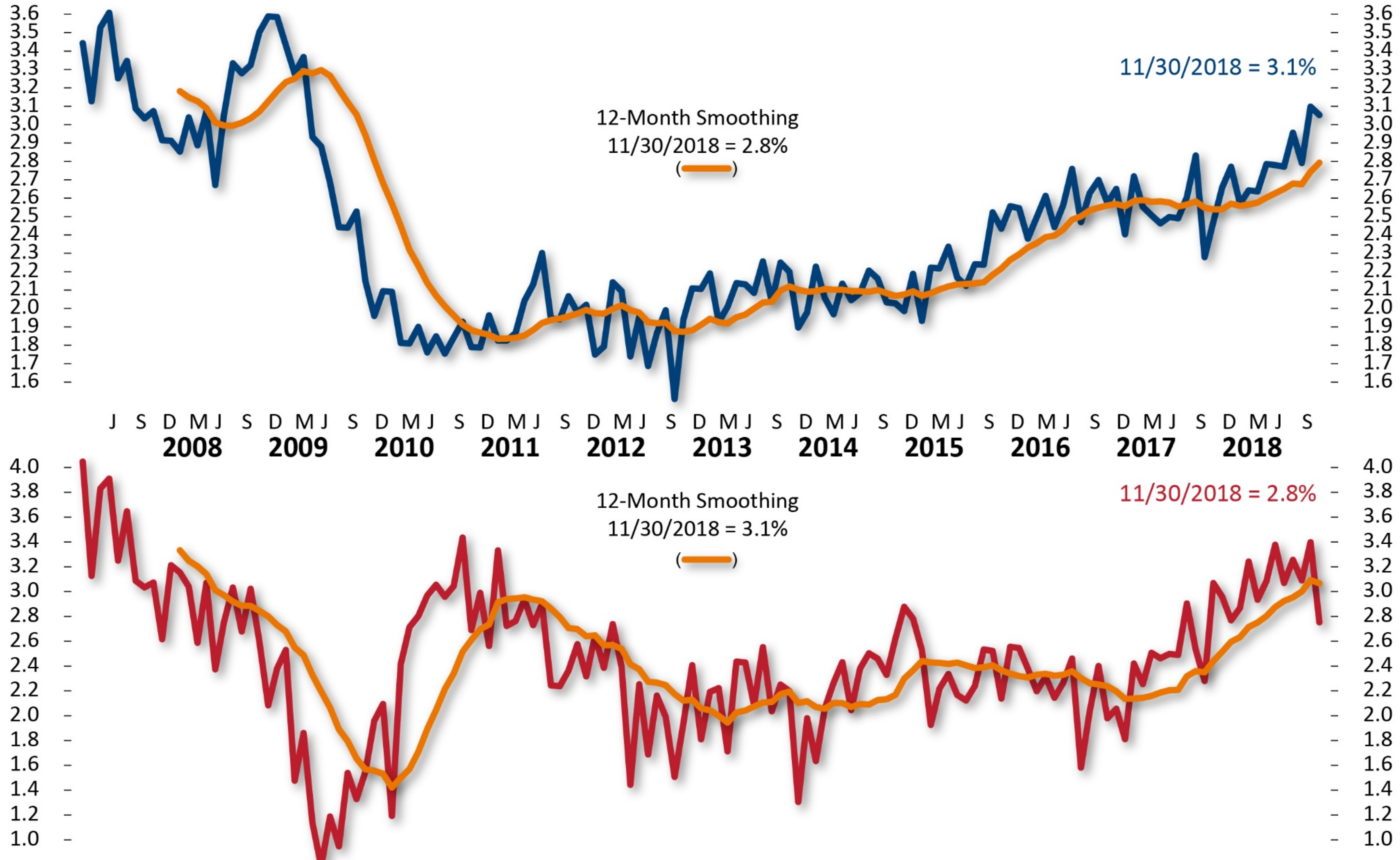
Daily 1/02/1979 - 12/21/2018



Source: Ned Davis Research

Average Hourly Earnings of All Workers (Year-to-Year Change)

Monthly 3/31/2007 - 11/30/2018



Average Weekly Earnings of All Workers (Year-to-Year Change)

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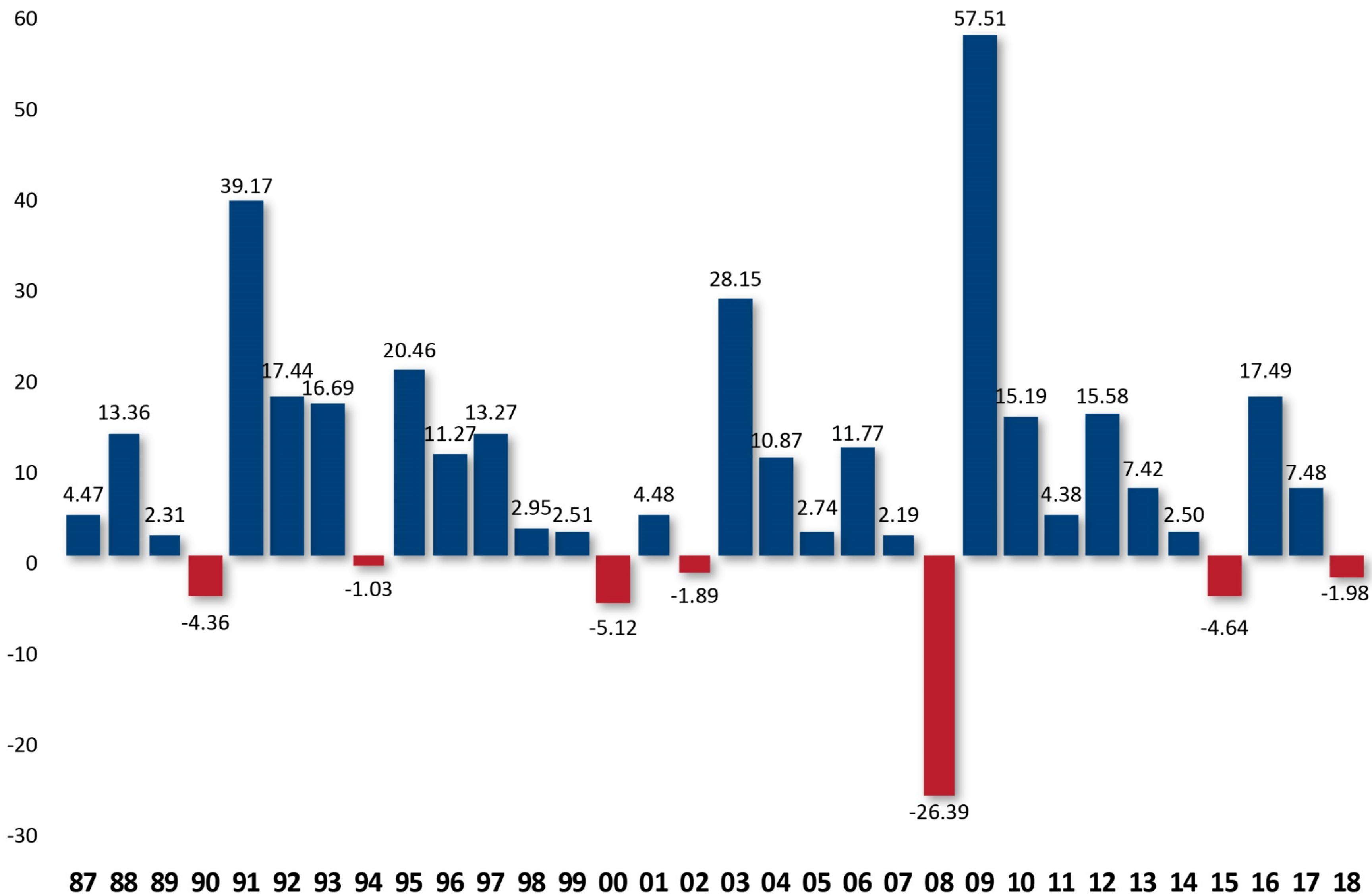
Source Ned Davis Research

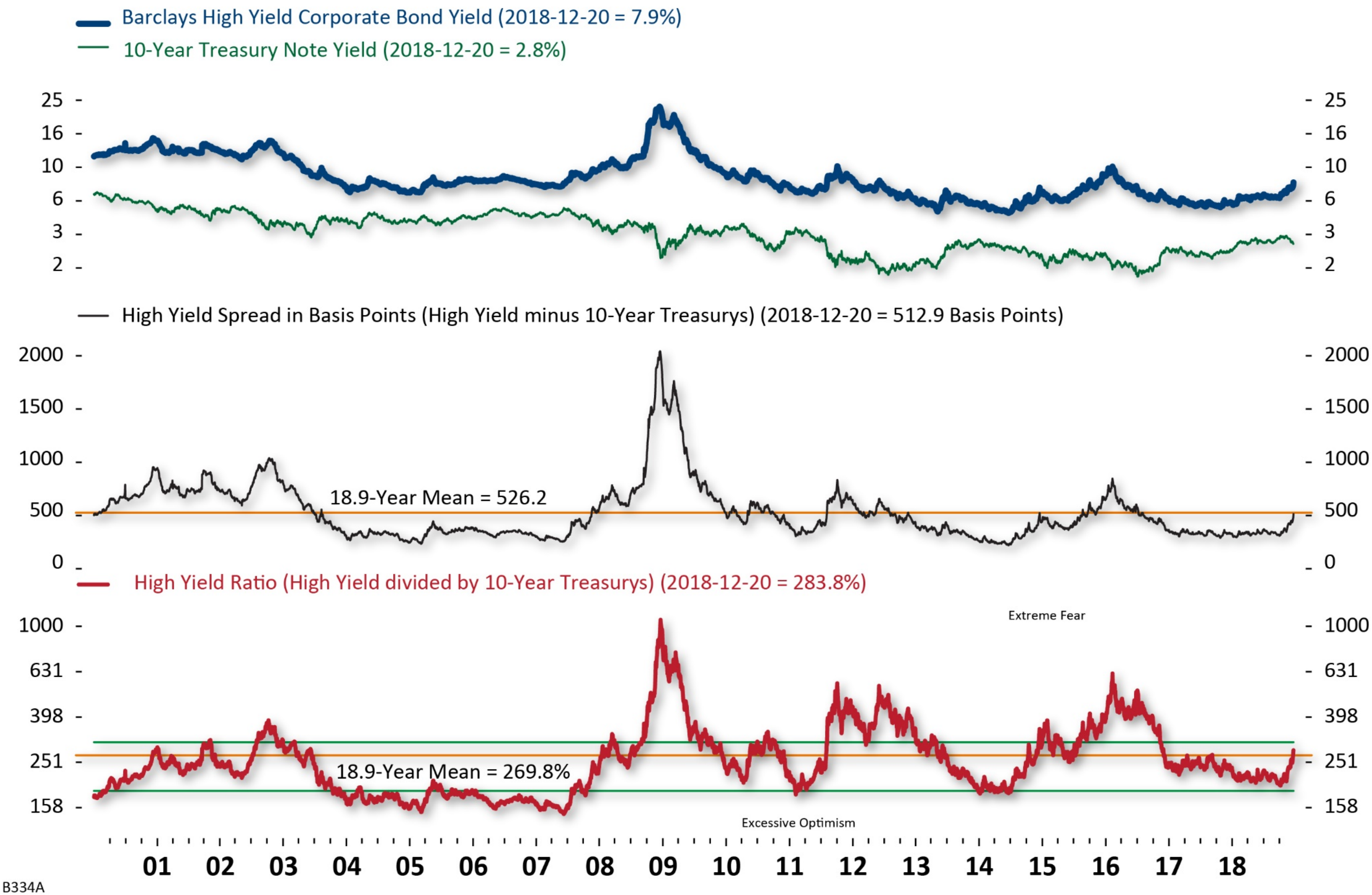
BAML HY Master II Index Total Return By Year, 1987 - 2018 YTD



Source: Bespoke

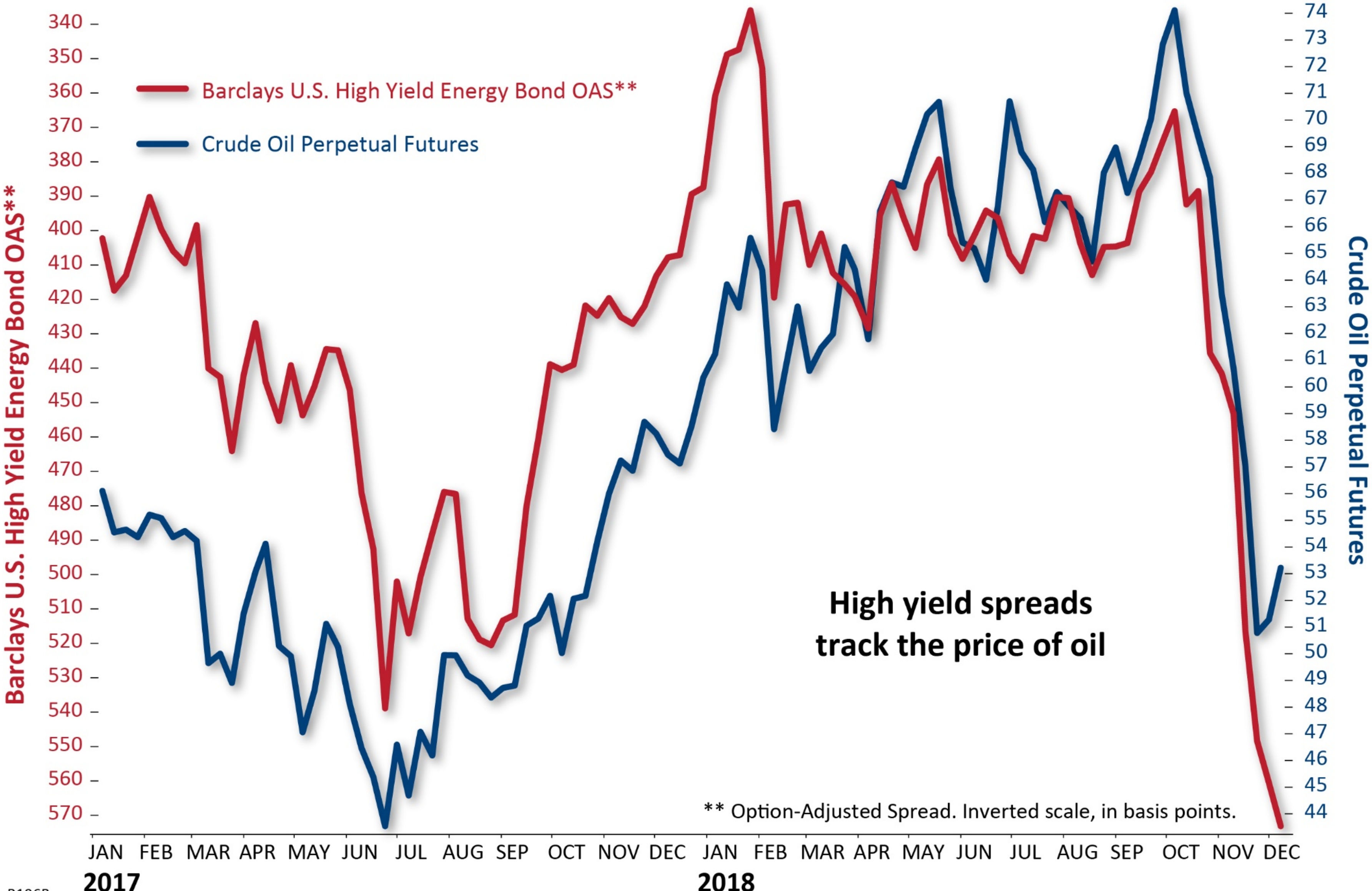
High Yield Corporate Spreads

Daily Data 2000-01-03 to 2018-12-20



Source: Ned Davis Research

Falling Oil Prices Have Caused Wider Spreads



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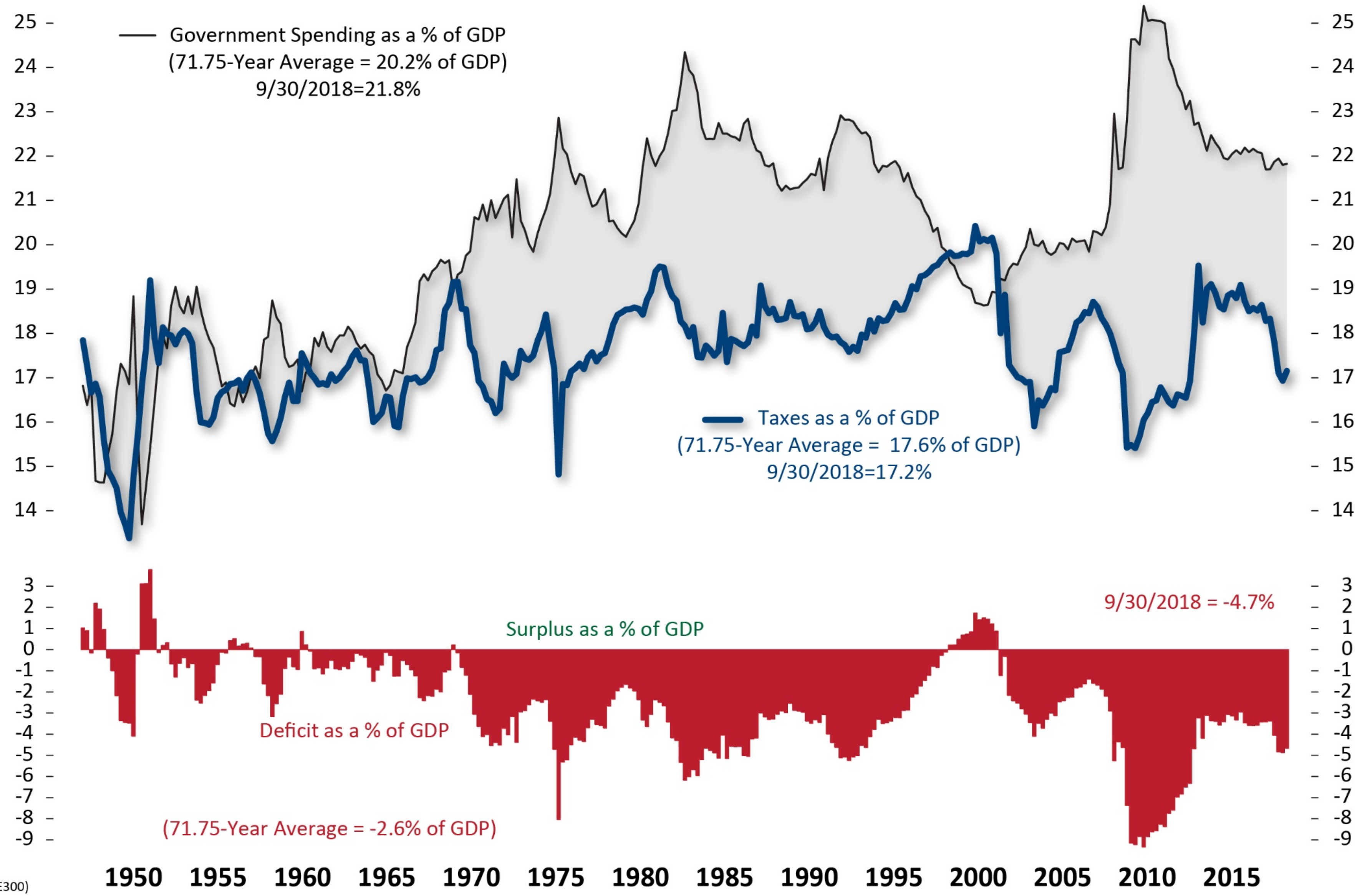
Taxes and Government Spending

Quarterly 3/31/1947 - 9/30/2018



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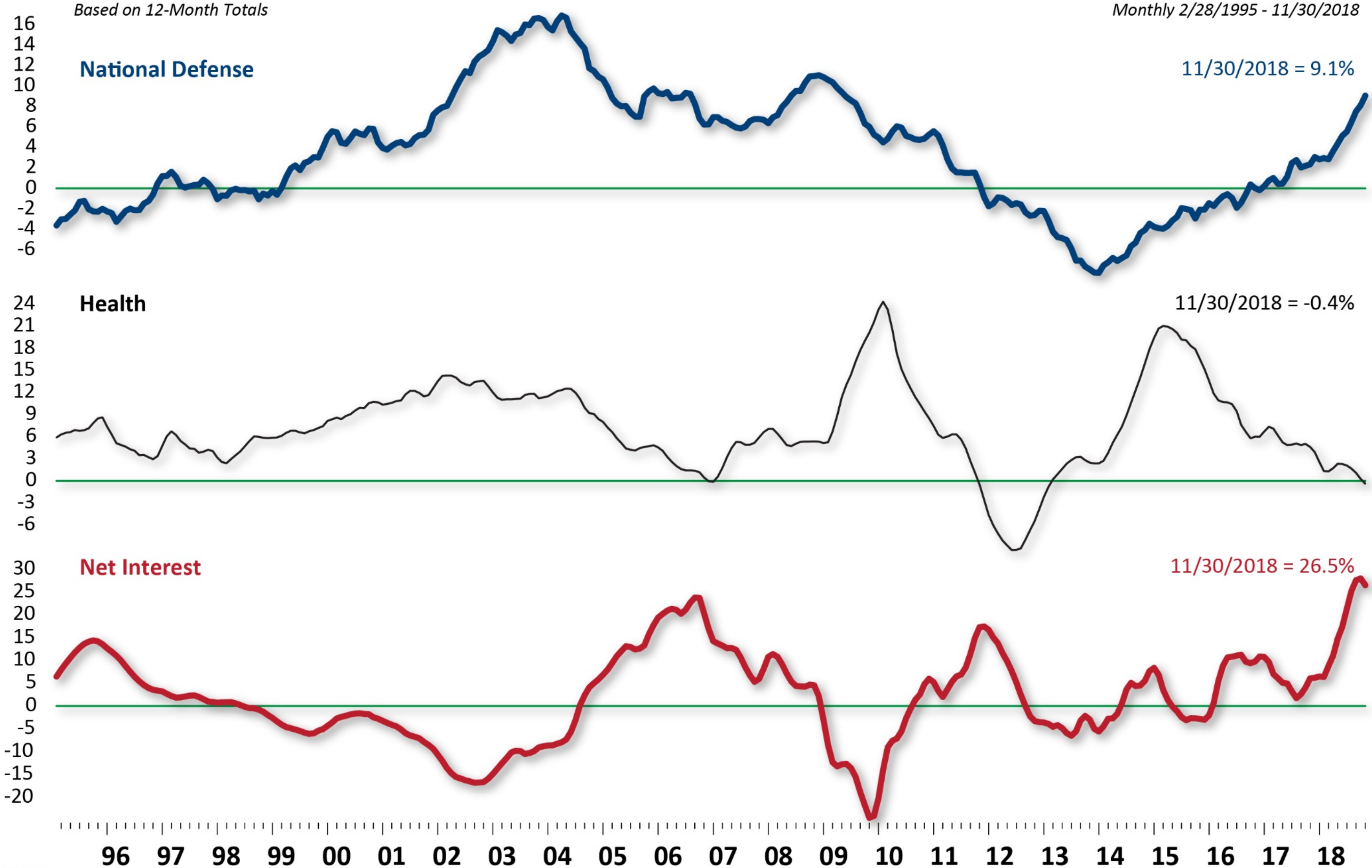
Components of U.S. Government Outlays I (Smoothed Year-to-Year Changes)



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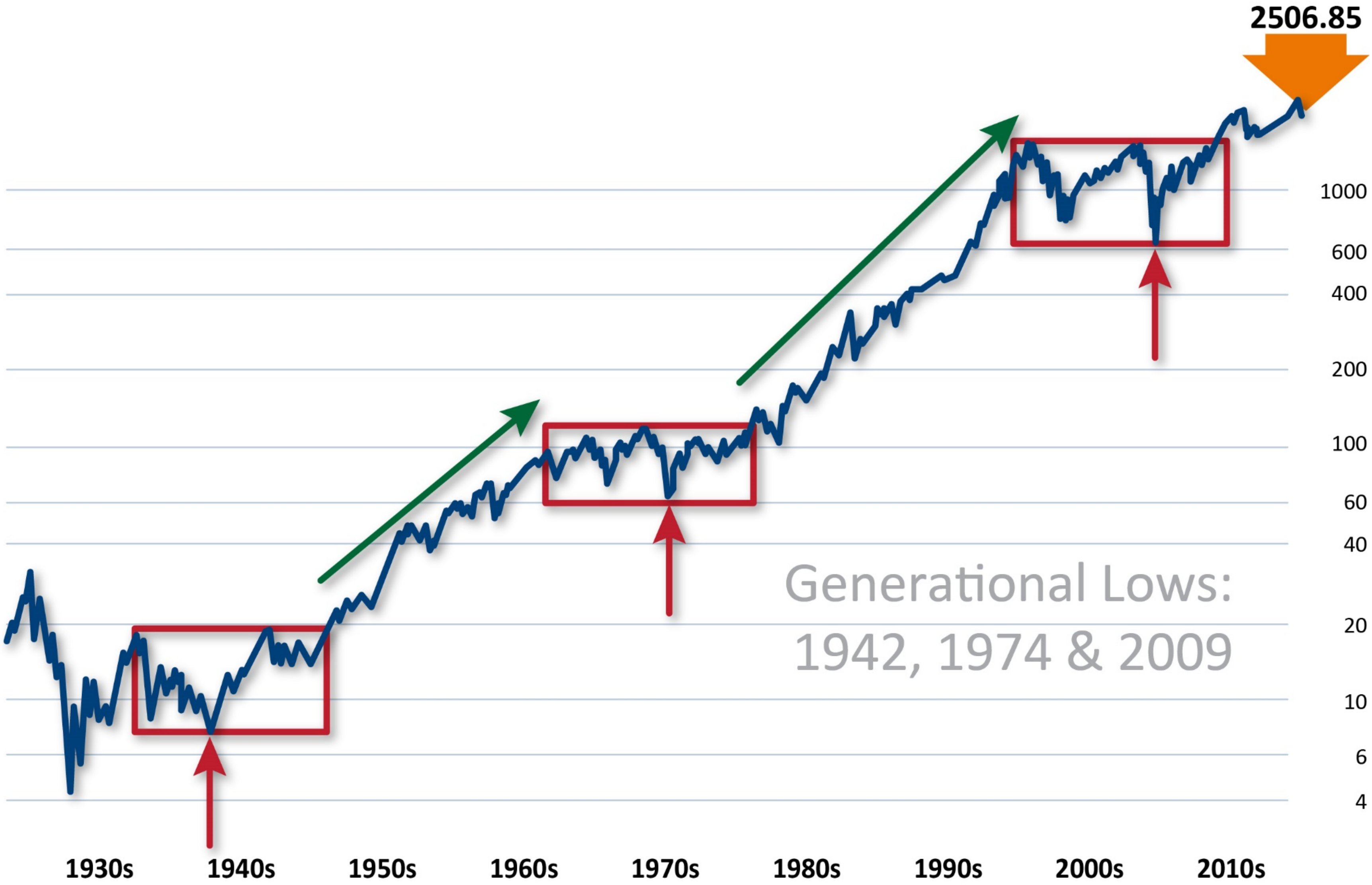
Source: Ned Davis Research

S&P 500 Monthly Closing Price



2019 Market Outlook

- Will be provided in pdf format

ClarkCapital MANAGEMENT GROUP

MarketOutlook 2019

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

January 2019

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.

Title

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Q&A