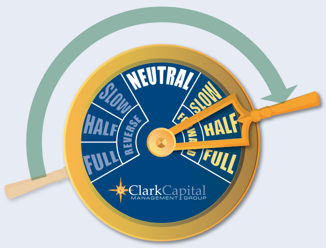
ClarkCapital MANAGEMENT GROUP

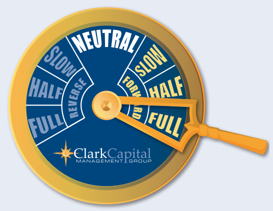
Market Moves

Charting Our Strategies

Economic Gauges

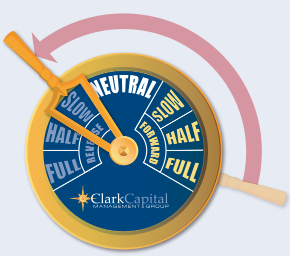


Economy

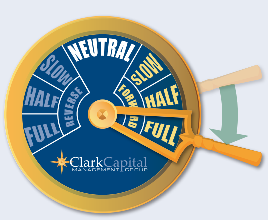


Monetary Policy

Valuations



Investor Sentiment



Interest Rates

Clark Capital's Bottom-Up, Fundamental Strategies

Unprecedented monetary and fiscal policy as well as the gradual economic re-opening gave investors reasons for optimism. As a result, this sparked a 21% rise in the S&P 500 during the second quarter, more than any quarter since 1998. The index recouped nearly all of its first quarter losses and is down just 3.1% year to date. Gains moderated in June as reversals in business openings in "COVID hot spots" threatened the shape of the economic recovery. Credit spreads have also reversed, widening on the prospects of higher future defaults further threatening banks and other lenders.

Across the equity portfolios the top sector weights remain Technology, Healthcare, and Consumer Discretionary. Fixed income markets have been supported, with the Federal Reserve in the market. The portfolios have started to mature the front end of the barbell strategy and re-invest in longer dated bonds as we look to move the duration out toward the five-year range.

We continue to remain cautious focusing on investments that represent high-quality liquid names. In other words, we believe credit selection and active portfolio management should continue to drive returns as we move through the summer and into the autumn season.

Below are strategy updates from June:

All Cap Core U.S. Equity

- Navigator® All Cap Core remains fully invested with approximately 65% in large-cap stocks and the remainder in mid-/small-cap stocks and cash.
- To improve our growth and cyclical profile, we added two technology companies and an auto parts supplier. A high-quality furniture company was removed from the portfolio as prospects for commercial office furniture demand have not kept up with those of the rest of the economy.
- Technology and its large-cap components continue to dominate both the performance and weight of the portfolio. Technology remains the largest sector weight in the strategy at 23.3%.
- Healthcare remains our second largest sector exposure, at 14.7%. Consumer Discretionary and Financials represent our next largest sector allocations.
- All Cap's quality characteristics, like those in Navigator® ADR, Small and SMID as measured by earnings variability, gross and net margins, have now tilted towards a barbell of the highest quality high margin and high yield companies.

High Dividend Equity

- Year to date, dividend growers have outperformed all other dividend categories. On a positive note, 115 S&P 500 companies have announced dividend increases, although over half of the announcements occurred before the pandemic escalated in March.
- For the month, the highest contributing sectors included Technology, Financials and Consumer Discretionary while the lowest contributors were Energy, Industrials and Real Estate.

Past performance is not indicative of future results.
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One Liberty Place ✦ 1650 Market Street ✦ 53rd Floor ✦ Philadelphia, PA 19103 ✦ 800.766.2264 ✦ ccmg.com

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International Equity ADR

- Navigator® ADR/International Equity remains fully invested and has begun to increase its emerging market weight to 15.1% from a May 11.5% low as prospects for global economic growth begin to stabilize.
- Similarly, our weight in Japan is down to 16% from 20% at the height of the pandemic.
- Financials and Technology remain our largest sector weights and Japan, Switzerland and Britain are our largest country weights. While U.S. security selection has been concentrated in the large-cap growth area, performance is broadening internationally.
- The portfolio's quality characteristics as measured by earnings variability, gross and net margins have now tilted towards a barbell of the highest quality high margin and high yield companies.

Small Cap Core U.S. Equity

- Navigator® Small Cap remains fully invested with 70% of the portfolio in small-cap stocks with the balance in mid-cap stocks and cash.
- Four sectors – Industrials, Consumer Discretionary, Healthcare, Financials and Technology all have weights between 14-19% and represent our largest sector exposures.

SMID Cap Core U.S. Equity

- Navigator® SMID Cap remains fully invested with 60% of the portfolio in small-cap stocks with the balance in mid-cap stocks and cash.
- Industrials, Healthcare, Financials, Consumer Discretionary and Technology represent our largest sector weights, each greater than 13.5%.

Taxable Fixed Income

- June 16th 2020 was rumored to be the first time the Fed began buying individual corporate bonds. The market responded enthusiastically to the new buyer in the front end of the yield curve. Bonds were purchased out to 2025 fitting the profile of the Fed in the market.
- The portfolio has started to mature the front end of the barbell strategy and re-invest in longer dated bonds as we look to move the duration out toward the five-year range.
- Existing sectors that we continue to add to are Housing and Technology.
- During the month, the portfolio added the following sectors to the strategy: gold miners and companies that would benefit from an infrastructure bill.

Tax-Free Fixed Income

- During the month of June, muni weekly performance was mixed, but finished the month with a positive total return of 0.53%. Muni yields remained stable during the month.
- Our muni bond fixed income strategy focuses on reducing risk, increasing liquidity, and maintaining long-term income as we continue to navigate a challenging environment resulting from the uncertainty caused by the COVID-19 pandemic.
- To do so, we continue to allocate to high quality bonds focused on es-

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sential services and to local bonds backed by stable property tax bases. During the month, allocations were made to water, utilities, and school district bonds.

- Moving forward, we believe fund flows are likely to remain positive as net supply continues to increase over the summer months, keeping yields stable.
- Relative valuations of municipal bonds versus Treasuries have come down from recent extreme highs in March, but with the 5-year Bloomberg AAA ratio finishing the month at 139 %, municipal bonds still provide attractive relative value compared to U.S. Treasuries, which should help keep demand elevated as we move through the dog days of summer.

Clark Capital's Top-Down, Quantitative Strategies

The broad equity market enjoyed its third straight month of gains in June, and has recouped much of the losses during the bear market. There was a sharp, but brief, style rotation with mid- and small-cap value stocks outperforming in early June, but it didn't last as large-cap growth reasserted its leadership position.

The Navigator® Style Opportunity portfolio suffered some relative underperformance as a result of the rotation but is now positioned with a healthy large-cap growth allocation. Credit spreads blew out during the March sell-off with high yield spreads reaching 1100 bps. Spreads had collapsed to as low as 536 bps in early June. Now, however, the virus is surging in some places both here in the U.S. and globally, and concerns are growing about a second wave and its possible economic ramifications with affected hot spots partially shutting down again.

Risk assets have recently shown some weakness and credit spreads have turned higher, reaching 630 bps on June 29th. In particular, high yield bonds have begun to weaken and U.S. Treasuries have strengthened. As a result, the Navigator® Fixed Income Total Return models have turned cautious and the strategy is allocated to intermediate-term U.S. Treasuries.

Below are strategy updates from June:

Alternative

- The portfolio added a market neutral income fund, a long/short real estate fund, and sold a managed futures fund recently.
- High yield municipal bonds were sold, and we added to a merger arbitrage position.
- While we have been reducing gold, we added silver to the portfolio since its technical and cycle profile currently look better than gold.

Fixed Income Total Return

- High yield bonds surged into early June, as Treasuries also sold off.
- Beaten down, debt-ridden companies and their debt enjoyed a surge amidst optimism around a re-opening economy. However, the trend quickly reversed as a second outbreak of COVID-19 began to spread

through the U.S.
- High yield debt began to fade and Treasuries were resurgent.
- By the end of June our models turned defensive, and we sold high yield debt and moved into intermediate duration U.S. Treasuries.

Style Opportunity

- The portfolio moved into mid- and small-cap value stocks in early June after they enjoyed a huge surge, but the surge quickly reversed, causing some underperformance in the portfolio.
- Only a few weeks later we moved back into favoring large-cap growth as the top position. Mid-cap growth also ranks very high in our matrix.
- We still own small-cap growth, but it is a candidate for sale, with large-caps looking resurgent once again.

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Author

K. Sean Clark, CFA®
Executive Vice President
Chief Investment Officer

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