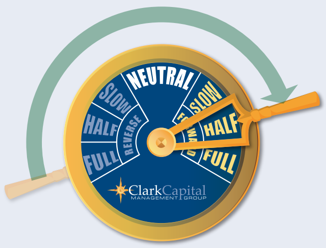
Clark Capital MANAGEMENT GROUP

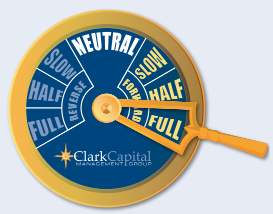
Market Moves

Charting Our Strategies

Economic Gauges

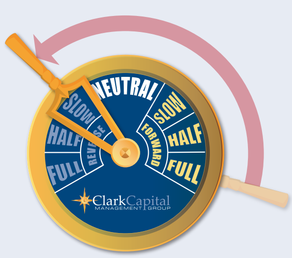


Economy

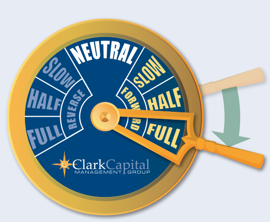


Monetary Policy

Valuations



Investor Sentiment



Interest Rates

Clark Capital's Bottom-Up, Fundamental Strategies

The U.S. economy continues to gradually respond to massive government stimulus resembling a stairstep pattern versus the V or U shape recovery. While the number of COVID-19 cases increased in July, equity averages once again posted solid gains for the fourth month in a row. So far for Q2, S&P 500 revenue and EPS growth are on track to be down -10% and -35% year over year which is better than original estimates, and analysts are cautiously increasing estimates for the balance of the year. The Navigator® High Dividend Equity portfolio seeks to invest in companies paying a dividend and normally carries an overweight of dividend growers in the Technology sector. The Navigator® All Cap portfolio remains fully invested with approximately 64.4% in large-cap stocks and the remainder in mid-/small-cap stocks and cash. Technology and its large-cap components continue to dominate both the performance and weight of the portfolio.

The trade weighted U.S. dollar index has declined by almost 10% from its pandemic peak and looks set to continue to lower over the intermediate-term due to political uncertainty, surging money supply growth, and negative real interest rates. The weak dollar will likely be a tailwind for corporate earnings and international market performance. The Navigator® International Equity/ADR Strategy has begun to increase its emerging market weight to 17.8% from May's 11.5% low as prospects for global economic growth begin to stabilize. Similarly, our weight in Japan is down to 15% from 20% at the height of the pandemic.

The fixed income portfolios posted solid gains in July, with the Fed intent on keeping rates pinned lower for longer. The 2-year Treasury yield closed the month at 0.10%, 5-year Treasury note at 0.20%, and the 10 year at 0.53%. As a result, we are in the process of extending duration towards the 5-year range in the portfolios.

Below are strategy updates from July:

All Cap Core U.S. Equity

- The Navigator® All Cap portfolio remains fully invested with approximately 64.4% in large-cap stocks and the remainder in mid-/small-cap stocks and cash.
- We had very few changes in the portfolio during the month, initiating positions in an online payment company and a real estate investment trust company.
- 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 24.5%.
- Healthcare remains our second largest sector exposure at 15.0%, or slightly greater than its weighting in the Russell 3000.
- Consumer Discretionary and Financials represent our next largest sector allocations.
- All Cap's quality characteristics like those in 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.

Past performance is not indicative of future results.
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- We expect the strong Antifragility characteristics score of its holdings to keep portfolio volatility low compared to other portfolios and indices.

High Dividend Equity

- The Navigator® High Dividend Equity portfolio carries, as normal, an overweight of dividend growers in the Technology sector. It has an Energy underweight of 4% vs. 5% in the benchmark. While there are attractive dividend yields offered in the sector, the decline in the price of oil has created an inherent threat to their business model resulting in chronic underperformance in the last ten years.
- The portfolio is also underweight Financials, with a weight of 17% vs. 18% in the Russell 1000 Value.
- The current downward trend in interest rates along with the flattening of the yield curve has also been a negative for the sector. As a result, the portfolio is diversified among big banks (7%), capital markets (4%), consumer finance (1.5%) and insurance (5%).
- For the month, the strongest contributing sectors were Consumer Discretionary, Staples, Real Estate, Industrials and Materials vs. detractors Healthcare, Energy, Technology, Utilities and Financials.

International Equity ADR

- Navigator® International Equity/ADR remains fully invested and has begun to increase its emerging market weight to 17.8% from a May 11.5% low as prospects for global economic growth begins to stabilize.
- We added a Chinese multinational conglomerate holding company, a natural gas distribution company, an aerospace company and a home builder company.
- Financials and Technology remain our largest sector weights and Japan, Canada, 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.
- Navigator® ADR's quality characteristics, like those in the All, Small and SMID portfolios 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 67% of the portfolio in small-cap stocks with balance in mid-cap stocks and cash.
- Five sectors, Industrials, Consumer Discretionary, Healthcare, Financials and Technology all have weights between 14-19% and represent our largest sector exposures.
- As overall economic prospects continue to improve, we added a building materials company, an insulation and roofing company and a lighting and building management firm to the portfolio as we believe each will likely benefit from increased building and residential home improvement.

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.
- Consumer Discretionary, Healthcare, Industrials, Financials and Technol-

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ogy represent our largest sector weights, each greater than 13.5%.

- As overall economic prospects continue to improve, we added a building materials company and lighting and building management firm to the portfolio as we believe each will likely benefit from increased building and residential home improvement.

Taxable Fixed Income

- July was another strong month for returns in taxable bonds.
- We continued to have some long-term holdings in the portfolio called away.
- The Fed is intent on keeping rates pinned lower for longer. 2-year treasury yields closed the month at 10 basis points, 5-year treasury bonds at 20 basis points and the 10-year at 53 bps according Bloomberg data.
- As a result, we are in the process of extending duration towards the 5-year range in the portfolios. We will continue to seek to add high yield callable bonds to add some incremental income.
- Sector allocations we continue to have positions in include Housing, Technology, and Infrastructure bonds.

Tax-Free Fixed Income

- We continue to allocate to high quality bonds focused on essential services and to local bonds backed by stable property tax bases as we have mentioned in prior monthly commentaries.
- Another area of focus during July was inside the higher education sector. Within the higher education space, we like universities with large endowments focusing on prestigious names from Ivy league schools and allocating to larger higher education institutions with stable student enrollments such as Big Ten schools. In addition, we think community colleges look attractive inside the higher education space. Typically, community college enrollments increase during periods of economic stress.

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Clark Capital's Top-Down, Quantitative Strategies

The markets have been very resilient in the face of higher COVID-19 case counts and risk assets have continued trending higher. Interest rates have been anchored, with the 10-Year Treasury Note hovering near 60 bps since the end of March.

Credit has remained firm as the economy continues to recover and credit spreads look to trend tighter. The strength in credit turned our tactical models positive near the end of the month, and they now favor a risk-on bias. The Navigator® Fixed Income Total Return and Global Macro portfolios shifted away from U.S. Treasuries and into high yield and global equities, respectively. Growth continues to dominate, and the Navigator® Style Opportunity portfolio is concentrated in large-cap and growth, in tune with the market's relative strength trends.

Below are strategy updates from July:

Alternative

- The Navigator® Alternative portfolio added to its commodity and commodity related equity positions as the weaker dollar and economic rebound has benefitted the industrial and precious metals complex.
- As an example, gold surged to a record high, finally eclipsing its 2010/2011 highs.
- The surge in precious metals may have staying power with money supply growth running at 23% year over year, political uncertainty in the U.S., and negative real interest rates acting as a tail wind.

Fixed Income Total Return

- Interest rates have been anchored, with the 10-Year Treasury Note hovering near 60 bps since the end of March. Credit has remained firm as the economy continues to recover and credit spreads look to trend tighter.
- The strength in credit has turned the Navigator® Fixed Income Total Return models positive and the strategy is allocating into high yield bonds.

Style Opportunity

- After a brief attempt to find relative strength in mid- and small-cap stocks, the prevailing longstanding trend of large-cap growth outperforming everything else reasserted itself.
- The portfolio exited positions in mid- and small-cap growth and rolled up the capitalization structure by increasing weight to the S&P 500 index and large-cap growth.
- While large-cap growth, and in particular, the FAANG stocks look overvalued and extended, the market is clearly continuing to reward these companies.

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The S&P 500 Index is a stock market index that tracks the stocks of 500 large-cap U.S. companies.

Fixed income securities are subject to certain risks including, but not limited to: interest rate (changes in interest rates may cause a decline in market value of an investment), credit, payment, call (some bonds allow the issuer to call a bond for redemption before it matures), and extension (principal repayments may not occur as quickly as anticipated, causing the expected maturity of a security to increase).

Foreign securities are more volatile, harder to price and less liquid than U.S. securities. They are subject to different accounting and regulatory standards and political and economic risks. These risks are enhanced in emerging market countries.

Municipal securities can be affected by adverse tax, legislative or political changes and the financial conditions of the issuers of the municipal securities.

Municipal bonds can be significantly affected by political and economic changes, including inflation, as well as uncertainties in the municipal market related to taxation, legislative changes, or the rights or municipal security holders. Municipal bonds have varying levels of sensitivity to changes in interest rates. Interest rate risk is generally lower for shorter-term municipal bonds and higher for long term municipal bonds.

The trade-weighted dollar is an index created by the FED to measure the value of the USD, based on its competitiveness versus trading partners. A trade-weighted dollar is a measurement of the foreign exchange value of the U.S. dollar compared against certain foreign currencies.

The 2-year Treasury note is a debt obligation issued by the United States government with a maturity of 2 years upon initial issuance. A 2-year Treasury note pays interest at a fixed rate once every six months and pays the face value to the holder at maturity. The U.S. government partially funds itself by issuing 2-year Treasury notes.

The 5-year Treasury note is a debt obligation issued by the United States government with a maturity of 5 years upon initial issuance. A 5-year Treasury note pays interest at a fixed rate once every six months and pays the face value to the holder at maturity. The U.S. government partially funds itself by issuing 5-year Treasury notes.

The 10-year Treasury note is a debt obligation issued by the United States government with a maturity of 10 years upon initial issuance. A 10-year Treasury note pays interest at a fixed rate once every six months and pays the face value to the holder at maturity. The U.S. government partially funds itself by issuing 10-year Treasury notes.

Russell 1000 Value Index refers to a composite of large and mid-cap companies located in the United States that also exhibit a value probability.

The Russell 3000 Index measures the performance of the 3 000 largest U S companies based on total market capitalization, which represents approximately 98 of the investable U.S. equity market.

This document may contain certain information that constitutes forward-looking statements which can be identified by the use of forward-looking terminology such as "may," "expect," "will," "hope," "forecast," "intend," "target," "believe," and/or comparable terminology (or the negative thereof). Forward looking statements cannot be guaranteed. No assurance, representation, or warranty is made by any person that any of Clark Capital's assumptions, expectations, objectives, and/or goals will be achieved. Nothing contained in this document may be relied upon as a guarantee, promise, assurance, or representation as to the future.

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