Portfolio Commentary

Navigator® Opportunity Update

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Coronavirus Pandemic Feeds Dislocations Between Winners and Losers

2020 has proven to be the one of the most turbulent and challenging years in recent memory and for many investors, what stands out most is the historic gaps between winners and losers. The NASDAQ was up 11.0% for the quarter, and 24.5% for the year, while large-cap value stocks only gained 4.8% for the quarter and are down 11.5% for the year. The 35% gap between categories (of all large-cap stocks) is unprecedented.

Mid-cap and small-cap stocks have fared even worse. Small-cap value is down 22.9% year to date, putting it 47% behind the NASDAQ just this year. 2020's winners include large-cap growth, Technology, Consumer Discretionary, the consumer, and precious metals. The unfortunate losers include mid-cap and small-cap stocks, with value faring much worse than growth stocks, foreign stocks, Financials, Energy and the oil complex, and small businesses (most not listed on the stock market) and their workers in the services industry. So, while investors see that the S&P 500 is up on the year, the gains mask the debt and losses in the broader economy, which we expect will take years to recover from.

Over the intermediate-term, our stance remains modestly bullish. We are encouraged by strong third quarter GDP and particular strength in the consumer, housing, and manufacturing sectors. Credit markets, and our credit-based models, indicate stable and generally improving conditions. Despite markets enjoying a surge since the coronavirus pandemic spiked in March, sentiment has not become extremely optimistic. From a contrarian perspective, fears surrounding the upcoming presidential election have produced a fury of hedging if the outcome remains uncertain.

We believe that some of these uncertainties could be priced into the markets; thus, we could see a buying frenzy when the election produces a clear winner. Sudden adverse shock events could include another wave of coronavirus, volatility surrounding the election, and the potential for individual and corporate tax hikes in 2021. The longer-term concerns are more potentially troubling, and include valuations, debt levels, and negative real interest rates. The S&P 500's forward P/E ratio has reached 23.3, nearing the all-time high from December 1999. While that is a scary statistic, it must be tempered by the fact that depressed earnings have increased valuations, perhaps temporarily, which is a condition that did not hold in 1999.

The very high debt levels in the economy and the negative real interest rates will serve as a hindrance to growth in the future, but we believe stocks could be a winner under such conditions, as they provide better upside return potential. Fixed income investors will have no choice but to accept low, single-digit returns over the intermediate and long-term. We believe corporate credit and its higher yields should continue to be attractive, particularly when credit risks are well managed.

How did Clark Capital's strategies fare during the quarter? Our Style Opportunity

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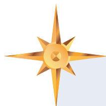

strategy largely kept up with the benchmark, while our tactical International Opportunity strategy lagged slightly behind. The U.S. Sector Opportunity portfolio focused on Technology and Consumer Discretionary sectors and produced strong gains. Our tactical strategies that seek to reduce risk and focus on defense and capital preservation, such as Fixed Income Total Return and Global Tactical, trailed risk-on indexes due to the de-risking measures that we took at the end of June. By July 30th, we returned to a risk-on stance towards credit and equities and maintain that stance today.

Sector Opportunity Portfolio

The Sector Opportunity portfolio uses a relative strength methodology to rank the top performing sectors over the intermediate-term, and by owning these sectors going forward (and avoiding lower-ranked sectors) attempts to outperform the S&P 500. The Sector Opportunity portfolio entered July owning only Consumer Discretionary, Technology, and the S&P 500 itself (IVV). Though we made a number of smaller changes during the quarter, Consumer Discretionary (35%) and Technology (28%) remain top holdings. Healthcare and the S&P 500 were sold during the quarter, and a more cyclical basis developed as we added Industrials (VIS), transportation (IYT), and Materials (VAW) to the mix.

Industrials are particularly encouraging to see as part of market leadership, as they were quite beaten down during the bear market and remain negative on the year. Across the economy, we are seeing reports of thin inventories, which are an encouraging sign as activity re-opens. Industrials have not participated as much as 2020's performance stars, and thus we view their future as bright since valuations are not as stretched.

When speaking of strong performers in the portfolio, we should not forget that our methodology also aims to avoid those sectors that rank as persistently weak. This year, Financials are down -21.7% year to date, and Energy is down -50.2%! Avoiding those losses as much as we can is an unstated but essential part of our relative strength investment process. The portfolio now devotes 28% to Technology, 35% to Consumer Discretionary, 25% to Industrials, and 10% to Materials. Here were some further developments in the portfolio during the quarter:

- Technology's outperformance must not be understated, and it continues with no end in sight. One must own Technology in size just to keep up with broad passive indexes. As of September 30th, Technology beat the S&P 500 Index by 23% year-to-date (28.3% vs. 5.5%), by 31.1% for one year (46.4% vs. 15.0%), and virtually doubled the S&P 500's five-year annualized gains (27.0% per year vs. 14.1%). Technology makes up about 23% of the S&P 500.
- Consumer Discretionary (+14.9%), Materials (+12.7%), and Industrials (+12.0%), were the strongest sectors for the quarter, while Financials (up 3.8%) Real Estate (-1.2%), and Energy (-20.9%) lagged the broad market. Technology was up 11.7%.

Ticker	Quarter Ending September 30, 2020	Average Weight (%)	Contribution to Return (%)
Top 3 Contributors			
VGT	Vanguard Information Technology ETF	27.81	3.31
IBUY	Amplify Online Retail ETF	8.29	2.74
XHB	SPDR S&P Home-builders ETF	10.23	2.24
Top 3 Detractors			
FDN	First Trust Dow Jones Internet Index Fund	2.17	-0.90
XME	SPDR S&P Metals & Mining ETF	2.20	-0.35
IBB	iShares NASDAQ Biotechnology ETF	0.96	-0.34

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.

International Opportunity Portfolio

The International Opportunity portfolio's stated mission is to allocate tactically between international style, factor, and region ETFs that are displaying significant relative strength (and avoiding those that do not), and in doing so to attempt to outperform the MSCI All Country World Ex-U.S. Index. The portfolio's universe of investments includes factor, style box, and regional ETFs such as: international value, growth, quality, small-cap, currency hedged, minimum volatility, buyback, and momentum ETFs, along with emerging markets, emerging markets small-cap, and emerging markets minimum volatility ETFs.

The quarter began with the portfolio focusing on Europe and developed markets small-caps, but as value stocks continued to struggle, EAFE growth (EFG) and international momentum (IMTM) became some of the top weight holdings. Not surprisingly, these ETFs featured significant overweights to Technology, Industrials, and Healthcare, and lower weights to Financials and Utilities. Emerging markets (VWO) were a portfolio holding for much of the quarter, but they were eventually removed in favor the more aggressive emerging markets small-cap (EWX). Value, Financials, and low volatility ETFs persistently sat at the bottom of our ranks, and we believe they will not shine until markets begin to struggle deeper into this economic cycle.

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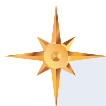

- Among the top performing international ETFs in our universe for the quarter were emerging markets (VWO +10.2%), EAFE small-cap (SCZ +10.0%), and international momentum (IMTM +8.3%). EAFE value (EFV +1.0%), currency hedged (DBEF +1.3%), and EAFE minimum volatility (EFAV +3.1%) were laggards. The broad international benchmark ETF (VXUS) gained 6.8%, so the dispersion and dislocations amongst international ETFs were smaller abroad than in the U.S.
- International buybacks (IPKW), have become one of our largest positions, and it may be surprising to know that at least internationally, those companies that tend to do buybacks are smaller-caps. Thus, this factor correlates well with cyclicality, and we believe a global economic rebound should provide strong conditions for buybacks to provide gains.
- Though the U.S. did not particularly outperform international ETFs for the quarter, over the longer run, its trends remain strong, and it still has a large weight in the portfolio. If the dollar weakens (as many expect), we would expect to finally see the U.S. fall out of the top of our matrix.
- For the quarter, Europe (EZU) and the U.S. (IVV) were the top contributors, while International buybacks (IPKW) and emerging markets small-cap (EWX) were the largest detractors.

Ticker	Quarter Ending September 30, 2020	Average Weight (%)	Contribution to Return (%)
Top 3 Contributors			
EZU	iShares MSCI Eurozone ETF	17.67	1.88
IVV	iShares Core S&P 500 ETF	19.20	1.21
EFG	iShares MSCI EAFE Growth ETF	11.76	0.83
Top 3 Detractors			
IPKW	Invesco International BuyBack Achievers ETF	16.54	-0.25
EWX	SPDR S&P Emerging Markets Small Cap ETF	4.60	0.05
NHMRX	Nuveen High Yield Municipal Bond Fund Class I	0.00	0.00

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Style Opportunity Portfolio

The Style Opportunity portfolio began the quarter with a focus on large-cap and mid-cap growth. Since the March bottom, we have seen large and mid-cap growth continually near the top of our ranks, with large-cap growth clearly the top equity style. While mid-cap growth has ranked as the second best style, it has been unable to consistently exceed the S&P 500, such has been the concentration in mega-cap equity names (Apple, Amazon, Facebook, Google, Microsoft, Netflix, and even Tesla).

Throughout the quarter, the portfolio dabbled in smaller positions in mid and small-cap growth, along with featured positions in S&P 500 (IVV) and large-cap growth (SPYG). However, neither mid-cap or small-cap growth nor other styles came anywhere close to beating large-cap growth or even keeping up with the S&P 500. In September we added a position in momentum (MTUM), which is also large-cap growth, but provides more Healthcare exposure.

Our methodology seeks to pursue relative strength and strong performers (notably avoiding weaker performers), and the line we find ourselves straddling is: how much large-cap growth in the portfolio is too much? Normally, we prefer to have two to five holdings in the portfolios. The other holdings of course were not large-cap growth (but often this included the S&P 500 and thus kept up), and as a result, the portfolio lags behind its benchmark by a hair year to date.

On the other hand, given that the S&P 500 Growth Index is up 20.6% year to date and the S&P 500 Value Index is down 11.5%, our consistent ownership of growth has allowed us to capture as much of the concentrated gains in large-cap growth as diversification would allow. The table below shows how each equity style fared during the third quarter and year to date:

Index or ETF Name	Third Quarter 2020	Year to Date (thru 09/30/20)
S&P 500 Index	+8.9%	5.6%
S&P 500 Large Cap Value ETF (SPYV)	+4.8%	-11.5%
S&P 500 Large Cap Growth ETF (SPYG)	+11.8%	+20.6%
Small Cap Value ETF (IJS)	+2.1%	-22.9%
Small Cap Growth ETF (IJT)	+4.1%	-7.9%
iShares Momentum Factor ETF (MTUM)	+23.4%	+5.1%

Source: Bloomberg. For illustrative purposes only. Past performance does not guarantee future results.

- On a five-year annualized basis, large-cap growth is 9.6% ahead of large-cap value. A $100,000 account invested in large-cap growth would over the last five years have $232,000, versus $153,000 in large-cap value. That is a dramatic difference, considering both portfolios own large-cap stocks (often the same stocks but at different weights).
- Year to date, S&P 500 growth (SPYG) and mid-cap

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growth (MDYG) were the portfolio's top contributors, while mid-cap value (MDYV) and small-cap value (IJS) were the leading detractors.

- Among major factors, momentum (MTUM) is the closest to large-cap growth and is up 18.4% year-to-date. All other factors lag behind the S&P 500. Quality (QUAL) is up 4.1%, and Buybacks (PKW) are down -11.3%. High dividend stocks (HDV) fared the worst, ending down -15.0%.

Ticker	Quarter Ending September 30, 2020	Average Weight (%)	Contribution to Return (%)
Top 3 Contributors			
IVV	iShares Core S&P 500 ETF	39.64	2.82
SPYG	SPDR Portfolio S&P 500 Growth ETF	40.33	2.70
MTUM	iShares MSCI USA Momentum Factor ETF	1.51	0.98
Top 3 Detractors			
IJT	iShares S&P Small-Cap 600 Growth ETF	3.68	-0.03
MSFT	Microsoft Corporation	0.00	-0.00
NHMRX	Nuveen High Yield Municipal Bond Fund Class I	0.00	0.00

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Global Tactical Portfolio

The methodology of the Global Tactical portfolio seeks to use broad domestic and international equity ETFs as vehicles to own equity risk when our indicators favor taking risk, and defensive U.S. Treasuries or cash to play defense. The portfolio uses the Fixed Income Total Return credit market model as an overlay to manage risk. When the credit market model is positive towards high yield bonds (and thus on credit risk and market risk in general), the portfolio will own broad, ultra-low cost U.S. equity and international equity ETFs. However, when the credit model turns negative, the portfolio sells equities and owns cash or Treasury bonds that are in line with the Fixed Income Total Return portfolio's holdings.

The portfolio turned defensive in February and March, helping mitigate the coronavirus-related market losses, eventually turning bullish on March 27th, but then switched to playing defense on June 29th. That defensive stance only lasted one month; however, and as credit markets rebounded, our models moved 100% back into equities on July 30th. Since then, markets have continued to rally, despite a technology-driven correction in September. Our models are off their highs but remain bullish on the broader risk environment. We did miss out on some gains during July after turning defensive; however, that is the nature of our methodology, which seeks to mitigate losses at a premium over capturing 100% upside.

Ticker	Quarter Ending September 30, 2020	Average Weight (%)	Contribution to Return (%)
Top 3 Contributors			
SPLG	SPDR Portfolio S&P 500 ETF	31.88	2.02
IEF	iShares 7-10 Year Treasury Bond ETF	15.77	0.40
VSS	Vanguard FTSE All-World ex-US Small-Cap ETF	5.92	0.28
Top 3 Detractors			
IJR	iShares Core S&P Small Cap ETF	13.64	-0.23
SPTI	SPDR Portfolio Intermediate Term Treasury ETF	15.77	0.20
NHMRX	Nuveen High Yield Municipal Bond Fund Class I	0.00	0.00

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Alternative Opportunity Portfolio

We recommend that investors view the Alternative portfolio as a source of alternative beta and exposures that seek to capture available risk premia and tactical trading gains. The product is designed to serve as a diversifier to a traditional portfolio. The portfolio contains a broad mix of themes, which breaks down as follows: alternative-oriented mutual funds and ETFs 49.0%, commodities and commodity equities 15.5%, tactical global equity 8.0%, fixed income 9.0%, and cash 13.5%. The following are some important events that occurred in the portfolio during the quarter:

- The primary purpose of the core liquid alternative portion of the portfolio is to provide non-correlated alternative exposure and includes eight mutual funds (and one ETF) in the alternative credit, long/short equity, long/short commodity, managed futures, options-based, long/short real estate, alternative income, and merger arbitrage areas. In early September, we reduced the beta of the core portion of the portfolio, reducing equity exposure and adding to managed futures.
- Alternative investing indexes enjoyed modest returns on the quarter, with gold and commodities leading the way. The Bloomberg Commodity Index gained 9.1% but is still down -12.1% on the year. The HFRX Event Driven Equity Index gained 3.6% and the SG Trend Index, a trend-following managed futures index, lost -1.2% as market trends reversed sharply.

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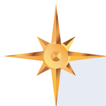

Our Alternative portfolio benchmark, the HFRX Global Hedge Fund Index, gained 2.7% and is up 1.6% for the year.

- The portfolio added to its positions in gold and silver early in the quarter, and then took some gains on those positions in early August. We continue to own positions in precious metals and miners.
- As markets surged higher at the end of August, we reduced our equity positions and added small hedges (USDU and TAIL). While equities may continue move higher from here, we prefer to minimize exposure and correlations at this point as forward P/Es are nearing levels last seen in 1999.
- Commodity orientation, including silver (SLV), the iShares Global Timber & Forestry ETF (WOOD), and gold (GLDM) were the top contributors, while Victory Market Neutral Income (CBHIX), LoCorr Long/Short Commodities (LSCIX), and Inverse Treasuries (TBT) were top detractors.

Ticker	Quarter Ending September 30, 2020	Average Weight (%)	Contribution to Return (%)
Top 3 Contributors			
SLV	iShares Silver Trust	1.75	0.73
WOOD	iShares Global Timber & Forestry ETF	2.56	0.59
GLDM	SPDR Gold MiniShares Trust	7.00	0.42
Top 3 Detractors			
TBT	ProShares UltraShort 20+ Year Treasury	0.27	-0.11
LCSIX	LoCorr Long/Short Commodities Strategy Fd Cl I	6.69	-0.09
CBHIX	Victory Market Neutral Income Fund - Class I	3.67	-0.05

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Fixed Income Total Return

The Fixed Income Total Return strategy came into the third quarter defensive, having become cautious after credit and small-cap stocks peaked and reversed in early June, just as a new wave of coronavirus began to spread in parts of the country.

However, markets and credit turned around sharply in July and by July 30th, we sold Treasuries near their lows in yield on the year and re-invested into high yield. Since then, equity markets have moved considerably higher and credit has remained stable. Credit sentiment peaked with the NASDAQ on September 2nd, but the correction that hit the NASDAQ had only a modest effect on our models. While they are a bit off their highs, we remain generally positive on credit.

External macro factors and news of stimulus negotiations have not had a negative effect on high yield; rather, it is the Fed's relentless support of liquidity that has kept markets solidly afloat.

Looking forward to after the elections, 2021 could see a broader economic re-opening, and despite high yield offering a paltry 4% to 5% yield, we are mindful that during the September correction high yield spreads reached levels that were major peaks in 2019. Spreads and high yield returns still have a considerable way to compress before they are historically overvalued. Investors should be mindful that high yield returns will be modest compared to their past history, but with Treasuries only offering yields of under 1% for years ahead, high yield should have attraction for yield hungry investors.

During 2020, the Fixed Income Total Return portfolio has been very active within credit, and that activity is summarized below in terms of the average price of the bonds in the S&P 500 High Yield Bond Index:

January 17th	Average high yield bond price peaked at 102.49
February 26th	Sold half of our high yield bond position and bought Treasuries; average price at 101.28
March 9th	Sold other half of our high yield position; average price at 95.56
March 23rd	Markets bottomed; average price at 80.05
March 27th	Re-entered high yield bonds when average price was at 85.29
June 29th	Sold our high yield bond positions at an average price of 96.49
July 30th	Bought high yield bonds at an average price of 100.93

Source: Bloomberg. For illustrative purposes only. Past performance does not guarantee future results.

We are first and foremost focused on risk, attempting to avoid larger losses. We believe our models helped us avoid some of the worst losses in credit markets during the worst of the pandemic in February and March, and we were still able to tactically buy back into high yield at attractive prices. In June, our models indicated that another downtrend could be in place, but this time it quickly reversed, and we lost out on upside in an attempt to avoid major losses. This is a trade we are always content to make, as we attempt to give our investors a smoother risk-adjusted journey through market cycles.

Sentry Managed Volatility Portfolio

Hedging one's equity exposure during a strong market for equities, or even just a flat market for equities, is an exercise in patience and understanding the proper role of a hedge within a broader portfolio. Sometimes, that patience pays off when markets are hit by a sudden shock and unexpected strike of lightning. When the economy grounds to a sudden

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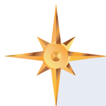

and startling halt, the Sentry portfolio's equity hedge and negative correlation to market declines can help reduce the pain in equity portfolios.

The global coronavirus pandemic proved to be an unprecedented disruption, creating a liquidity event across most asset classes, as the S&P 500 collapsed by over 33% between late February and March 23rd. Markets have staged a huge recovery, and valuations by some measures are near 1999 levels. For those investors that desire a hedge, we believe its value will be on display in the coming years with valuations and higher debt levels causing increased volatility.

We have commented many times on how an equity hedge gains from spikes in volatility, but the gains can be fleeting. When a decline becomes a bear market and something much more than a correction, we look to capitalize on those gains, take profits, and employ those monies back into our other equity portfolios, particularly in the Global Balanced and Global Equity ETF Hedged portfolios. Thus, we were able to add some additional equity exposure at relatively attractive prices and if there is a longer-term turnaround, enhance portfolio upside. We had not gotten the chance to reallocate into equities and act on such a large decline since 2016.

Looking forward, with a massive spike decline and then a sudden recovery having taken place, does a hedged position have a role in a portfolio? We are currently seeing that the lifting of restrictions on travel and conducting business has not led to a resumption back to January's levels of economic activity. The economy has staged a strong recovery, yet the uncertainty of the upcoming presidential election stands right before us. Volatility is likely through the end of the year, and investor anxiety, as measured by the VIX index, remains stubbornly high despite the market continuing to surge higher. As a result, we are opportunistic, but measured in selling volatility, to reduce the cost of the equity hedge.

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The SG Trend Index is a trend-following index that measures managed futures.

The Bloomberg Commodity Index is a highly liquid and diversified benchmark for commodity investments.

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 or an investment), credit, prepayment, 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).

Non-investment-grade debt securities (high-yield/junk bonds) may be subject to greater market fluctuations, risk of default or loss of income and principal than higher-rated securities.

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 markets countries.

The HRFX Event Driven Index maintain positions in companies currently or prospectively involved in corporate transactions of a wide variety including but not limited to mergers, restructurings, financial distress, tender offers, shareholder buybacks, debt exchanges, security issuance or other capital structure adjustments. Security types can range from most senior in the capital structure to most junior or subordinated, and frequently involve additional derivative securities.

The HFRX Global Hedge Fund Index is designed to be representative of the overall composition of the hedge fund universe. It is comprised of all eligible hedge fund strategies; including but not limited to convertible arbitrage, distressed securities, equity hedge, equity market neutral, event driven, macro, merger arbitrage, and relative value arbitrage.

The MSCI ACWI ex USA Index captures large and mid cap representation across 22 of 23 Developed Markets (DM) countries (excluding the US) and 26 Emerging Markets (EM) countries*. With 2,206 constituents, the index covers approximately 85% of the global equity opportunity set outside the US.

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 S&P 500 High Yield Corporate Bond Index, a subindex of the S&P 500 Bond Index, seeks to measure the performance of U.S. corporate debt issued by constituents in the S&P 500 with a high-yield rating. The S&P 500 Bond Index is designed to be a corporate-bond counterpart to the S&P 500, which is widely regarded as the best single gauge of large-cap U.S. equities.

The CBOE Volatility Index, or VIX, is a real-time market index representing the market's expectations for volatility over the coming 30 days. Investors use the VIX to measure the level of risk, fear, or stress in the market when making investment decisions.

The volatility (beta) of a client's portfolio may be greater or less than its respective benchmark. It is not possible to invest in these indices. 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.

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