Clark Capital MANAGEMENT GROUP

Benchmark Review & Monthly Recap

Stocks Rally Amid Vaccine Hopes and Election Conclusion

Highlights

November was a historic month for equity returns. The Dow posted a double-digit gain and its best month since 1987. The S&P 500 Index and Nasdaq Composite each posted double-digit returns and put in new all-time highs as well. The Russell 2000 posted its best month ever up over 18%.

The equity market rally also broadened in November as value, small and mid-cap stocks outperformed large-cap growth, which had dominated year to date. International companies outpaced U.S. stocks as well.

Several economic data points reflected an economy that continues to improve. Furthermore, promising vaccine news helped boost stocks, as did the conclusion of the highly divisive presidential election.

The 10-year U.S. Treasury yield ended October at 0.88%. Although the yield rose early in the month and approached the 1.0% mark, it drifted lower and closed November at 0.84%.

Despite a great month for stock market returns, COVID-19 cases spiked in November to unprecedented levels. The near term still holds tremendous challenges and uncertainties, but the light at the end of this dark tunnel appears to be getting brighter as we move beyond 2020 and into 2021.

Equity Markets

After a choppy couple of months in September and October, the S&P 500 Index rallied to a new all-time high in November. An improving economy, moving past the divisive presidential election and positive news on the COVID-19 vaccine front all helped propel equity markets higher. The Dow closed above 30,000 for the first time in history and the NASDAQ Composite also posted a new high during the month. As good as those large-cap indices performed, they lagged several other pockets of the equity markets including small and mid-cap stocks, as well as value-oriented equities.

After closing above 40 in late October, the CBOE Volatility Index or VIX, declined rather steadily throughout November. The VIX ended the month at 20.57, its lowest level since before the pandemic. We had anticipated higher levels of volatility as we approached the election and as the economy encountered bumps along the way in the reopening process, which we did experience in late October. Volatility declined during November, although this level remains elevated compared to the low to mid-teens where the VIX had spent much of the early part of 2020 prior to the pandemic. As COVID-19 cases are accelerating in the U.S. and other parts of the world, we expect volatility could rise once again in December. We believe investors should be prepared for a bumpy ride as we close out the year and move into 2021.

Value continued to show relative outperformance compared to growth in November, as it had over the last couple of months. We at Clark Capital continue to use our disciplined approach of seeking out what we believe to be high-quality companies with improving business conditions at what we believe are good prices. The value/growth disparity has been and continues to be very stretched from our perspective, but some shift has occurred over the last few months as the FANMAG stocks have lost strength relative to the broader market. As always, we will continue to seek purposeful investments in both stocks and bonds as we move forward in what we believe will be a period of wider outcomes of investment results. We believe the broadening of the market rally beyond the largest cap tech names and into small, mid, value and even international stocks is a positive development for the broader market.

The numbers for November were as follows: The S&P 500 gained 10.95%, which unbelievably turned out to be the weakest result of the major U.S. stock indices for the month. The Dow Jones Industrial Average advanced 12.14%, the Russell 3000 rose 12.17%, the NASDAQ Composite advanced 11.91%, and the Russell 2000 Index, a measure of small-cap stocks, rallied 18.43%, its best monthly gain on record. Year-to-date results continue to show major dispersion among these broad indices and returns through November, in the same order, were as fol-

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lows: 14.02%, 6.11%, 15.68%, 37.09%, and 10.41%, respectively.

Reflecting the outperformance of large-cap companies for the year, the S&P 500 Index (which is market-cap weighted) easily outpaced its Equal Weighted counterpart for the first 11 months of 2020. Year to date, the S&P 500 Equal Weighted Index is up 8.21%, but over the last three months, the equal weight measure has gained 10.73% compared to the headline, market-cap weighted S&P 500, which has only risen 3.89%. Further reflecting the recent outperformance of smaller-sized companies, the Russell 2000 Index gained 16.87% during this same three-month period as small and mid-cap stocks have rallied of late.

Looking at style, growth stocks still hold an advantage year to date despite the impressive recent results of value stocks. The headline Russell 1000 Index is up 16.06% year to date. The Russell 1000 Growth Index has advanced 32.40% year to date, while the Russell 1000 Value Index is off -1.00% for the year. However, over the last three months, the same growth index has gained only 1.48%, while the value index is up 9.21%.

International equities enjoyed impressive gains during November as well. Developed market stocks outpaced their emerging market counterparts to help narrow the outperformance of emerging markets so far this year. The MSCI Emerging Markets Index gained 9.25% in November and the MSCI ACWI ex USA Index, a broad measure of international equities, rallied 13.45% with year-to-date returns of 10.20% and 4.98%, respectively.

Fixed Income

The yield on the 10-year U.S. Treasury dropped modestly as the month progressed (going from 0.88% to 0.84%), and this, along with improving credit conditions, provided a positive backdrop for bonds during the month of November. We continue to believe that we will be in a "lower for longer" interest rate environment for the foreseeable future, but that does not mean that rates cannot fluctuate along the way. The ongoing and massive support from the Federal Reserve is generally keeping a lid on interest rates and we expect that environment to continue.

Fixed income returns were as follows for November: the Bloomberg Barclays U.S. Aggregate Bond Index gained 0.98%, the Bloomberg Barclays U.S. Credit Index advanced 2.55%, the Bloomberg Barclays U.S. Corporate High Yield Index rallied an impressive 3.96% and the Bloomberg Barclays Municipal Index rose 1.51%.

Treasuries still show solid results year to date driven by powerful first quarter returns, but this pocket of fixed income has underperformed in recent months. This is consistent with our expectations for corporate bonds to outpace sovereign debt as corporate bonds benefit from improving economic conditions. For example, for the month of November, the general Bloomberg Barclays U.S. Treasury Index gained only 0.35%, but year to date, it is still up 8.25%. High yield bonds, which struggled during the pandemic induced sell-off risk assets earlier in the year, have continued to make a comeback and are now up 5.13% year to date.

Economic Data and Outlook

Economic momentum continued in November, but with some anticipated moderation from growth rates seen over the last several months. The pace of job market gains slowed in October from September, but payroll additions did surpass expectations. In October, non-farm payrolls increased by 638,000, beating estimates of 580,000, but lagging the revised 672,000 job additions in September. The unemployment rate dropped to 6.9%, much better than expectations of 7.6%. However, when compared to the 3.5% unemployment rate at the end of 2019, there is still a lot of ground to make up in the labor market.

The widely followed ISM Manufacturing Index surged higher in October to 59.3, its highest level since November 2018, surpassing estimates of 56.0 and the prior month's reading of 55.4. The New Orders component of this reading rebounded to 67.9 compared to September's mark of 60.2. The ISM Non-Manufacturing Index, which covers the much larger service industries in the U.S. economy, missed expectations in October coming in at 56.6 compared to estimates of 57.5. However, manufacturing and service industries have clearly improved from the shutdown period and continue to show growth. (Recall that ISM readings above 50 indicate expansion and below 50 signal contraction.)

Retail sales continued to advance in October, but at a slower than expected rate. Excluding auto and gas station sales, retail sales increased 0.2% for the month, less than expectations of a 0.6% improvement. Prior month retail sales were revised lower to a 1.2% monthly gain from the previously reported 1.5% gain. Retail spending during the holiday shopping period will be important to monitor in the weeks ahead to gauge the spending appetite of consumers.

New home sales are now at levels last seen in 2006 and continue to show strength. Expectations were calling for a 975,000-annual rate, but instead new home sales were at a 999,000-annual pace in October. The September reading was revised higher to a 1.002 million annual rate, well ahead of the previously reported 959,000-annual pace. Housing starts surpassed expectations, but building permits fell short of estimates in October. Existing home sales at a 6.85 million annualized rate (also the highest level since 2006) easily exceeded expectations of 6.47 million annual rate. The Conference Board's Leading Index gained 0.7% in Octo-

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ber, matching estimates and last month's mark.

While strong gains continue in many parts of the economy, particularly in the housing market, some data is reflecting that the pace of improvement is now slowing. We had anticipated that the third quarter would rebound strongly and while the fourth quarter would reflect above trend economic growth, it would be more muted compared to the third quarter.

The Fed has been unwavering in its commitment to support the proper functioning of the financial system. Despite the Fed's steady hand during this crisis, the next round of fiscal stimulus continues to be held up by Congress. Efforts are being made to try to strike a deal, but finding common ground has been difficult, particularly as we are transitioning between the Trump Administration and the incoming Biden team. This next round of fiscal stimulus will likely be an ongoing focus of the market until some clarity and progress develops around this plan, whether that be before or after the new administration takes office.

After a choppy September and October, November was a period of strong stock market gains. We remain resolute in our belief that the U.S. economy and corporate America will make it through this pandemic period. This stance has not changed since the beginning of the crisis. There are clear short-term challenges as we head into winter with COVID-19 cases surging, but vaccines appear to be on their way and once available, we can begin to move beyond the worst parts of this pandemic period. We believe the next few months might see elevated capital market volatility as we go through this challenging period. Overall, we do believe the economy and financial markets are heading in the right direction. As always, we continue to believe it is imperative for investors to stay focused on their long-term goals and not let short-term swings in the market derail them from their longer-term objectives.

Investment Implications

Clark Capital's Top-Down, Quantitative Strategies

November was a risk-on month across the board with stellar equity and credit market gains. There was a rotation in the markets with small and mid-cap stocks taking the lead. Among equity style boxes, the size/market capitalization effect is leading markets higher right now. The Style Opportunity portfolio entered November positioned entirely in large-caps and growth, but as the month progressed, the strategy shifted into a mix of 70% mid-cap and small-cap, and is now neutral between value and growth.

The Fixed Income Total Return portfolio continues to favor high yield credit over Treasuries and is fully allocated to high yield bonds. Recently, the portfolio allocations have shifted in response to leadership changes and the re-opening of the economy, which has resulted in broadening market participation.

Clark Capital's Bottom-Up, Fundamental Strategies

Within the hard-hit consumer space, hotels, casinos, cruise lines and airlines rallied on the hope of a more positive 2021 outlook. In this market environment, a barbell approach seems appropriate within our bottom-up equity portfolios. For example, the High Dividend Equity portfolio owns growth-oriented Technology as well as undervalued cyclical companies with solid dividend policies. While U.S. security selection has been concentrated in the large-cap growth area this year, we believe performance is broadening internationally.

In fixed income, the market remained calm following the Presidential Election. In the Tax-Free Fixed Income portfolio, we continue to like high grade municipals and have started to prepare for a steeper curve. As our duration strategy has materialized, we are selectively monetizing and re-deploying in shorter term structures and cushion bonds that we believe will continue to do well with the roll-down.

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Economic Data

Event	Period	Estimate	Actual	Prior	Revised
ISM Manufacturing	Oct	56.0	59.3	55.4	—
ISM Services Index	Oct	57.5	56.6	57.8	—
Change in Nonfarm Payrolls	Oct	580k	638k	661k	672k
Unemployment Rate	Oct	7.6%	6.9%	7.9%	—
Average Hourly Earnings YoY	Oct	4.5%	4.5%	4.7%	4.6%
JOLTS Job Openings	Sept	6500k	6436k	6493k	6352k
PPI Final Demand MoM	Oct	0.2%	0.3%	0.4%	—
PPI Final Demand YoY	Oct	0.4%	0.5%	0.4%	—
PPI Ex Food and Energy MoM	Oct	0.2%	0.1%	0.4%	—
PPI Ex Food and Energy YoY	Oct	1.2%	1.1%	1.2%	—
CPI MoM	Oct	0.1%	0.0%	0.2%	—
CPI YoY	Oct	1.3%	1.2%	1.4%	—
CPI Ex Food and Energy MoM	Oct	0.2%	0.0%	0.2%	—
CPI Ex Food and Energy YoY	Oct	1.7%	1.6%	1.7%	—
Retail Sales Ex Auto and Gas	Oct	0.6%	0.2%	1.5%	1.2%
Industrial Production MoM	Oct	1.0%	1.1%	-0.6%	-0.4%

The visual shown above are for illustrative purposes only

Event	Period	Estimate	Actual	Prior	Revised
Building Permits	Oct	1567k	1545k	1553k	1545k
Housing Starts	Oct	1460k	1530k	1415k	1459k
New Home Sales	Oct	975k	999k	959k	1002k
Existing Home Sales	Oct	6.47m	6.85m	6.54m	6.57m
Leading Index	Oct	0.7%	0.7%	0.7%	—
Durable Goods Orders	Oct P	0.8%	1.3%	1.9%	2.1%
GDP Annualized QoQ	3Q S	33.1%	33.1%	33.1%	—
U. of Mich. Sentiment	Nov P	82.0	77.0	81.8	—
Personal Income	Oct	-0.1%	-0.7%	0.9%	0.7%
Personal Spending	Oct	0.4%	0.5%	1.4%	1.2%
S&P CoreLogic CS 20-City YoY NSA	Sept	5.30%	6.57%	5.18%	5.33%

Source: Bloomberg

P=Preliminary, S=Secondary

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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 market countries.

The U.S. Dollar Index is an index of the value of the United States dollar relative to a basket of foreign currencies, often referred to as a basket of U.S. trade partners' currencies. The Index goes up when the U.S. dollar gains "strength" when compared to other currencies.

The S&P 500® Equal Weight Index (EWI) is the equal-weight version of the widely-used S&P 500. The index includes the same constituents as the capitalization weighted S&P 500, but each company in the S&P 500 EWI is allocated a fixed weight - or 0.2% of the index total at each quarterly rebalance.

The Bloomberg Barclays U.S. Municipal Index covers the USD-denominated long-term tax exempt bond market. The index has four main sectors: state and local general obligation bonds, revenue bonds, insured bonds and prerefunded bonds.

The Dow Jones Industrial Average indicates the value of 30 large, publicly owned companies based in the United States.

The NASDAQ Composite is a stock market index of the common stocks and similar securities listed on the NASDAQ stock market.

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 Russell 1000 Growth Index measures the performance of the large-cap growth segment of the U.S. equity universe. It includes those Russell 1000 Index companies with higher price-to-book ratios and higher forecasted growth values.

Russell 1000 Index measures the performance of the 1,000 largest companies in the Russell 3000 Index, which represents approximately 92% of the total market capitalization of the Russell 3000 Index.

The Russell 1000 Value Index measures the performance of the large-cap value segment of the U.S. equity universe. It includes those Russell 1000 Index companies with lower price-to-book ratios and lower forecasted growth values.

The Russell 2000 Index is a small-cap stock market index that represents the bottom 2,000 stocks in the Russell 3000.

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.

The 10 Year Treasury Rate is the yield received for investing in a US government issued treasury security that has a maturity of 10 year. The 10 year treasury yield is included on the longer end of the yield curve. Many analysts will use the 10 year yield as the "risk free" rate when valuing the markets or an individual security.

The MSCI Emerging Markets Index is used to measure large and mid-cap equity market performance in the global emerging markets.

The MSCI ACWI ex USA Index captures large and mid-cap representation across 22 of 23 developed market countries and 24 emerging market countries, covering approximately 85% of the global equity opportunity set outside of the U.S.

Bloomberg Barclays U.S. Aggregate Bond Index: The index is unmanaged and measures the performance of the investment grade, U.S. dollar denominated, fixed-rate taxable bond market, including Treasuries and government-related and corporate securities that have a remaining maturity of at least one year.

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

The Bloomberg Barclays U.S. Credit Index measures the investment grade, U.S. dollar denominated, fixed-rate taxable corporate and government related bond markets.

The ISM Non-Manufacturing Index is an index based on surveys of more than 400 non-manufacturing firms' purchasing and supply executives, within 60 sectors across the nation, by the Institute of Supply Management (ISM). The ISM Non-Manufacturing Index tracks economic data, like the ISM Non-Manufacturing Business Activity Index. A composite diffusion index is created based on the data from these surveys, that monitors economic conditions of the nation.

ISM Manufacturing Index measures manufacturing activity based on a monthly survey, conducted by Institute for Supply Management (ISM), of purchasing managers at more than 300 manufacturing firms.

Personal consumption expenditures price index is the component statistic for consumption in gross domestic product collected by the United States Bureau of Economic Analysis.

The Bloomberg Barclays US Treasury Index measures US dollar-denominated, fixed-rate, nominal debt issued by the U.S. Treasury.

The CBOE Volatility Index, known by its ticker symbol VIX, is a popular measure of the stock market's expectation of volatility implied by S&P 500 index options.

The Conference Board's Leading Indexes are the key elements in an analytic system designed to signal peaks and troughs in the business cycle. The leading, coincident, and lagging economic indexes are essentially composite averages of several individual leading, coincident, or lagging indicators. They are constructed to summarize and reveal common turning point patterns in economic data in a clearer and more convincing manner than any individual component – primarily because they smooth out some of the volatility of individual components.

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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