ClarkCapital MANAGEMENT GROUP

Benchmark Review
& Monthly Recap

New All-Time Highs, and a Late-Month Fade

Equity Markets

The S&P 500, Dow Jones Industrial Average, NASDAQ Composite and Russell 2000 Indices all recorded new all-time highs in January. The month was marked by strength through the middle part of January, but the last several days of the month saw volatility rise and equities decline. The late month drop pushed the Dow and S&P 500 into negative territory, but the Russell 2000 and NASDAQ Composite still recorded gains to begin the new year.

The CBOE Volatility Index or VIX Index spiked higher in late January. After spending most of the month in the low 20s, the VIX Index shot to its highest closing level since late October of 37.21, before settling at 33.09 to end the month. Volatility had clearly declined during November and December, which we believed might be pointing to some complacency building in the market and potential short-term weakness. Particularly as we moved into the new year and as COVID-19 cases accelerated, we expected that volatility could rise once again. We saw this rise in volatility late in the month and we believe investors should continue to be prepared for a bumpy ride as we move through these near-term difficulties with the pandemic until the vaccine becomes more widely distributed.

From a style perspective, there was not a huge degree of difference between value and growth to begin the new year. Value modestly lagged in the large to mid-cap space, but it outperformed growth in small-caps. We continue to use our disciplined approach of seeking out high-quality companies with improving business conditions at what we believe are good prices. We still believe that the value/growth disparity that reached a peak last year will likely continue to shift in 2021, with value improving on a relative basis. As always, we will continue to make 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.

The numbers for January were as follows: The S&P 500 fell -1.01%, the Dow Jones Industrial Average dropped -1.95%, the Russell 3000 slipped by -0.44%, the NASDAQ Composite advanced 1.44%, and the Russell 2000 Index, a measure of small-cap stocks, rallied 5.03%, and was the clear leader among these widely followed U.S. equity indices. Mid-cap and micro-cap stocks also turned in gains to begin the new year.

We will continue to monitor the trend that began to develop in the latter part of 2020 with small and mid-caps outperforming large-caps. Large-caps dominated for most of last year, but small-caps surged late in 2020 and that momentum has continued into 2021.

Looking closer at style, the headline Russell 1000 Index slipped -0.82 to begin

Highlights

New all-time highs were hit by most major U.S. equity indices in January, but in general, large-cap stocks faded by month's end.

The broadening of the equity market rally continued in January as small and mid-cap stocks outperformed large-caps.

Economic data released in January, primarily covering December, reflected a choppy end to the year. While the economy is still expanding, the surge in COVID-19 cases this winter has created challenges.

The 10-year U.S. Treasury yield closed 2020 at 0.93%, but it rose to close as high as 1.15% during January, before settling at 1.11% to end the month.

Rising rates put pressure on most pockets of fixed income in January with high-yield and muni bonds among the few categories with gains to begin 2021.

The near term still holds tremendous uncertainties, but vaccines should begin to roll out more broadly in 2021 and another round of fiscal stimulus looks likely in relatively short order.

This is not a recommendation to buy or sell a particular security. Please see attached disclosures.

2021. The Russell 1000 Growth Index was off -0.74%, while the Russell 1000 Value Index declined -0.92%. After growth dominated in 2020, the beginning of 2021 showed only a modest disparity between growth and value from a style perspective.

International equities maintained momentum that picked up later in 2020. The MSCI Emerging Markets Index gained 3.07% in January and the MSCI ACWI ex USA Index, a broad measure of international equities, made a modest advance of 0.22%.

Fixed Income

The yield on the 10-year U.S. Treasury moved higher early in January and spent most of the month yielding above 1%, which was the first time it had been above this level since March 2020. It closed January at 1.11%. The most interest-rate sensitive bonds struggled with that backdrop of rising rates. We continue to believe that we will be in a "lower for longer" interest rate environment for the foreseeable future, but we also think that some modest steepening of the yield curve could occur in 2021. The ongoing and massive support from the Federal Reserve is generally keeping a lid on interest rates, (particularly on the front end of the yield curve) and we expect that environment to continue.

Fixed income returns were as follows for January: the Bloomberg Barclays U.S. Aggregate Bond Index fell -0.72%, the Bloomberg Barclays U.S. Credit Index dropped -1.19%, the Bloomberg Barclays U.S. Corporate High Yield Index was able to advance 0.33% and the Bloomberg Barclays Municipal Index rose 0.64%. Treasuries (with the exception of TIPS) were negative in January as rates moved higher. The general Bloomberg Barclays U.S. Treasury Index declined -0.96%.

Economic Data and Outlook

Economic gains continued in December, but data was mixed. The ongoing pandemic and the recent surge in COVID-19 cases has had an impact on parts of the economy. For the first time since coming out of the pandemic, payrolls declined in December. Non-farm payrolls fell by -140,000 when a modest gain of 50,000 was expected. The unemployment rate stayed at 6.7% in December when a modest increase to 6.8% was anticipated. The unemployment rate was 3.5% in December 2019, so there is still a lot of ground to make up in the job market.

The widely followed ISM Manufacturing Index surged higher in December, increasing to 60.7 compared to estimates of 56.8 and the prior month's mark of 57.7. New orders and prices paid increased in December. The ISM Non-Manufacturing Index, which covers the much larger service industries in the U.S. economy, also advanced more than expected. This reading came in at 57.2, beating estimates of 54.5 and increasing from November's level of 56.8. Manufacturing and service industries have clearly improved from the shutdown period and continue to show solid growth. Recall that ISM readings above 50 indicate expansion and below 50 signal contraction.

Retail sales (ex. auto and gas) fell again in December by -2.1%. This was a much larger decline than the expected -0.3% drop and November's reading was revised down to -1.3%, reflecting a larger decline than previously reported. Retail spending slowed as we moved into the winter months and was likely impacted by the surge in COVID-19 cases.

The housing market continued to be a source of broader economic strength to close out the year. The pace of new home sales improved to an annualized rate of 842,000 in December, but this was below expectations of 870,000. However, housing starts, building permits and existing home sales surpassed expectations in December and all showed higher levels of activity compared to November. Housing measures have been at levels in recent months that have not been seen since prior to the 2008 Financial Crisis. The Conference Board's Leading Index gained 0.3% in December as expected.

The first reading of fourth quarter GDP came in at 4.0%, which was below expectations of 4.2%. The personal consumption component of GDP was below expectations as well. Estimates had been trending higher for fourth quarter GDP growth early in the quarter, but as it progressed, estimates came in and once again were likely impacted by the worsening of the pandemic during the winter.

While growth continues in many parts of the economy, particularly in the housing market, some data like the job market and consumer spending struggled. The fourth quarter did reflect above trend economic growth, but as expected, it was more muted than Q3 growth and the headwind of the pandemic impeded the expansion from being stronger.

The Fed has been unwavering in its commitment to support the proper functioning of the financial system. On top of this, the 5th fiscal stimulus plan was finally passed in the final week of 2020. The Biden administration has already proposed another round of stimulus of about $1.9 trillion in early 2021. It appears that the appetite from Republican Senators is for a slimmer round of stimulus, so we should expect more negotiations in the coming weeks. We will watch closely to see what this next round of stimulus ultimately looks like.

The stock and bond markets were more mixed in January as volatility picked up late in the month. We remain resolute in our belief that the U.S. economy and corporate America will make it through this pandemic period, despite a surge in cases as we move into 2021. Vaccines are on their way, but it is taking time to produce and distribute these more broadly. The next few months might see elevated capital market volatility as we go through this challenging period.

Overall, we do believe that 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

In January, credit remained very firm and spreads continued to narrow. Historically, higher volatility with a firm credit landscape has been a positive sign for equities, as it suggests a healthy backdrop for the economy and markets. As a result, our tactical strategies remained in a risk-on position throughout the month.

Clark Capital's Bottom-Up, Fundamental Strategies

We believe that market participation continues to broaden out, with new leadership from small-cap stocks supporting the larger trends. Financials, Technology, and Consumer Staples remain strong performers. While U.S. economic growth currently exceeds most other countries and regions globally, we anticipate that non-U.S. economies will begin to recover.

Economic Data

Event	Period	Estimate	Actual	Prior	Revised
ISM Manufacturing	Dec	56.8	60.7	57.5	57.7
ISM Services Index	Dec	54.5	57.2	55.9	56.8
Change in Nonfarm Payrolls	Dec	50k	-140k	245k	336k
Unemployment Rate	Dec	6.8%	6.7%	6.7%	—
Average Hourly Earnings YoY	Dec	4.5%	5.1%	4.4%	—
JOLTS Job Openings	Nov	6450k	6527k	6652k	6632k
PPI Final Demand MoM	Dec	0.4%	0.3%	0.1%	—
PPI Final Demand YoY	Dec	0.8%	0.8%	0.8%	—
PPI Ex Food and Energy MoM	Dec	0.2%	0.1%	0.1%	—
PPI Ex Food and Energy YoY	Dec	1.3%	1.2%	1.4%	—
CPI MoM	Dec	0.4%	0.4%	0.2%	—
CPI YoY	Dec	1.3%	1.4%	1.2%	—
CPI Ex Food and Energy MoM	Dec	0.1%	0.1%	0.2%	—
CPI Ex Food and Energy YoY	Dec	1.6%	1.6%	1.6%	—
Retail Sales Ex Auto and Gas	Dec	-0.3%	-2.1%	-0.8%	-1.3%
Industrial Production MoM	Dec	0.5%	1.6%	0.4%	0.5%

Event	Period	Estimate	Actual	Prior	Revised
Building Permits	Dec	1608k	1709k	1639k	1635k
Housing Starts	Dec	1560k	1669k	1547k	1578k
New Home Sales	Dec	870k	842k	841k	829k
Existing Home Sales	Dec	6.56m	6.76m	6.69m	6.71m
Leading Index	Dec	0.3%	0.3%	0.6%	0.7%
Durable Goods Orders	Dec P	1.0%	0.2%	1.0%	1.2%
GDP Annualized QoQ	4Q A	4.2%	4.0%	33.4%	—
U. of Mich. Sentiment	Jan P	79.5	79.2	80.7	—
Personal Income	Dec	0.1%	0.6%	-1.1%	-1.3%
Personal Spending	Dec	-0.4%	-0.2%	-0.4%	-0.7%
S&P CoreLogic CS 20-City YoY NSA	Nov	8.7%	9.08%	7.95%	8.01%

Source: Bloomberg

A=Advanced, P=Preliminary

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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 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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