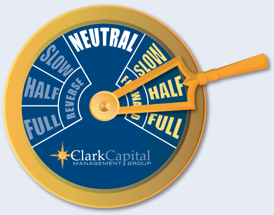
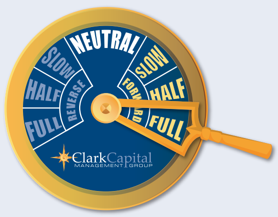
Market Moves

Charting Our Strategies

Economic Gauges



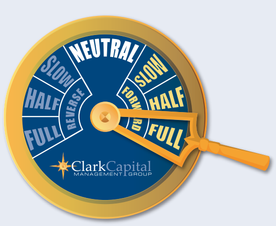
Economy



Monetary Policy

Valuations

Investor Sentiment



Interest Rates

Clark Capital's Bottom-Up, Fundamental Strategies

February was a good month for risk assets, which generally advanced given the continued improvement in COVID cases and hospitalizations, along with economic reopening themes. The market gave back a little of its outsized gains as the month ended, as rising yields elevated valuation concerns.

The U.S. 10-Year Treasury yield has risen from 0.91% to start the year to 1.41% at February month end. Meanwhile, short-term rates remain fairly well-anchored, resulting in a steepening yield curve. Those trends have favored cyclical themes in the portfolios including Energy, metals, and Financials. In addition, small-cap stocks are outperforming large-caps, and value stocks are outperforming growth stocks. In fixed income, credit is outperforming duration exposure.

Below are strategy updates from February:

All Cap Core U.S. Equity

- Navigator® All Cap is positioned with approximately 66.2% in large-cap stocks and the remainder in mid/small-cap companies and cash.
- During the month, we added two Healthcare companies, a global chemical and specialty materials company, and a fast-food restaurant chain as we believe these companies will outperform as reopening trends continue.
- We exited positions in a global health services company, an American car manufacturer, a U.S. biotechnology company, and a transportation company due to slowing near-term business momentum.
- Albeit underweight to the benchmark, Technology remains the largest sector weight in the strategy at 22.0%.

High Dividend Equity

- The portfolio is positioned with approximately 84.2% in large-caps, 11.7% in mid-caps and 2.8% in small-caps.
- Financials remain the largest sector weight at 22.2%, which is slightly overweight the benchmark at 20.7%. The next two largest weights are Industrials and Healthcare, ranging from 10.6% to 12.9%.
- During the month of February, we added more cyclical exposure via new purchases of a natural gas liquids company, a beer, wine and spirits producer, a hydrocarbon energy company, a TV station operator, a consumer financial services company, and a food marketer and distributor.
- We exited some of our more defensive positions in a data center REIT, a multinational power management company, a Canadian multinational energy transportation company, a semiconductor company, and a Canadian multinational financial services company.

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Clark Capital Management Group

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International Equity ADR

- Britain, Canada, Ireland, and Japan are the strategy's largest country weights, all between 11% and 16%.
- ADR continues to find what we believe are undervalued, high quality cyclicals and emerging markets additions to the portfolio. During the month we added a multinational power management company and an optical packaging and manufacturing services company to the portfolio.
- We removed slower growers from the portfolio including a Spanish utility company and a software and services company.
- Financials, Industrials, and Technology remain the portfolio's largest sector weights.

Taxable Fixed Income

- Returns in the portfolio were driven by callable BB securities that were not as affected by the rate move as investment grade bonds. Returns were also driven by the portfolio's duration shortening slightly, which reduced our dollar price exposure.
- The portfolio continues to look for names within economic recovery themes. We increased our position sizes in a mining company, a commercial real estate company, and an equipment rental company.
- The portfolio added new positions in a liquefied natural gas company to replace a position in a global oil exploration and production company we had sold. In Healthcare, we sold our position in a healthcare facility operator and bought a managed care healthcare company.

Tax-Free Fixed Income

- The municipal bond market faced strong headwinds in February, with the curve growing steeper in rates, and flatter in credit.
- An increase in future supply, reticence to buy at such low comparative and outright interest rates, and a reduction in cash coming into market all conspired to drive rates upward.
- We believe the behavior of the curve is creating extension opportunities for better yield pickup than previously permitted.
- We sold the long end of the curve in advance of widening and may begin to seek strategic re-entry as rates permit.

Clark Capital's Top-Down, Quantitative Strategies

Yields have risen on the heels of an improving economy, continued economic reopening, and fears of rising inflation. According to the current reading of the Atlanta Fed's GDPNow Forecast, the economy is expected to grow about 10% in the current quarter. That is much higher than consensus expectations, and therefore a contributor to rising Treasury yields.

Our tactical equity portfolios have captured gains by being overweight in small-cap stocks, Financials, metals and mining, and economic recovery themes. Credit has remained very firm, withstanding the backup in yields. As such, the credit risk management models that drive our top-down strategies remain in a risk-on position.

Navigate Your Future. Enjoy the Journey.

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Below are strategy updates from February:

Alternative

- Among the portfolio's mutual fund core, managed futures funds performed well, while market neutral fixed income was hurt by rising rates.
- We continue to own a modest position in metals and commodity equity and would expect to add to them upon a correction.
- We reduced our position in gold after a technical breakdown and added to our position in silver.

Fixed Income Total Return

- Amidst February's big increases in interest rates, high yield performance was flat, but well ahead of Treasuries (down 1.8%).
- Our models made new highs through the month, ending just off of their highs and remain in a strong, bullish mode.

Global Tactical

- Our credit-based models made highs through February, and as a result, our risk-on position in equities remains strong.
- Performance has been driven by strong U.S. and international small-cap stocks; we believe the strong market breadth, combined with a solid credit environment, paint an overall bullish backdrop.

Sector Opportunity

- The portfolio has transitioned away from Technology (owning only semiconductors) and moved into Financials (banks and broker dealers), Energy and metals and mining.
- We have avoided defensive (and rate sensitive) sectors such as Utilities, Staples, Healthcare, and Real Estate, which are demonstrating poor relative strength.

Style Opportunity

- In February, the portfolio exited momentum, and increased its position in buybacks. We also reduced our exposure to mid-cap growth and added to our position in mid-cap value.
- For the first time since June of last year, we have a modest value tilt in the portfolio.
- More importantly, the portfolio is tilting towards small-caps and mid-caps, which dominate our rankings and holdings.

U.S. Strategic Beta

- The portfolio is equal weighted between value and growth, with a modest tilt towards mid-caps and small-caps.
- We are overweight value, and underweight volatility and momentum. We expect the portfolio's next trade will further favor value stocks.

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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.

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