Clark Capital Management Group

Portfolio Commentary

Navigator® All Cap Core U.S. Equity

Portfolio Manager

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Top Contributors as of March 31, 2021

Company Name	Avg. Weight (%)	Contribution to Return (%)
Williams-Sonoma, Inc.	1.71	1.01
Applied Materials, Inc.	2.11	0.98
Eagle Materials Inc.	2.25	0.66

Top Detractors as of March 31, 2021

Company Name	Avg. Weight (%)	Contribution to Return (%)
Apple Inc.	3.85	-0.35
Helen of Troy Limited	1.04	-0.25
Global Payments Inc.	0.33	-0.20

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.

Escape Velocity

Market Review

Vaccinations, improvements in mobility, and additional fiscal stimulus continued to favor value (Russell Large Value +11.2%), Cyclicals, Financials and small-caps (+12.7%) over large-cap growth (+0.9%) in 2021's 1st quarter. This dramatic shift in trend, which began in August of 2020, has somewhat mirrored both the increase in 10-year Treasury rates from 0.50% to 1.75%, the steepening of the yield curve, and improving expectations of economic growth.

Lapping the one year anniversary of the equity market's trough, index gains of the S&P 500 (+80.7%), S&P Mid Cap 400 (+117.5%) and S&P Small Cap 600 (+124.7%) all reversed their COVID declines and anticipate earnings gains in 2021 and 2022.

Global fiscal and monetary stimulus, highlighted by this quarter's $1.9 trillion fiscal plan, has provided a critical bridge for businesses and labor markets to transition from economic shutdowns to re-openings. Now as earnings reach new highs, shortages in critical resources reach extreme levels, and job openings reach pre-COVID levels, we believe inflation measures should continue to push 10-year U.S. Treasury rates from a negative real rate to a more normal level.

While many Fed watchers believe that longer U.S. Treasury yields are limited by the Fed's rate targeting, I think that the central bank's sole and current focus is full employment at the expense of higher inflation expectations. Yellen's theory of hysteresis (letting the economy run hot to promote the return of obsolete workers to the labor force) has been safely passed on to Chairman Powell. With the Treasury and the Fed working in concert, the Fed's tightening still seems far off despite rapidly dropping unemployment rates. As large quantities of hospitality and leisure sector workers were quickly removed from the labor force at the beginning of COVID quarantines, we expect the reverse to occur over the next few months, lifting payroll data and economic growth measures at a rapid pace.

First Quarter Performance Highlights

- For the first quarter of 2021, the Navigator® All Cap strategy had a return of 11.75% (10.94% net) vs. a 6.35% gain in the Russell 3000 Index.
- For the one-year period ending March 2021, All Cap gained 63.54% gross on annualized basis (58.89% net) vs. 62.53% for the Russell 3000.
- Our positioning in Information Technology and Consumer Discretionary helped relative performance while our positioning in Financials and Real Estate acted as a drag.
- Portfolio holdings in Williams-Sonoma and Applied Materials helped relative performance while holdings in Apple and Helen of Troy hurt performance.
- During the quarter, the strategy was positioned with approximately 67% in large-cap companies with the balance in small-cap/mid-cap companies and cash.

Past performance is not indicative of future results.
This is not a recommendation to buy or sell a particular security. Please see attached disclosures.

Positioning and Outlook

At the beginning of COVID, we attempted to find those companies which we believed would "survive and thrive" – i.e. those companies which we believed had the balance sheets, business models, etc. that could sustain a downturn and could also improve within their industry as the economy recovered.

Importantly, we recognized quickly that 2020 earnings estimates were meaningless and that we had to look at the company further into the future. As the depth of economic decline was initially unknown, the natural conclusion was to reduce our positions in Financials, levered companies, and increase our position in defensive companies. Also, known COVID behaviors pushed the discretionary portion of portfolios away from travel, leisure and experiences towards large ticket items like housing, boats and RVs.

As COVID progressed, we recognized that we needed to have balance of both growth/defensive companies and more aggressive cyclicals and Financials as declining interest rates and high COVID cases benefitted growers while news of re-opening and getting back to work would benefit cyclicals and Financials. Thus, the steepening slope of the yield curve pushed our big grower exposure down and placed a greater emphasis on Financials, small-caps and cyclicals as we believe they will have greater relative earnings growth.

Now as COVID comes under control with vaccines and the bull market matures into its later innings, we will continue to balance our exposure among growers, cyclicals, Financials and small-caps and begin to increase exposure to more defensive and less cyclical sectors. Thus, we are keeping an eye out for overheating from large fiscal and monetary stimulus and anticipating an "escape velocity" self-sustaining component of the re-opening. As we get closer to full employment, the stable grower trade will reassert its importance as the Fed will begin to reduce security purchases and lift rates to cool economic growth. While we are not there yet, the balance of risks is increasing.