Clark Capital Management Group

Benchmark Review
& Monthly Recap

Stock Market Momentum Continues in April

Highlights

Equity markets rallied in April and new all-time highs were achieved for some of the major U.S. stock indices during the month.

For the year to date, the leadership of small-cap, mid-cap and value stocks remains solidly intact. However, that momentum paused in April as large-cap growth stocks made a comeback during the month.

One of the biggest stories in 2021 so far has been the sharp rise in yields. That too paused in April as the 10-year U.S. Treasury yield ended the month at 1.65%, which was down from March's close at 1.74%.

With rates declining in April, bonds were able to post gains for the month. However, just a couple of bond sectors (high yield bonds and munis) are positive so far in 2021.

Economic data released in April, primarily covering March, reflected ongoing economic improvements and signaled that the U.S. economy is still solidly recovering.

Vaccines are becoming more widely available and COVID-19 cases have recently begun to decline. We expect ongoing economic improvements and progress against the pandemic as we move into the summer months.

Equity Markets

The S&P 500 and Dow Jones Industrial Average recorded new all-time highs in April. The Russell 2000 Index, which has been one of the strongest areas of the market this year, gained during the month, but was still off its record level from March. As stocks rallied, bonds also caught a break as the steady move higher in interest rates paused in April and bonds made gains.

Volatility remained subdued in April. The VIX Index dropped below 20 in March and it remained below that mark during April as stocks rallied. We believe that investors should still be prepared for periods of volatility over the next several months with stocks near all-time highs and after such a strong start to 2021.

From a style perspective, value and growth dynamics pivoted dramatically in the first part of 2021 compared to most of 2020. After growth dominated for most of 2020, value began to outperform during the last four months of last year, and that trend generally continued during the first quarter of 2021. However, large-cap growth did stage a bit of a comeback in April. At Clark Capital, we continue to use our disciplined approach of seeking what we believe are high-quality companies with improving business conditions at good prices. Although there will be times when growth rallies, 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. That shift has benefited our focus on quality companies so far this year.

The numbers for April were as follows: The S&P 500 gained 5.34%, the Dow Jones Industrial Average advanced 2.78%, the Russell 3000 rose 5.15%, the NASDAQ Composite increased 5.43%, and the Russell 2000 Index, a measure of small-cap stocks, advanced only 2.10%, but it still leads so far this year. For the year to date, returns in the same order were as follows: 11.84%, 11.30%, 11.83%, 8.55%, and 15.07%, respectively.

We continue to monitor the trend that began to develop in the latter part of 2020 with small and mid-caps outperforming large-caps (as well as value outperforming growth). Despite a pause in this trend in April, we believe that this dynamic is likely to continue given the well-above-trend growth expected in the U.S. economy this year and next.

Looking closer at style, the headline Russell 1000 Index gained 5.38% in April. However, unlike the first quarter, April saw large-cap growth as one of the strongest areas of the style box. The Russell 1000 Growth Index gained 6.80% for the month, while the Russell 1000 Value Index gained 4.00%. For the year to date, the returns were 7.81% and 15.70%, respectively. Value has clearly domi-

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

nated growth to begin 2021, but with some modest relative giveback in April.

International markets have clearly lagged the U.S. so far in 2021. After coming out of the gates strong in January, emerging market stock gains have slowed. Emerging markets tend to be more interest rate sensitive, so the move higher in rates likely negatively impacted emerging market equities during the first quarter. Broader developed market equities showed better results in April and for the year to date. The MSCI Emerging Markets Index did gain 2.49% in April and the MSCI ACWI ex USA Index, a broad measure of international equities, gained 2.94%. For the year to date, those two indices show gains of 4.83% and 6.54%, respectively. Following the trend of recent years, U.S. stocks have continued to outperform their international counterparts.

Fixed Income

The yield on the 10-year U.S. Treasury had risen sharply at the beginning of the year. After closing 2020 at 0.93%, the yield surged to 1.74% to close out March. That move higher took a break in April as the yield closed the month at 1.65%. Most bond sectors struggled in the first quarter, particularly those most interest-rate sensitive bonds, but they got a reprieve in April.

The exception so far this year has been high yield bonds, which posted gains in the first quarter and added to those gains in April. 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) but we did anticipate some steepening of the yield curve would occur in 2021. That steepening has happened, but as is typical, these moves are not just made in a steady manner and some back and forth in interest rates should be expected.

Fixed income returns were as follows for April: the Bloomberg Barclays U.S. Aggregate Bond Index gained 0.79%, the Bloomberg Barclays U.S. Credit Index advanced 1.06%, the Bloomberg Barclays U.S. Corporate High Yield Index rose 1.09% and the Bloomberg Barclays Municipal Index gained 0.84%. For the year to date, those index returns in the same order were as follows: -2.61%, -3.44%, 1.95%, and 0.48%, respectively. Treasuries also enjoyed gains for the month, but are still down year to date. The general Bloomberg Barclays U.S. Treasury Index advanced 0.75% and longer dated U.S. Treasury indices, like the 30-year, bounced higher by 2.68%. For the year to date, those Treasury index returns were down -3.53% and -13.58%, respectively. We continue to maintain our long-standing position favoring credit versus pure rate exposure in this interest rate environment.

Economic Data and Outlook

The job market continued to rebound in March. Non-farm payroll additions totaled 916,000 during the month, which was well ahead of the expected gain of 660,000. Furthermore, strong revisions continue to be made with the prior two months up 156,000 more jobs than previously reported. Following suit, the unemployment rate dropped again to 6.0% as expected in March. With consumption accounting for about 70% of the U.S. economy, ongoing improvements in the job market should support continued economic strength.

The widely followed ISM Manufacturing Index rose to 64.7 in March, its highest level since December 1983, easily exceeding expectations of 61.5. However, the ISM manufacturing reading for April (released May 3) showed a slower (albeit strong) pace of growth at 60.7. The ISM Non-Manufacturing Index, which covers the much larger service industries in the U.S. economy, jumped to 63.7 in March from its level of 55.3 in February. This was ahead of expectations of 59.0. Manufacturing and service industries have improved from the shutdown period and continue to show solid growth as the economy recovers. Recall that ISM readings above 50 indicate expansion and readings below 50 signal contraction.

Retail sales (ex. auto and gas) surged in March after slumping in February. After dropping a revised -3.3% in February, sales grew by 8.2% in March, well ahead of the expected 6.4% advance. Recall that stimulus checks were sent to many Americans at the start of 2021, which likely helped, but they also pulled forward some of the retail spending activity in January at the expense of February. Stimulus checks went out again to many Americans in March, which helped retail spending accelerate. Highlighting the aid received by many Americans in March, personal income increased by an astonishing 21.1% for the month. We will continue to monitor how spending evolves in 2021, but March may have once again pulled forward sales from future months as consumers spent heavily when their stimulus checks arrived.

The housing market stayed hot in March as well. Home prices rose by 11.9% in February at their highest annual level in 15 years. Housing starts, building permits, and new home sales all surpassed expectations in March and were all above February levels. Existing home sales were below expectations and prior month levels as inventories remained tight. We will continue to monitor how rising home prices and low supply impact housing market progress in 2021.

The Conference Board's Leading Index gained 1.3% in March, which surpassed the 1.0% expectation. Additionally, the first reading of first quarter 2021 GDP came in at a strong annualized pace of 6.4%, which topped fourth quarter 2020 growth

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

of 4.3%, but was below the expected 6.7% pace. The slower pace of growth we experienced in the fourth quarter as Covid cases surged began to ease in the new year. Two more rounds of fiscal stimulus, which hit during the first quarter as well, also helped broader economic growth.

The Fed has been unwavering in its commitment to support the proper functioning of the financial system. It will be important to monitor how Fed officials talk about or react to the recent move higher in interest rates as well as some mounting concern surrounding inflation. The headline consumer price index (CPI) was up 2.6% on a year-over-year basis in March. However, the core reading of CPI, which excludes more volatile food and energy prices, was up a more modest 1.6% for those twelve months. At this point, the Fed has been unequivocal that it is not considering raising interest rates for the foreseeable future. In fact, Chairman Powell indicated it was too soon to even discuss tapering yet, a step we believe will precede an increase in the Fed Funds rate.

We remain resolute in our belief that the U.S. economy and corporate America will continue to recover as we progress through this pandemic period and vaccines become more widely available. Overall, we believe the economy and financial markets are heading in the right direction. However, after such a strong start to 2021 with major stock indices near all-time highs, investors should be prepared for more volatility as we move out of the spring and into the summer months. 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

The equity markets and economy continue to surprise to the upside as the economy continues to reopen, and the vaccine rollout continues to gain momentum here in the U.S.

The models that guide our Fixed Income Total Return strategy made new bullish highs at the end of April and high yield spreads have reached their lowest levels since the 2008 financial crisis. At these levels, we believe the need for credit risk management is as strong as ever. However, it's important to note that the next "big decline" could take many quarters or even years before it develops.

Clark Capital's Bottom-Up, Fundamental Strategies

Continued strong earnings beats from the U.S. equity markets' largest constituents along with steady improvements in vaccinations and case rates spurred continued gains across the equity landscape.

A small decline or stabilization in 10-year U.S. Treasury rates at quarter end lifted large-cap growth performance over large-cap value, small-caps and international equities. While performance did broaden out last month, cyclicals have not forfeited their leadership spot as improving mobility, back-to-work trends, and accelerating trade continue. In our bottom-up portfolios, we believe that relative weakness remains in the non-cyclical and safer parts of the market like Consumer Staples, Healthcare, and Utilities.

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

Economic Data

Event	Period	Estimate	Actual	Prior	Revised
ISM Manufacturing	Mar	61.5	64.7	60.8	—
ISM Services Index	Mar	59.0	63.7	55.3	—
Change in Nonfarm Payrolls	Mar	660k	916k	379k	468k
Unemployment Rate	Mar	6.0%	6.0%	6.2%	—
Average Hourly Earnings YoY	Mar	4.5%	4.2%	5.3%	5.2%
JOLTS Job Openings	Feb	6900k	7367k	6917k	7099k
PPI Final Demand MoM	Mar	0.5%	1.0%	0.5%	—
PPI Final Demand YoY	Mar	3.8%	4.2%	2.8%	—
PPI Ex Food and Energy MoM	Mar	0.2%	0.7%	0.2%	—
PPI Ex Food and Energy YoY	Mar	2.7%	3.1%	2.5%	—
CPI MoM	Mar	0.5%	0.6%	0.4%	—
CPI YoY	Mar	2.5%	2.6%	1.7%	—
CPI Ex Food and Energy MoM	Mar	0.2%	0.3%	0.1%	—
CPI Ex Food and Energy YoY	Mar	1.5%	1.6%	1.3%	—
Retail Sales Ex Auto and Gas	Mar	6.4%	8.2%	-3.3%	-3.3%
Industrial Production MoM	Mar	2.5%	1.4%	-2.2%	-2.6%

Event	Period	Estimate	Actual	Prior	Revised
Building Permits	Mar	1750k	1766k	1682k	1720k
Housing Starts	Mar	1613k	1739k	1421k	1457k
New Home Sales	Mar	885k	1021k	775k	846k
Existing Home Sales	Mar	6.11m	6.01m	6.22m	6.24m
Leading Index	Mar	1.0%	1.3%	0.2%	-0.1%
Durable Goods Orders	Mar P	2.3%	0.5%	-1.2%	-0.9%
GDP Annualized QoQ	1Q A	4.1%	4.3%	4.1%	—
U. of Mich. Sentiment	Apr P	89.0	86.5	84.9	—
Personal Income	Mar	20.3%	21.1%	-7.1%	-7.0%
Personal Spending	Mar	4.1%	4.2%	-1.0%	—
S&P CoreLogic CS 20-City YoY NSA	Feb	11.8%	11.94%	11.1%	11.12%

Source: Bloomberg

A= Advanced, P=Preliminary

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

Past performance is not indicative of future results. The views expressed are those of the author(s) and do not necessarily reflect the views of Clark Capital Management Group. The opinions referenced are as of the date of publication and are subject to change due to changes in the market or economic conditions and may not necessarily come to pass. The opinions referenced are as of the date of publication and are subject to change due to changes in the market or economic conditions and may not necessarily come to pass. Nothing herein should be construed as a solicitation, recommendation or an offer to buy, sell or hold any securities, other investments or to adopt any investment strategy or strategies.

There is no guarantee of the future performance of any Clark Capital investment portfolio. This is not financial advice or an offer to sell any product. Clark Capital Management Group reserves the right to modify its current investment strategies and techniques based on changing market dynamics or client needs. It should not be assumed that any of the investment recommendations or decisions we make in the future will be profitable or will equal the investment performance of the securities discussed herein. Clark Capital Management Group is an investment adviser registered with the U.S. Securities and Exchange Commission. Registration does not imply a certain level of skill or training. More information about Clark Capital Management Group's advisory services can be found in its Form ADV which is available upon request.

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.

CCM-993