Clark Capital MANAGEMENT GROUP

Portfolio Commentary

Navigator® High Dividend Equity

Portfolio Manager

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Senior Portfolio Manager

Top Contributors as of June 30, 2021

Company Name	Avg. Weight (%)	Contribution to Return (%)
Morgan Stanley	2.54	0.40
American Express Company	2.41	0.37
Diamondback Energy, Inc.	1.03	0.27

Top Detractors as of June 30, 2021

Company Name	Avg. Weight (%)	Contribution to Return (%)
M.D.C. Holdings, Inc.	1.13	-0.16
Intel Corporation	0.97	-0.13
Caterpillar Inc.	1.77	-0.10

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.

Cracks in the Value Trade?

Market Review

The U.S. economy demonstrated historic growth in the first half of 2021, and while expectations remain strong, we have likely seen a peak in the U.S. growth cycle in Q2. We believe the reopening of the economy and improving vaccination rates will continue to drive strong, but decelerating growth during the current mid-cycle. After the vaccine announcement, lower quality value stocks dramatically outperformed higher quality companies. Although it is too early to call the end of the value trade, growth dramatically outperformed value in Q2, which could indicate a potential market rotation.

The Fed's slightly hawkish comments at the June FOMC meeting and a flattening yield curve caused downward pressure on cyclical sectors such as Energy, Financials, Materials, and Industrials. Despite the recent drop in the 10-year U.S. Treasury yield, major U.S. banks received some good news with stress test results that were in-line with market expectations. All banks passed the stress tests and sharply exceeded minimum capital requirements.

Banks announced stress capital buffers and dividend plans after the Fed's pandemic restrictions on dividends and buybacks were lifted. All banks that made dividend announcements outlined significant increases that exceeded analyst expectations. In the portfolio, we expect bank dividend yields to continue to rise as loan growth improves into 2022-2023.

Second Quarter Performance Highlights

- For the quarter, weakness in cyclical sectors was reflected in the Russell 1000 Value Index climbing only 4.1% versus the Russell 1000 Growth Index up 10.1%. Exposure to higher beta names and companies paying a dividend contributed to performance, while earnings variability and a slight underweight in mid-caps was a negative. Information Technology was one of the top sector contributors along with Basic Materials and Industrials. The largest sector performance detractors were Consumer Discretionary, Healthcare and Communications.
- Companies that demonstrated the strongest performance in the portfolio included, Morgan Stanley, American Express Corp., and Diamondback Energy, Inc. The largest performance detractors were M.D.C, Holdings Inc., Intel Corp., and Caterpillar, Inc.
- Navigator® High Dividend Equity is positioned with approximately 97% in developed countries, 1% in emerging markets with the remainder in cash reserves. The U.S. is the largest country weight at 89%, followed by Britain at 3% and Switzerland at 2%. 85% of the portfolio is large-cap, 13% of the portfolio is mid-cap, and 1% of the portfolio is small-cap with the remainder in cash reserves.

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

Financials remain the largest sector weight at 21.0 % which is overweight vs the benchmark at 20.8%. The next two largest portfolio weights are Healthcare and Industrials at 12.8% and 11.5%, respectively. The Financial and Healthcare sector weights currently total 33.8% of the portfolio. While stock selection has been concentrated in the U.S. large-cap area this year, we believe performance will broaden internationally as COVID-19 is contained across the globe.

Positions sold during the quarter included Science Applications International, Inc., Timken Corp., V.F. Corp., Bristol-Myers Squibb Company, American Tower Corp., Walmart Inc., and American Water Works Company, Inc., due to declining earnings estimates and weakening business momentum.

Purchases included AstraZeneca PLC ADR, Starbucks Corp., and Vale, S.A. ADR. Exposure to the Healthcare sector was increased by initiating a position in AstraZeneca PLC, ADR, due to the stock's attractive valuation, relative to growth prospects and improving business momentum. United Health Group, Inc., was increased with the expectation of the stock's potential re-rating, diversifying growth prospects into 2022. Our position in Danaher Corp. was also increased driven by the company's continued strong organic growth and wide moat.

As the economy continues to recover from the pandemic, we believe the transition from consumer durables to consumer services, such as restaurants and hotels, will accelerate in the second half of 2021, as employees return to the office. A position in Starbucks Corp., was established due to accelerating same store sales and consumer mobility approaching pre-pandemic levels.

Synchrony Financial was increased due to potential for capital return as well as continued business momentum driven by increased spending volumes and loan growth. Our position in Truist Financial Corp., was reduced to limit exposure in interest rate sensitive regional banks. Profits were taken in Morgan Stanley and Bank of America, Corp., although both banks remain as some of the largest bank weightings in the portfolio. In the REIT sector, Federal Realty Investment Trust was increased given the improving business momentum tied to the reopening economy and better-than-expected outlook. We continue to invest in what we believe are quality companies with rising dividends and strong fundamentals across all market sectors.

Russell 1000 Growth Index measures the performance of those Russell 1000 companies with higher price-to-book ratios and higher forecasted growth values.

Russell 1000 Value Index refers to a composite of large and mid-cap companies located in the United States that also exhibit a value probability.

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.