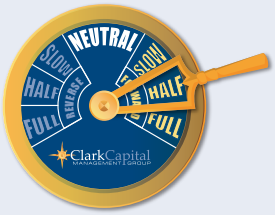
ClarkCapital MANAGEMENT GROUP

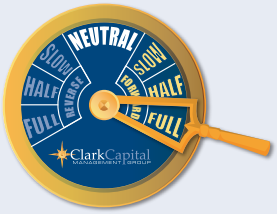
Market Moves

Charting Our Strategies

Economic Gauges

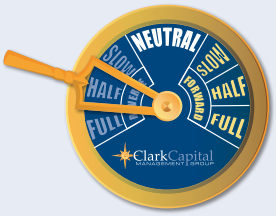


Economy

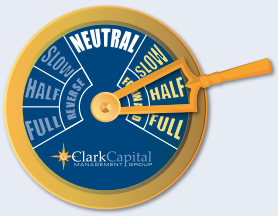


Monetary Policy

Valuations



Investor Sentiment



Interest Rates

Clark Capital's Bottom-Up, Fundamental Strategies

U.S. large-cap equities moved higher with the S&P 500 Index up for the sixth straight month. While several of the major indices hit record highs in July, there has been a rotation occurring under the surface. For example, while the S&P 500 advanced 2.38% during the month of July, the Russell 2000 lost 3.61%. Growth outperformed value by 300 basis points, following a 700 basis points outperformance in Q2, reversing a good portion of the first quarter re-opening trade outperformance.

Below are strategy updates from July:

All Cap Core U.S. Equity

- During the month, we added a lighting and building management firm, an alternative investment management company, a global commercial real estate services company, and a hospital and healthcare services company to the portfolio.
- We exited our positions in two of our Financial holdings, a fire protection company, a pharmaceutical company, and an American multinational energy company.
- Albeit underweight to the benchmark, Information Technology remains the largest sector weight in the strategy at 22.5%.

High Dividend Equity

- Financials remain the portfolio's largest sector weight at 19.2%, which is underweight vs. the benchmark at 20.7%. The next two largest portfolio weights are Healthcare and Industrials at 15.5% and 11.5% respectively. The smallest sector exposures are in Utilities, Real Estate and Basic Materials.
- Top sector contributors during the month were Consumer Discretionary, Financials and Technology while detractors included Energy, Staples, Healthcare.
- Portfolio transactions focused on increasing Healthcare exposure by adding to positions in four Healthcare holdings due to attractive valuations relative to growth prospects, improving business momentum and stronger medical utilization.
- We initiated a position in a pharmaceutical company, which was driven by the company's long-term growth prospects driven by new drug launches and pipeline. Positions in two Financial holdings were reduced due a weaker business outlook tied to the decline in long-term yields.

International Equity ADR

- Navigator® International Equity/ADR is positioned with 16.3% in emerging markets with the balance in developed economies and cash.
- Britain, Ireland, and Japan are the strategy's largest country weights, all ranging between 11% and 17%.
- During the month we added a U.S. investment management company and a French multinational pharmaceutical company due to improving business momentum and attractive valuation. We removed a Belgian

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

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multinational insurance company and an American Irish-domiciled medical equipment company from the portfolio.

- Consumer Discretionary, Financials, Industrials, and Information Technology remain our largest sector weights. While U.S. economic growth currently exceeds most other countries and regions globally, we anticipate non-U.S. economies to also have accelerating recoveries.

Taxable Fixed Income

- During the month, the portfolio lagged the flattening yield curve. Our investment grade positioning did not keep pace with the benchmark.
- We are identifying holdings that may have leveraged buyout (LBO) risk. As a result, we sold two of our positions, and have identified another one or two positions we will sell into market liquidity.
- The recovery trade still seems to be the area we seek to find value. To this end, we added to our positions in an American mining company and a U.S. car manufacturer.
- We added two positions in Energy and a position in Materials. These credits are in the high yield space and should benefit from firm oil prices and an infrastructure bill.
- With a flattening yield curve, we realized some underperformance in the 2025 duration bucket. We reduced some exposure here, selling two holdings, and added some duration extending to 2027-2030 maturities.

Tax-Free Fixed Income

- The infrastructure bill has worked its way through a bipartisan Senate committee, with a surprise: No return of the Build America Taxable municipal bond allowance.
- Year to date muni supply comes in at $253 billion, while inflows over the year came in at $57 billion and bonds redeemed amounted to $239 billion, leaving the market net short $43 billion in supply.
- With a lighter than average 30-day forward supply, and a lack of a return of Build America bonds, the supply shortage's status should stay alive in the headlines. Feared increased taxes that could be included in the fall's budget reconciliation act should keep munis in a favored position.
- Recent decreases in muni inflows and lower trading volumes are somewhat disconcerting, and could pose intermediate headwinds to the overall flattening bias the market has seen.

Clark Capital's Top-Down, Quantitative Strategies

While mostly higher, the major equity market indices have turned a little mixed. Leadership has shifted away from the economic re-opening themes and growth has again emerged as the leader, especially Technology. There is growing concern about valuations, peak earnings growth, and peak economic growth. The growth in new COVID cases from the Delta variant continued to shift investor preferences away from mobility, back-to-work and back-to-school beneficiaries to large-cap growth in July.

Navigate Your Future. Enjoy the Journey.

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Below are strategy updates from July:

Alternative

- The portfolio sold its position in long-term Treasuries and added a fixed income inflation and interest rate hedging ETF.
- We continue to stick with commodity equities, precious metals and miners, REITs, and preferred stocks as generally cyclical, bullish vehicles.

Fixed Income Total Return

- High yield has lost some ground to Treasuries, but we believe that has been due to Treasury strength, and not high yield weakness.
- As a result, spreads have come off their 2021 lows, but our models remain generally bullish.
- We are not close to turning defensive and would likely need to see weakness in the credit space take hold before reducing risk.

Global Tactical

- While we see modest Treasury strength taking some of our credit models off of absolute highs, we believe the macro backdrop remains strong for stocks.
- We expect to continue our risk-on stance until there is a display of price weakness within credit.
- International stocks, while not outperforming, remain in bullish patterns, and offer more compelling valuations.

Sector Opportunity

- The portfolio has shifted towards Technology, owning broad tech, software, and internet ETFs.
- Telecommunication Services, Real Estate, and steel also rank highly, and tend to be cyclical.
- We are avoiding Utilities, Consumer Staples, and Industrials, but do see Healthcare on the rise.

Style Opportunity

- The portfolio has moved to favoring large-caps, growth, and quality.
- Very few ETFs can beat the S&P 500 itself; mid and small-cap stocks are near the bottom of our rankings.

U.S. Strategic Beta

- The portfolio recently took some profits after growth stocks' strong July, and added a buybacks ETF.
- Buybacks, particularly among financials, have been constrained by Fed regulations, but underlying fundamentals could combine with less Fed restrictions on banks to enable large scale buybacks to resume.

Author

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