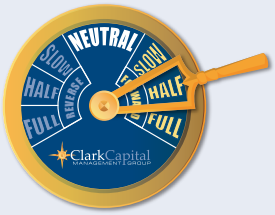
ClarkCapital MANAGEMENT GROUP

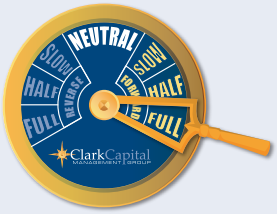
Market Moves

Charting Our Strategies

Economic Gauges

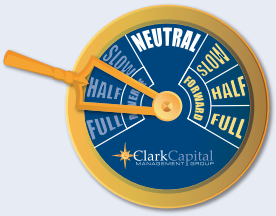


Economy

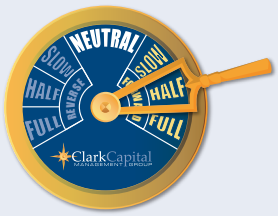


Monetary Policy

Valuations



Investor Sentiment



Interest Rates

Clark Capital's Bottom-Up, Fundamental Strategies

The majority of stock indices advanced to new highs in August as current earnings, labor, and economic growth trends offset the threats of the COVID Delta variant. Large-cap growth continued to outpace large-value, small-caps, and international stocks during the month on the heels of 10-year Treasury yields declining to 1.30%.

The market eagerly awaited Fed Chairman Powell's speech at the annual Jackson Hole Economic Policy Symposium. Overall, Powell's comments were mildly dovish, as he downplayed inflation. He said there is more work to do on the jobs front and said the Fed "could" taper by year end. He also signaled that rate hikes are a ways off as tapering bond purchases would occur first.

Below are strategy updates from August:

All Cap Core U.S. Equity

- During the month, we added two energy companies, a financial services company, and a broadcasting company to the portfolio.
- We exited our positions in a video game company, a mining company, and a natural gas company.
- Albeit underweight to the benchmark, Information Technology remains the largest sector weight in the strategy at 22.4%.

High Dividend Equity

- Financials remains the portfolio's largest sector weight at 20.5%, which is underweight vs. the benchmark at 21.5%. The next two largest portfolio weights are Healthcare and Industrials at 16.3% and 11.3% respectively.
- Top contributing sectors during the month were Technology, Industrials and Consumer Staples versus the worst detractors, which were Materials, Financials and Energy. Portfolio changes included the sale of a food manufacturer, a fire protection company, and a mass media company due to declining earnings estimates and weakening business momentum.
- We increased existing holdings in Financials, Technology and Healthcare, which we believe are undervalued and we feel possess above average earnings growth potential.

International Equity ADR

- Navigator® International Equity/ADR is positioned with 16.8% 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 10% and 16%.
- During the month we added a a U.S. power transmission manufacturer and a French advertising agency due to improving business momentum and attractive valuation. We removed a Japanese multinational conglomerate company from the portfolio.

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

ClarkCapital MANAGEMENT GROUP

Market Moves

Charting Our Strategies

- 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

- Many bonds were called which we believe led to price stability in the portfolio, and the average credit quality remains BBB.
- We sold a financial services company bond and a wireless network operator company bond that were trading through their Make Whole Call in 2024. Translation: Bonds were sold at a higher price than where they could be called.
- After the Jackson Hole Fed meeting, bonds across the entire credit spectrum rallied.
- We increased our position in bank holdings and started a new position in high yield.
- Cash levels in the portfolio are slightly higher after all the called bonds in August, causing duration to drop to 3.8 years. The new issue investment grade corporate calendar is light the first two weeks of September, and reinvesting cash will move the portfolio duration back to 3.9 to 4 years.

Tax-Free Fixed Income

- The passage of the Budget Reconciliation blueprint at month's end in the House sets up a mid-fall timeline to finalize the $1T Infrastructure bill ($500B new spending and $500B that is usually distributed). It is anticipated that reconciliation will include increased taxes.
- Supply constraints and demand metrics have conspired to decrease secondary trading significantly: year to date it stands at $1.4T, a 22-year low.
- We believe the ratios of municipal bond yields to Treasury bond yields at July's close were indicative of an overbought scenario, and the low ratios set at July's end could not be held. We believe holiday doldrums, market fatigue and perhaps rate rejection in the form of hopes of higher rates in the fall all led to muni underperformance in both relative and outright terms.

Clark Capital's Top-Down, Quantitative Strategies

August marked the seventh straight month of gains for the S&P 500 which is its longest winning streak since the ten-month streak that ended in January 2018. A combination of solid Q2 corporate earnings, accommodative monetary policy, and a recovery from the pandemic continues to provide a tailwind for stocks. The risk rally resumed with equities ending higher despite a mid-month downdraft and heightened volatility. Sentiment continued to fluctuate between Delta variant worries and continued strength in corporate earnings and job gains. The S&P 500 has closed at 53 record highs so far this year, the most ever through August. The market's gradual climb higher this summer has been slow enough to thwart overbought conditions and extreme bullish sentiment.

Navigate Your Future. Enjoy the Journey.

ClarkCapital MANAGEMENT GROUP

Market Moves

Charting Our Strategies

Navigate Your Future. Enjoy the Journey.

Below are strategy updates from August:

Alternative

- In August, we sold Treasuries and added an inflation and interest rate hedging ETF.
- We also took small positions in cryptocurrency ETFs; we are unwilling to own any blockchain equity ETFs until we see a larger market correction.
- We continue to own precious metals and commodity equities to hedge against negative real rates.

Fixed Income Total Return

- The models weakened modestly, but slowly and steadily, through most of August; however, a strong last week of the month improved our credit-based models substantially.
- We feel our position within risk and high yield credit remains solid, though the models remain a bit off their highs.

Global Tactical

- Though the models weakened for much of August, a strong last week of August kept our risk on equity positions standing in good stead.
- We have now owned equities for 13 months, since late July 2020. U.S. equities continue to outperform international, as the dollar makes intermediate-term highs.

Sector Opportunity

- The portfolio favors Technology and the S&P 500 with a sprinkling of Broker Dealers thrown in.
- Tech holdings include broad tech, software, and new additions lithium and battery tech, and robotics and AI.
- We do not have any positions in Energy, Consumer Staples, Utilities, Industrials, Consumer Discretionary, or Telecommunication Services sectors.

Style Opportunity

- Large-cap growth is by far the strongest equity style – but speaking to breadth, it is also the only equity style that is outperforming.
- Quality and the S&P 500 itself rank next highest in the portfolio. Small-caps and value stocks rank lowest as they have been unable to find traction.

U.S. Strategic Beta

- The portfolio further reduced mid and small-caps, adding to large-cap minimum volatility, buybacks, and quality/buybacks.
- The portfolio is defensively positioned and would add back to risk upon an overdue market correction.

Author

K. Sean Clark, CFA®
Executive Vice President
Chief Investment Officer

Navigate Your Future. Enjoy the Journey.