



Portfolio Commentary

Navigator® International Equity/ADR

Portfolio Manager



Tony Soslow, CFA®
Senior Portfolio Manager

Top Contributors as of December 31, 2021

Company Name	Avg. Weight (%)	Contribution to Return (%)
Tokyo Electron Ltd. Unsponsored ADR	3.11	0.79
SMART Global Holdings, Inc.	1.40	0.52
ICON Plc	2.55	0.45

Top Detractors as of December 31, 2021

Company Name	Avg. Weight (%)	Contribution to Return (%)
Sberbank Russia PJSC Sponsored ADR	2.21	-0.36
POSCO Sponsored ADR	2.20	-0.31
Garmin Ltd.	2.24	-0.30

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.

Time to Recalibrate

Market Review

Investors looked past the surge in the highly contagious Omicron variant and focused on the variant's lower virulence, which drove all major equity indices to new highs at some point during the quarter. However, threats of persistent inflation and the Fed's response to it has investors beginning to alter their equity preferences. For the quarter, large-cap growth extended its outperformance over large-cap value, small-caps, and international equities and has stretched its winning streak over large-cap value to four consecutive years.

Since the end of 2017, large-cap growth has outpaced large-cap value, U.S. small-caps and foreign equities by 13.5%/year, 12.7%/year, and 18.2%/year, respectively. Large-cap growth's persistent outperformance can be primarily attributed to a combination of rising sales, earnings, cash flow margins and falling interest rates.

As an increasing portion of inflation appears permanent and the Fed is beginning to remove its ultra-easy monetary policy, we believe investors should recalibrate their 2022 return expectations, especially for longer duration assets like growth stocks, which have unequally benefitted from their bond-like characteristics.

Economic growth, earnings gains and inflation continue to exceed expectations. The Atlanta Fed's GDP Now projects fourth quarter GDP to exceed 6%. The unemployment rate dipped to 3.9% in December and broad measures of inflation like the Consumer Price Index (CPI), Producer Price Index (PPI) and average hourly earnings are all expected to show more than 5% in gains. Looking forward to 2022 and beyond, we believe large-cap growth and broad equity returns should more closely mirror market-cycle earnings gains of 7-10% and not benefit from an expansion in P/E multiples.

Fourth Quarter Performance Highlights

- For the fourth quarter of 2021, the strategy had a gain of 5.04% gross (4.26% net) versus the 1.83% gain in the MSCI All Country World ex-USA Index.
- For the year ending December 31, 2021, the Navigator® International Equity/ADR strategy gained 21.57% gross (18.00% net) vs. the 7.82% for the MSCI All Country World ex-USA Index.
- Amongst Morningstar Foreign Blend strategies as of September 30, 2021, the Navigator® International Equity/ADR strategy placed in the top 4% for the 10-year period and top 2% since its inception, respectively.
- Our positioning in Information Technology and Industrials helped relative performance while positioning in Utilities and Energy acted as a drag.
- During the quarter, our holdings in Tokyo Electron Ltd. and SMART Global Holdings Inc. helped performance while positions in Sberbank Russia PJSC and POSCO hurt performance.
- From a country perspective, the portfolio benefited from our positioning in Japan and Cayman Islands while our positioning in Russia and Switzerland hurt performance.

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

We continue to focus investment decisions in the portfolios on our commitment to own what we believe are undervalued, high-quality companies with improving business momentum. During 2021, improved mobility, strong economic and cyclical earnings growth pushed our positioning to the more cyclical and higher beta portions of each market segment.

As the advance in equities approaches 22 months and many broad indices have advanced over 100% since the pandemic lows, we recognize that we must be more selective in our security purchases and sales. Valuations appear more normalized, and a change in central bank policy from extreme accommodation and record negative real rates necessitate greater scrutiny. We may no longer have a generally “rising tide which lifts all boats” environment. To this end, recent small increases in 10-year Treasury rates have abruptly stopped the advance in many growth stocks. Last

year, portfolios greatly benefitted from avoiding both highly overpriced and low-quality securities.

Moving into 2022, we expect that the pent-up savings created by pandemic fiscal stimulus and supported by monetary easing still have a way to go before being completely worked off. Although Fed policy is transitioning to contain inflation, we expect interest rate increases to be deliberate in nature as to not threaten labor gains or economic growth.

Given the general transition in Central Bank policies and an expectation for continued economic and earnings growth, albeit at a lower level from the beginning of the post-pandemic period, we are positioning portfolios to maintain a balance between cyclicals/value (high quality, high cash flow yielders) as they have underperformed and represent opportunity in a strong economy and high quality, high cash flow margin growers as they continue to compound returns.

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. There is no guarantee of the future performance of any Clark Capital investments portfolio. Material presented has been derived from sources considered to be reliable, but the accuracy and completeness cannot be guaranteed. 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. For educational use only. This information is not intended to serve as investment advice. This material is not intended to be relied upon as a forecast or research. The investment or strategy discussed may not be suitable for all investors. Investors must make their own decisions based on their specific investment objectives and financial circumstances. Past performance does not guarantee future results.

This document may contain certain information that constitutes forward-looking statements which can be identified by the use of forward-looking terminology such as “may,” “expect,” “will,” “hope,” “forecast,” “intend,” “target,” “believe,” and/or comparable terminology (or the negative thereof). Forward looking statements cannot be guaranteed. No assurance, representation, or warranty is made by any person that any of Clark Capital’s assumptions, expectations, objectives, and/or goals will be achieved. Nothing contained in this document may be relied upon as a guarantee, promise, assurance, or representation as to the future.

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 MSCI All Country World is a market capitalization weighted index de-

signed to provide a broad measure of equity-market performance throughout the world.

The MSCI ACWI ex USA Index captures large and mid cap representation across 22 of 23 Developed Markets (DM) countries (excluding the US) and 26 Emerging Markets (EM) countries*. With 2,206 constituents, the index covers approximately 85% of the global equity opportunity set outside the US.

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.

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 Consumer Price Index (CPI) measures the change in prices paid by consumers for goods and services. The CPI reflects spending patterns for each of two population groups: all urban consumers and urban wage earners and clerical workers.

Clark Capital Management Group, Inc. 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’s advisory services and fees can be found in its Form ADV which is available upon request. CCM-508