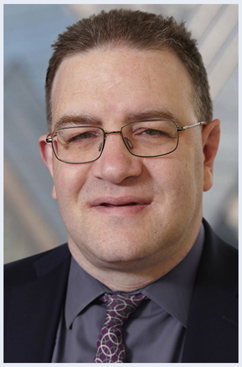
Clark Capital MANAGEMENT GROUP

Portfolio Commentary

Navigator® MultiStrategy

Portfolio Manager



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2022 Brings Solid (But Slowing) Growth and an Accomodative (But Less So) Fed

Market Review

After pausing at the end of the third quarter, markets enjoyed strong gains in the fourth quarter, with the S&P 500 gaining 11.1%. A dynamic economy and robust corporate earnings drove markets higher, but inflation moved from being largely ignored to dominating the news, and eventually could no longer be called "transitory."

Volatile energy and food prices pressed higher, but of greater concern, rents and wages also surged, indicating that inflation had indeed become widespread. For context, November's blowout Consumer Price Index (CPI) reading of 6.9% annualized is double readings that were persistently and often well below 3% for the prior 25 years, back to 1994. These stronger inflation numbers forced the Fed to change course, and in November it stepped up its tapering. More importantly, both Fed governors and the markets now expect four rate increases in 2022.

Large-cap growth was again the winner among style boxes, but the more notable trend was large-caps trouncing small-caps, particularly after two key November events: the Fed changing course and the Omicron variant wrecking widespread havoc. The S&P 600 Small Cap Index trailed the S&P 500 by over 5%, and overall market breadth was unimpressive.

Fallout from the Omicron variant turned market sentiment generally pessimistic, which provides some room for a rally in the first quarter of 2022. After the Fed's November hawkish turn, value stocks were able to keep up with growth, and the S&P 500 itself has been very hard to eclipse. With potential interest rate hikes on the horizon in 2022, we are on watch for a relative strength breakout in value stocks.

Fourth Quarter Performance Highlights

- For the quarter, the S&P 500 Index (IVV) gained 11.1%, while S&P 500 Large-Cap Value was up 8.4% and S&P Large-Cap Growth surged by 13.4%. Small-caps again trailed, with S&P 600 Small-Cap Value up 7.8% and S&P 600 Small-Cap Growth gaining 6.9%. Year to date, small-cap value was up 30.5%, while small-cap growth was up 22.4%. Large-cap value increased by 24.9%, while large-cap growth led all styles with a 32.0% gain. Among factors or themes, Buybacks (up 32.6%) and High Beta (up 40.6%) were the strongest, while minimum volatility (up 20.8%) and momentum (up 13.4%) proved to be laggards.
- High Yield bonds (up 0.8%) modestly outperformed 7 to 10-year Treasuries (up 0.1%) on the quarter, but on the year high yield (which we favored all year in the fixed income portion of the portfolio) was up 3.8% while Treasuries declined 3.3%. Despite the emergence of the Omicron variant and poor equity market

breadth, high yield and risky credit has exhibited persistent relative strength, and we never came particularly close to exiting. Our models made new highs and continue to favor high yield as 2021 came to a close.

- S&P Large-Cap Growth and the S&P 500 Index were mainstay equity holdings during the quarter, and our other positions rotated between buybacks, S&P 400 Mid-Cap Growth, and Large-Cap Value ETF. None of these holdings were able to persistently match the S&P 500 Index itself, and they entered and then fell out of the portfolio. As the year came to a close, large-cap growth and the S&P 500 are our largest holdings, while a fundamentally screened Large-Cap Value ETF has re-entered the portfolio, with large-cap value now at least keeping up with S&P 500.

Positioning and Outlook

We believe that 2022 will present markets with some headwinds to confront, including most notably, the slowdown in earnings growth. The S&P 500 produced an amazing 71.7% earnings growth in 2021, marking a stunning recovery from its 2020 COVID troubles. Revenues grew 17%, and margins by 55%. These numbers are simply not repeatable, and investors must brace for a normal growth cycle, with likely more earnings disappointments.

Other headwinds in 2022 may include multiple rate hikes, a slowdown in government spending, inflation in energy, food, and wages, and extreme forward valuations (an S&P 500 forward P/E ratio of 21.2) that have only been seen in the late 1990s. While we believe these headwinds to be more imposing than those of 2020 or 2021, the most important factor, the economy, stands out as positive and should keep the downside from becoming extreme.

Economic growth should be above average, but now within its normal range. There are few signs of recession on the horizon, and we enjoy a strong employment picture and low levels of consumer debt. While our firm wide macro-outlook has us expecting single digit gains for equities in 2022, high valuations, lower liquidity from the Fed, inflationary forces, and lofty valuations point towards a more volatile and disjointed ride. We would put a high probability on a correction in the 10-15% range.

As we enter 2022, our portfolio is large-cap focused with a modest growth tilt. Our largest holding is the S&P 500 Index itself, which reflects a narrow market bereft of trend leadership. When the S&P 500 ranks in the top two or three ETFs in our universe, as it does now, we are inclined to allocate to the Index until a clear trend leader emerges.

Growth stocks have driven U.S. markets higher largely on the back of Technology, but their valuations have become eye-poppingly extreme. Large-cap growth stocks' forward P/E ratio has reached 30.6, which is well above the average since 1997 of 18.5. Meanwhile, large-cap value's forward P/E ratio is a reasonable 15.8, compared to a long-term average of 13.7. Could it be that rising interest rates will bring growth stocks back to Earth? We will wait and see, but we are aware that their strength could be long in the tooth, and we stand ready to allocate towards more reasonably priced large-cap and small-cap value stocks if their relative strength begins to shine. Defensive equity ETFs have not been a large part of the portfolio in recent years, but that could change in 2022.

The fixed income portion of the portfolio remains in high yield, as it has since July 2020. Rising inflation and expected rate hikes in 2022 (along with near record low real interest rates) present a difficult environment for fixed income investors to even produce positive returns. However, we believe that high yield bonds given their current 0.38% default rate, could remain the place to be, as the economy remains strong overall, and high yield historically has fared well during periods of rising interest rates. We believe our credit-based models continue to make new highs and favor riskier low quality bonds, with Treasuries least favored.

MultiStrategy 25-75 Top Contributors as of December 31, 2021

Company Name	Avg. Weight (%)	Contribution to Return (%)
SPDR Portfolio S&P 500 Growth ETF	9.03	0.91
Navigator Tactical Fixed Income Fund Class I	70.57	0.65
iShares Core S&P 500 ETF	5.47	0.53

MultiStrategy 25-75 Top Detractors as of December 31, 2021

Company Name	Avg. Weight (%)	Contribution to Return (%)
iShares Core S&P Small Cap ETF	0.66	-0.26
SPDR S&P 400 Mid Cap Growth ETF	1.53	-0.14
iShares S&P Small-Cap 600 Value ETF	0.67	0.00

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.

MultiStrategy 50-50 Top Contributors as of December 31, 2021

Company Name	Avg. Weight (%)	Contribution to Return (%)
SPDR Portfolio S&P 500 Growth ETF	17.86	1.82
iShares Core S&P 500 ETF	10.63	1.03
iShares MSCI USA Momentum Factor ETF	11.02	0.88

MultiStrategy 50-50 Top Detractors as of December 31, 2021

Company Name	Avg. Weight (%)	Contribution to Return (%)
iShares Core S&P Small Cap ETF	1.22	-0.47
SPDR S&P 400 Mid Cap Growth ETF	2.88	-0.26
SPDR S&P 400 Mid Cap Value ETF	0.00	0.00

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.

MultiStrategy 75-25 Top Contributors as of December 31, 2021

Company Name	Avg. Weight (%)	Contribution to Return (%)
SPDR Portfolio S&P 500 Growth ETF	26.57	2.68
iShares Core S&P 500 ETF	15.91	1.55
iShares MSCI USA Momentum Factor ETF	16.82	1.45

MultiStrategy 75-25 Top Detractors as of December 31, 2021

Company Name	Avg. Weight (%)	Contribution to Return (%)
iShares Core S&P Small Cap ETF	1.78	-0.69
SPDR S&P 400 Mid Cap Growth ETF	4.44	-0.40
American Fds 2040 Target Date Retirement Fd Cl A	0.00	0.00

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.

Past performance is not indicative of future results.
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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.

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 S&P SmallCap 600 seeks to measure the small-cap segment of the U.S. equity market. The index is designed to track companies that meet specific inclusion criteria to ensure that they are liquid and financially viable.

The Bloomberg Barclays US Treasury: 7-10 Year Index measures US dollar-denominated, fixed-rate, nominal debt issued by the US Treasury with 7-9.9999 years to maturity.

Treasury bonds pay a fixed rate of interest every six months until they mature. They are issued in a term of 20 years or 30 years.

The S&P SmallCap 600® seeks to measure the small-cap segment of the U.S. equity market. The index is designed to track companies that meet specific inclusion criteria to ensure that they are liquid and financially viable.

The S&P MidCap 400® provides investors with a benchmark for mid-sized companies. The index, which is distinct from the large-cap S&P 500®, is designed to measure the performance of 400 mid-sized companies, reflecting the distinctive risk and return characteristics of this market segment.

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.

Investing involves risk, including loss of principal.

The securities of mid-cap companies may be subject to more abrupt or erratic market movements and may have lower trading volumes.

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.

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