



## Portfolio Commentary

## Navigator® SMID Cap Core U.S. Equity

## Portfolio Manager



**Tony Soslow, CFA®**  
Senior Portfolio Manager

## Top Contributors as of December 31, 2021

Company Name	Avg. Weight (%)	Contribution to Return (%)
UFP Industries, Inc.	2.42	0.74
Taylor Morrison Home Corporation	2.27	0.70
Atkore Inc	2.71	0.65

## Top Detractors as of December 31, 2021

Company Name	Avg. Weight (%)	Contribution to Return (%)
Select Medical Holdings Corporation	1.64	-0.35
Jack in the Box Inc.	1.30	-0.26
Charles River Laboratories International, Inc.	1.95	-0.24

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

- In the fourth quarter of 2021, the Navigator® SMID Cap Core U.S. Equity strategy had a gain of 10.05% gross (9.26% net) vs. 3.82% gain in the Russell 2500 Index.
- For the year ending December 2021, the strategy gained of 34.37% gross (30.49% net) vs. 18.18% for the Russell 2500 Index.
- Positioning in Industrials and Healthcare helped relative performance, while positioning in Financials and Communication Services hurt performance.
- During the quarter, our holdings in UFP Industries Inc. and Taylor Morrison Home Corporation helped performance as positions in Select Medical Holdings Corporation and Jack in the Box Inc. acted as a drag.

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.

Investing involves risk, including loss of principal.

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.

The Russell 2500 Index is a broad index, featuring 2,500 stocks that cover the small- and mid-cap market capitalizations. The Russell 2500 is a market capweighted index that includes the smallest 2,500 companies covered in the

Russell 3000 universe of United States-based listed equities.

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.

The Russell Large Cap Growth Index is a subset of the broader Russell 1000 Index that seeks investment results (before fees and expenses) that correspond to the total return (which includes capital appreciation and income) of the Russell Top 200® Growth Index (“index”).

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