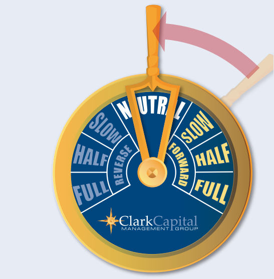
July 2022

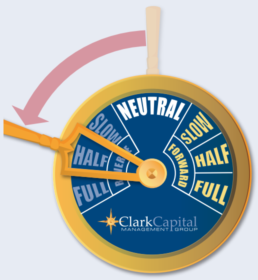
Monthly Moves

Charting Our Strategies

Economic Gauges



Economy



Monetary Policy

Valuations

Investor Sentiment

Interest Rates

Clark Capital's Bottom-Up, Fundamental Strategies

The S&P 500 Index had its best month since November 2020, gaining 9.2% in July. Broadly speaking, it was a good month for risk assets with most equity indices bottoming in mid-June and staging a strong rebound rally through month-end. The Federal Reserve continued its record tightening, hiking rates by another 75 basis points on July 27th. Meanwhile, the market's response suggests it is looking at signs of peak inflation and a potential Fed reversal as early as mid-2023.

The market typically bottoms after earnings are cut, but estimates are just starting to decline with forward EPS still up 7% since the market peaked. The dollar was a factor in increased 2Q revenue misses, adding margin pressure and a widening gap between EPS and sales beats. Across our equity portfolios we continue to focus on owning companies with what we believe to be have strong business momentum despite high inflation and tight labor market conditions. In fixed income, investment grade corporate and municipal bonds had their best month of the year as interest rates fell and the market took comments from Fed Chair Powell as dovish.

Below are strategy updates from July:

All Cap Core U.S. Equity

- Navigator® All Cap is fully invested with approximately 65.3% in large-cap stocks and the remainder in mid/small-cap companies and cash.
- During July, we added a transport company to the portfolio and exited our position in a bank.
- Albeit underweight to the benchmark, Information Technology remains the largest sector weight in the strategy at 21.0%.

High Dividend Equity

- Navigator® High Dividend Equity is positioned with approximately 98.8% in developed countries with the remainder in cash.
- The United States is the largest country weight at 90.0%, followed by Britain at 4.5% and Switzerland at 2.1%.
- Large-cap represents 90.3% of the portfolio, mid-cap is 7.5% and 1.0% is small-cap, with the remainder in cash.
- Healthcare is the largest sector weight at 19.2%, above the benchmark at 16.6%. The next two largest portfolio weights are Financials and Information Technology at 18.0% and 12.3%, respectively.
- For the month, the portfolio increased 5.5% versus the Russell 1000 Value Index, up 6.6%. Contributors to performance were Technology and Energy & Basic Materials, while detractors included Financials, Healthcare, and Industrials.
- In July, we added to the Communications, Technology, and Healthcare sectors with the addition of a marketing communications company, a manufacturing company and a supplier of scientific instrumentation. We sold a Swiss technology company, due to increased margin pressure in consumer spending.

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International Equity ADR

- Navigator® International Equity/ADR is positioned with 13.9% in emerging markets with the balance in developed economies and cash.
- Britain, Canada, and Japan are the strategy's largest country weights, all ranging between 11% and 15%.
- During the month we added a Chinese technology company, a British plumbing and heating products distributor, a Dutch retailer, a South Korean telecommunications company, and a global manufacturing company, headquartered in Luxembourg.
- We exited a Dutch semiconductor company, a Chinese bank, an Irish HVAC company, a South Korean bank, a Canadian mining company, and a German vehicle manufacturer.
- Consumer Staples, Financials, Healthcare, Industrials, and Information Technology remain our largest sector weights.

Taxable Fixed Income

- The 10-year Treasury rallied to close the month up 2.65%, 37 basis points lower on the month and 83 basis points lower than the middle of June. The 2-year Treasury only rallied 7 basis points, pushing the 2-year/10-year spread to -25 basis points. This was the most inverted this relationship has been since 2000.
- The US Investment Grade market saw spreads tighten 11 basis points on the month.
- As rates rallied throughout the month, the new issue market reopened as companies rushed to take advantage of lower rates.
- The Bloomberg Barclays US Investment Grade Index spread tightened from 155 basis points to 144 basis points at month-end, reversing the trend that has persisted throughout the first 6 months of the year.
- This tightening, coupled with the rates rally resulted in the best total return for the index this year, 3.24%.
- The Bloomberg Barclays Intermediate Corporate Index returned 2.37% as the front-end spreads outperformed the overall market, tightening 13 basis points, but couldn't keep up with the rates rally in the longer end.
- Within the portfolio, the strength of the market was used to sell some of what we believed were lower quality, less liquid names and rotate into longer what we believed were higher quality names in order to take advantage of the Treasury market move.
- While the portfolio was upgraded from a credit risk standpoint, the yield versus the benchmark improved, with the portfolio outyielding at the end of July by 59 basis points on a current yield basis.

Tax-Free Fixed Income

- The Bloomberg Barclays Municipal 5-year index gained 0.21% in July, as attractive relative value and seasonal cash getting invested moved the market favorably.
- Retail flows seemed focused on buying the short end, driving rates and ratios lower at a greater velocity than longer maturities. The impressive move lower in relative value in the front end, and its coincident sharp

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decrease in relative value, pushed our buying targets marginally longer, where we saw better opportunity.

- Issuance for the month was lighter, coming in at approximately $25 billion, down 25% from July 2021. YTD issuance is approximately 12% lower than 2021. Higher rates are keeping issuers at bay - lower issuance is helping municipals find support.
- Flows, as reported by Investment Company institute (ICI), were overall negative for the month: all weeks excluding 7/13 were negative (7/13 at +$543 million) and the outflows abated from -$1 billion on 7/6 to -$246 million on 7/27. The slower fund outflows helped munis find a footing.

Clark Capital's Top-Down, Quantitative Strategies

The markets broadly rallied throughout July after forming a solid low in mid-June. As the market staged a recovery rally, our tactical models shifted to a risk-on bias across fixed income and equities. Along with the market bottom, leadership shifted with value losing relative strength and growth leading the market higher in July. As a result, the Style Opportunity portfolio added significant growth exposure.

Despite another 75-basis point hike by the Fed, yields continue declining, but now credit is also rising at the same time, and spreads have narrowed. Credit markets improved notably during July, and by July 20th our credit-based risk management models saw credit improve versus Treasuries, driving Fixed Income Total Return and Global Tactical portfolios into risk-on allocations in high yield and global equities, respectively.

Below are strategy updates from July:

Alternative

- Options-based and equity long short led core performance, as managed futures began to fade.
- The portfolio engaged in a few rounds of tax loss selling, selling gold but then adding more aggressive silver and silver miners.
- We have established growth-oriented positions in large growth, biotech, and robotics.
- Additionally, we added Master Limited Partnerships (MLPs) and a small position in a cryptocurrency.

Fixed Income Total Return

- The portfolio moved to cash at the end of June, but interest rates began to roll over after the Fed's 75-basis point rate hike in June.
- By July 1st our models turned positive on Treasuries, and they became our defensive vehicle.
- Credit markets improved during July, and by July 20th our models saw credit improve versus Treasuries, driving us to a 100% buy into high yield.

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Chief Investment Officer

Global Tactical

- The portfolio switched to Treasuries as the defensive vehicle in early July, interest rates declined, and credit conditions improved throughout the month.
- By mid-July our credit-based models turned 100% bullish, and the portfolio moved into equities as the primary holding, with Treasuries at the stated minimum.
- After we entered stocks, the Fed raised rates another 75 basis points, and both Treasuries and high yield have surged higher – from our observation a very positive sign.

Sector Opportunity

- The portfolio has been selling its defensive holdings like Staples, but Utilities and Healthcare remain strong in our rankings.
- After underperforming amidst large losses during the first half of the year, Consumer Discretionary and homebuilders became the first cyclically-oriented holdings to enter the portfolio since the rally began.
- Technology looks to be not far behind. Nevertheless, the market's rally still can be said to be defensively led, so we maintain a large neutral indexed position.

Style Opportunity

- For most of 2022 the portfolio has favored large value, high dividend stocks, minimum volatility, and the S&P 500 Index itself – all defense-oriented vehicles.
- By June, growth had begun to match value's performance, and in July growth began to lead markets higher.
- Our portfolio sold our value positions, and large growth was added to the portfolio.

U.S. Strategic Beta

- The portfolio initiated several tax loss sales in June, and we have shifted the portfolio's bias from favoring value stocks to mildly favoring growth, as we believe that interest rates may have peaked.
- This more aggressive stance is moderated by a position in minimum volatility, which has a bias towards defensive sectors such as Staples, Utilities, and Healthcare.
- Small caps have not yet improved enough to merit an overweight.

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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 of an investment), credit, payment, 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).

Treasury yield is the return on investment, expressed as a percentage, on the U.S. government's debt obligations. Looked at another way, the Treasury yield is the effective interest rate that the U.S. government pays to borrow money for different lengths of time

The Bloomberg Global Investment Grade Corporate Bond Index is a rules-based market-value-weighted index engineered to measure the investment-grade, fixed rate, global corporate bond market.

The Bloomberg Barclays US corporate bond index Index measures the performance of the intermediate maturity, investment grade U.S. corporate bond market.

The Bloomberg US Aggregate Bond Index is a broad base, market capitalization-weighted bond market index representing intermediate term investment grade bonds traded in the United States.

The S&P 500 Index is a stock market index tracking the performance of 500 large companies listed on stock exchanges in the United States.

A municipal bond is a debt security issued by a state, municipality, or county to finance its capital expenditures, including the construction of highways, bridges, or schools. They can be thought of as loans that investors make to local governments.

The 2 Year Treasury Rate is the yield received for investing in a US government issued treasury security that has a maturity of 2 years.

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.

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

EPS indicates how much money a company makes for each share of its stock and is a widely used metric for estimating corporate value.

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