

Your Clients' Top Questions, Answered

Glenn Dorsey, CFA[®], CAIA[®]



FAQ

- Why Are Bonds Down? Should I Own Them?
- Do I Need to Worry About Inflation?
- The Fed Is Raising Rates. Will That Cause a Recession?
- Are We in a Housing Bubble? Will Real Estate Crash?
- Has the Correction Ended?
- Is It Time to Buy or Sell International Stocks?
- What About the Midterms?
- What Is Clark Doing in the Portfolios?



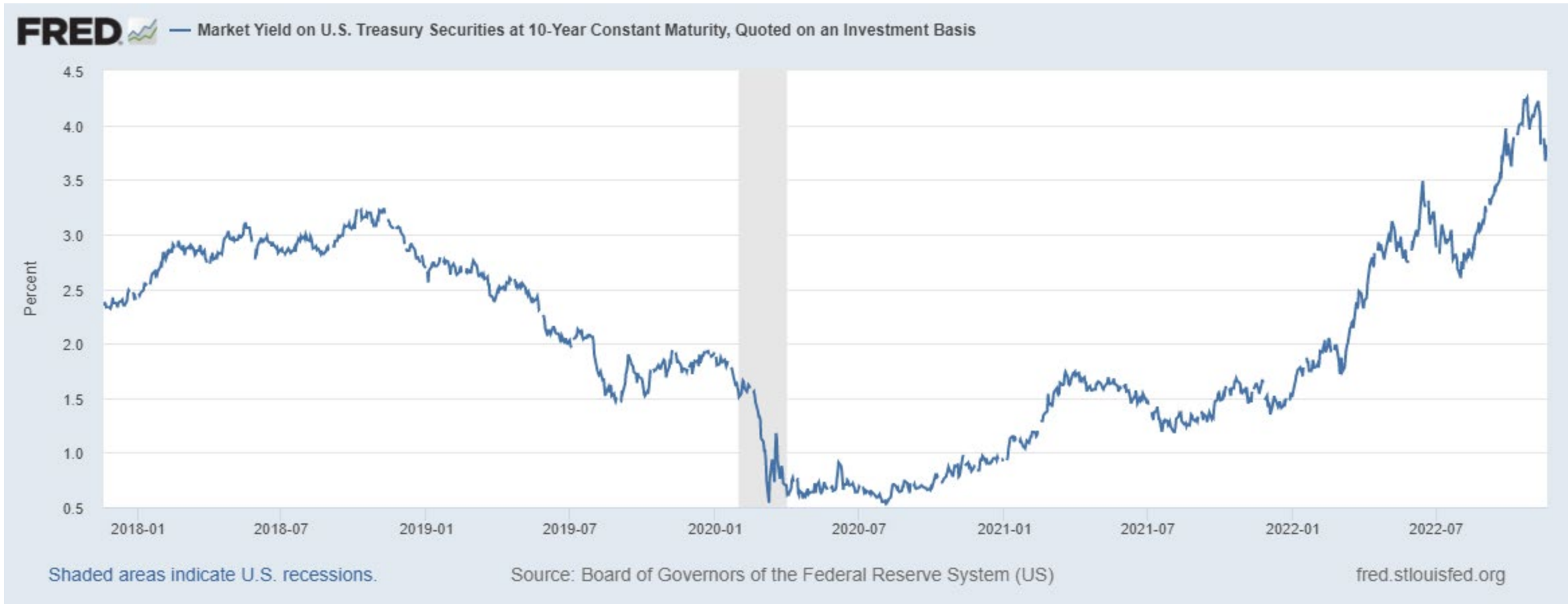
Why Are Bonds Down? Should I Own Them?

- Interest Rates Have Moved Up Significantly
- Stable Cash Flow
- Offset the Volatility of Stocks
- The Benefits of Individual Bond Ownership
- Active Management is Important



Interest Rates Up 8x at Peak!

11/18/2017 to 11/18/2022



For illustrative purposes only. Past performance is not indicative of future results.

Source FRED, Board of Governors of the Federal Reserve System

Highest Bond Yields in Years

11/18/2012 to 11/18/2022



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Bonds – A Closer Look

The Bond Blueprint How Bonds Build Value Over Time

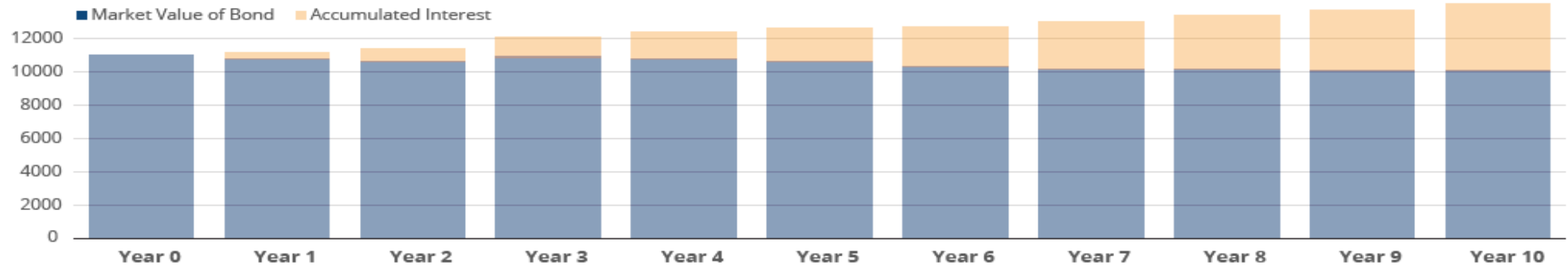
The Benefits of Owning Individual Bonds

One of the benefits of owning individual bonds is that they provide regular interest payments and the return of par value at maturity, helping investors meet their income needs and stay on track to reach their goals.

Bonds are a contractual obligation from the issuer to pay the holder of the bond, interest (usually twice per year), and the par value of that bond back to the holder at maturity. In the example below, you can see how bonds build value over time, even when prices go up and down. **After 10 years of regular interest payments, the portfolio increased from \$11,000 to an ending value of \$14,000.**

Example: The Value of Bonds Over Time

	Year 0	Year 1	Year 2	Year 3	Year 4	Year 5	Year 6	Year 7	Year 8	Year 9	Year 10
Linear Price Movement	110	109	108	107	106	105	104	103	102	101	100
Market Fluctuations	110	108	106	109	108	106	103	102	102	101	100
Interest Payments		\$ 400.00	\$ 400.00	\$ 400.00	\$ 400.00	\$ 400.00	\$ 400.00	\$ 400.00	\$ 400.00	\$ 400.00	\$ 400.00
Accumulated Interest		\$ 400.00	\$ 800.00	\$ 1,200.00	\$ 1,600.00	\$ 2,000.00	\$ 2,400.00	\$ 2,800.00	\$ 3,200.00	\$ 3,600.00	\$ 4,000.00
Linear Value of Bond	\$11,000.00	\$10,900.00	\$10,800.00	\$10,700.00	\$10,600.00	\$10,500.00	\$10,400.00	\$10,300.00	\$10,200.00	\$10,100.00	\$10,000.00
Market Value of Bond	\$11,000.00	\$10,800.00	\$10,600.00	\$10,900.00	\$10,800.00	\$10,600.00	\$10,300.00	\$10,200.00	\$10,200.00	\$10,100.00	\$10,000.00
Market Value of Bond Plus Interest	\$11,000.00	\$11,200.00	\$11,400.00	\$12,100.00	\$12,400.00	\$12,600.00	\$12,700.00	\$13,000.00	\$13,400.00	\$13,700.00	\$14,000.00



Source: Clark Capital. For illustrative purposes only. Please see disclosures for additional information.

The Comfort of Owning Individual Bonds

If bonds are held to maturity and the issuer doesn't default, investors can know the cash flow each bond will generate to the penny, which can help them plan for the future and achieve their long-term financial goals.

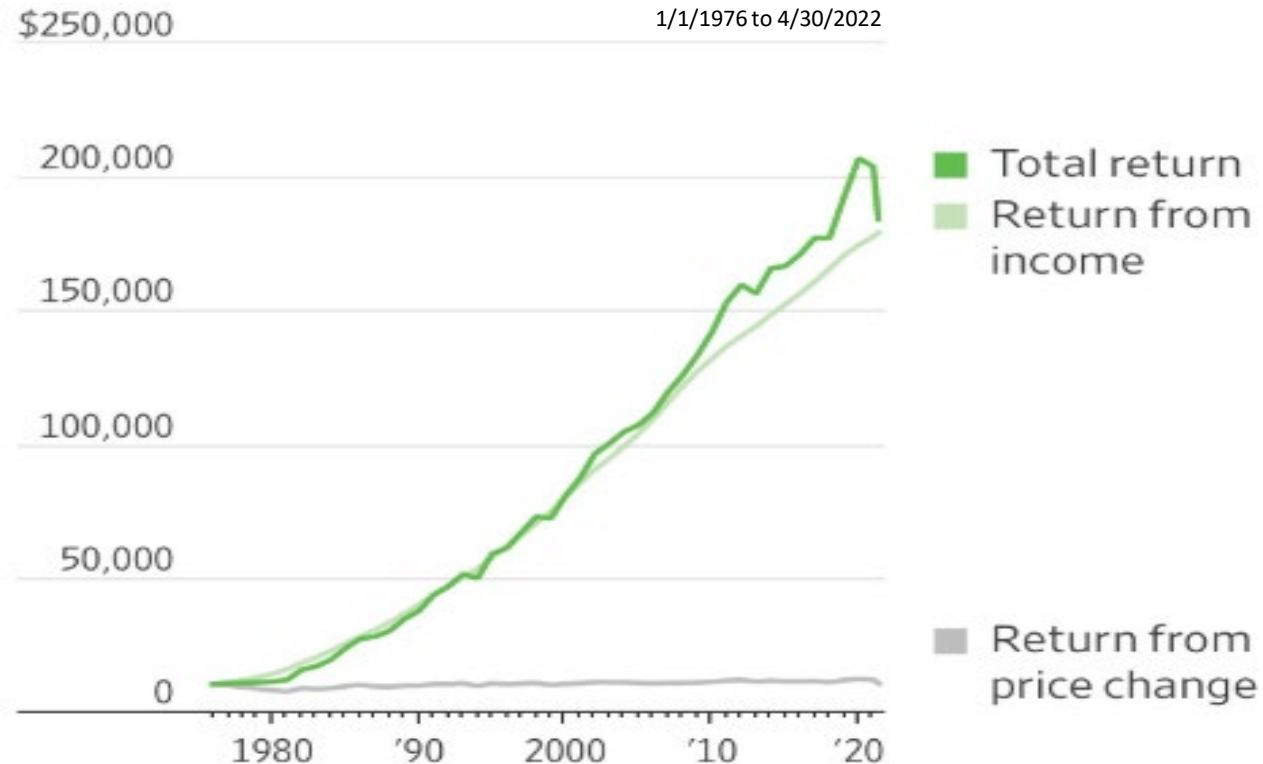
Past performance is not indicative of future results.

Contact Your Investment Consultant to
Learn More About Clark Capital's Individual Bond Strategies
800.766.2264

Over the long run income generates returns

Return on U.S. Bonds*

Value of \$10,000



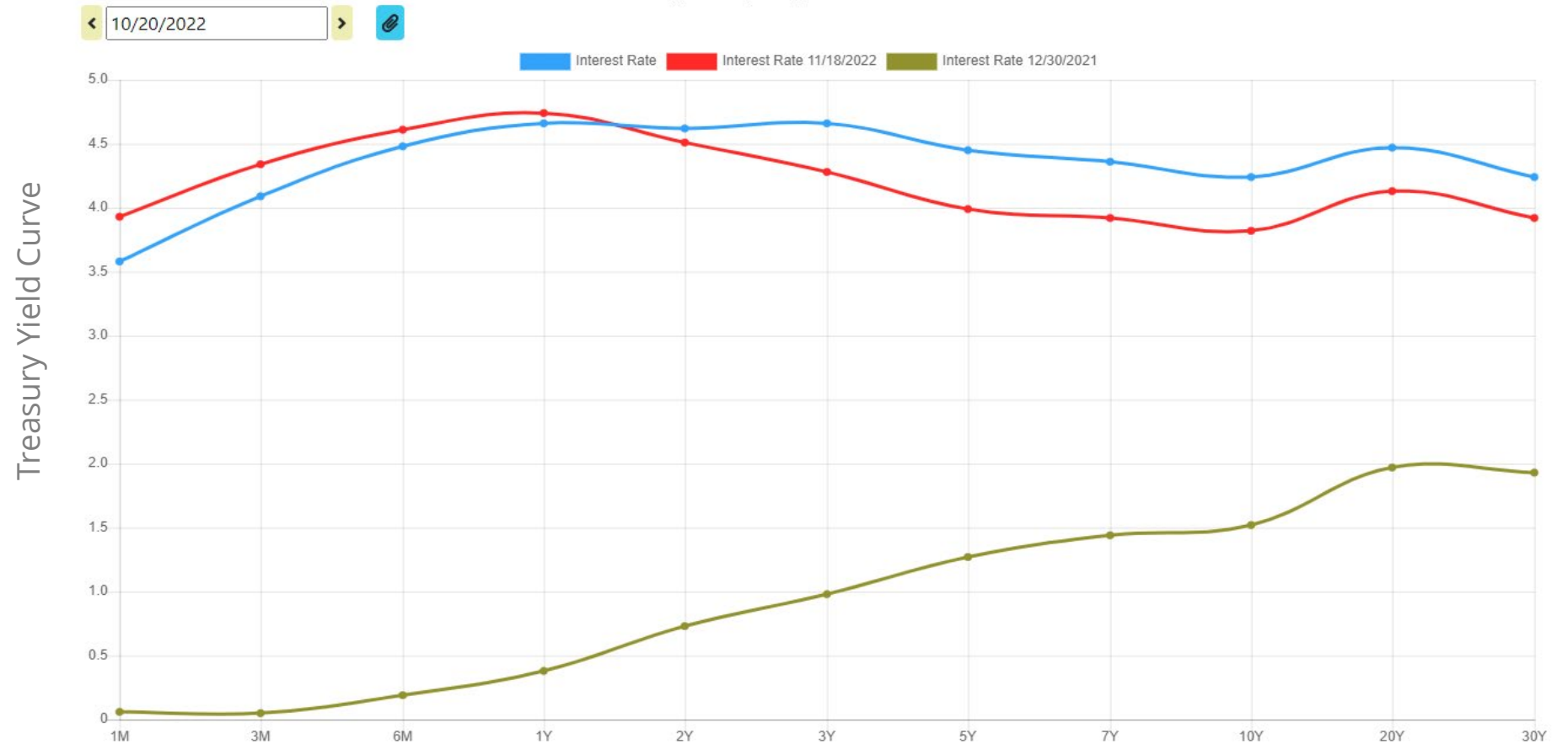
*Bloomberg U.S. Aggregate Bond Index
Note: Return from income includes reinvested coupons and other items such as paydowns; 2022 through April 30

Over the long run, the total returns of bonds depends far more on their income than on changes in price. Since 1976, just over 90% of the average annual return of the U.S. bond market has come from interest and reinvesting it, according to Loomis, Sayles & Co., an investment manager in Boston.

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Active Management in an Active World

As the Yield Curve Changes, Active Management has to Adjust



The selected dates were chosen for illustrative purposes. Past performance is not indicative of future results.



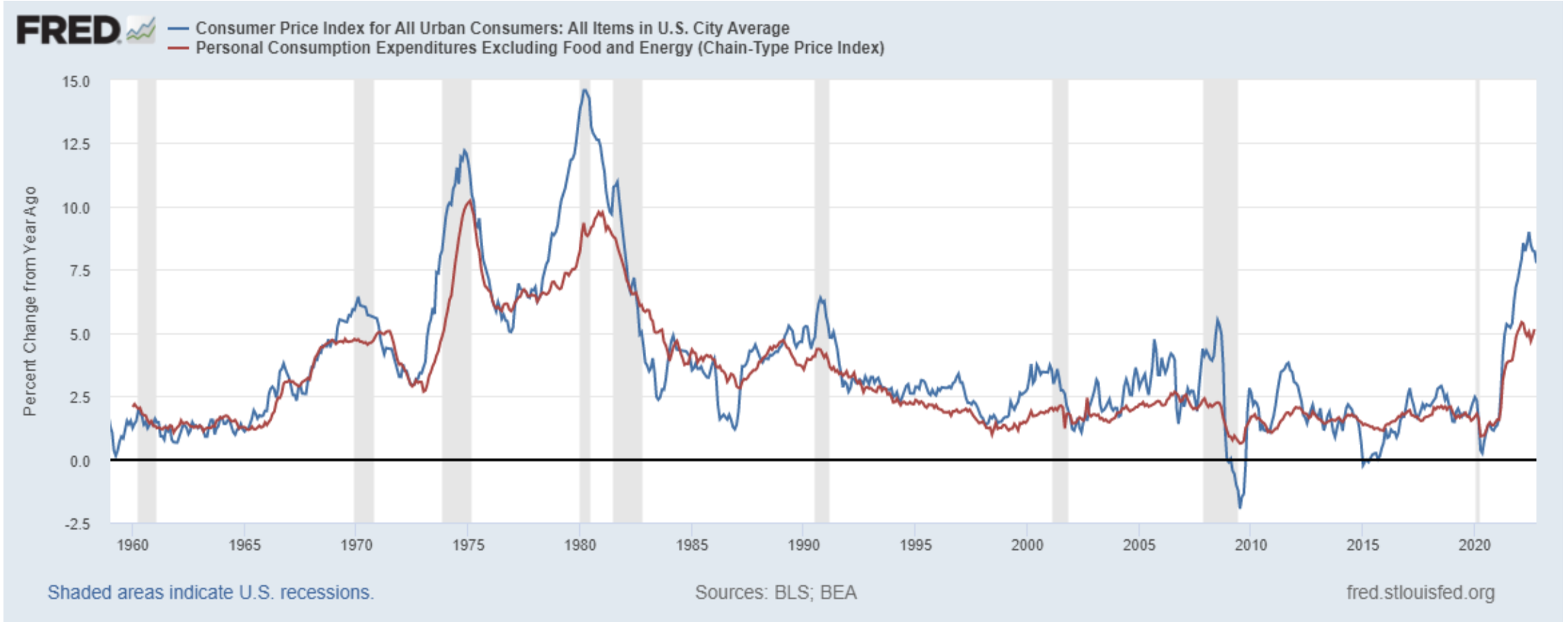
Do I Need to Worry About Inflation?

- Our Take Is It Is Starting to Slow
- We Think Uninvested Cash Should Be Your Biggest Concern
- Stay/Get Invested, Grow Your Cash Flow



Inflation Has Risen Significantly

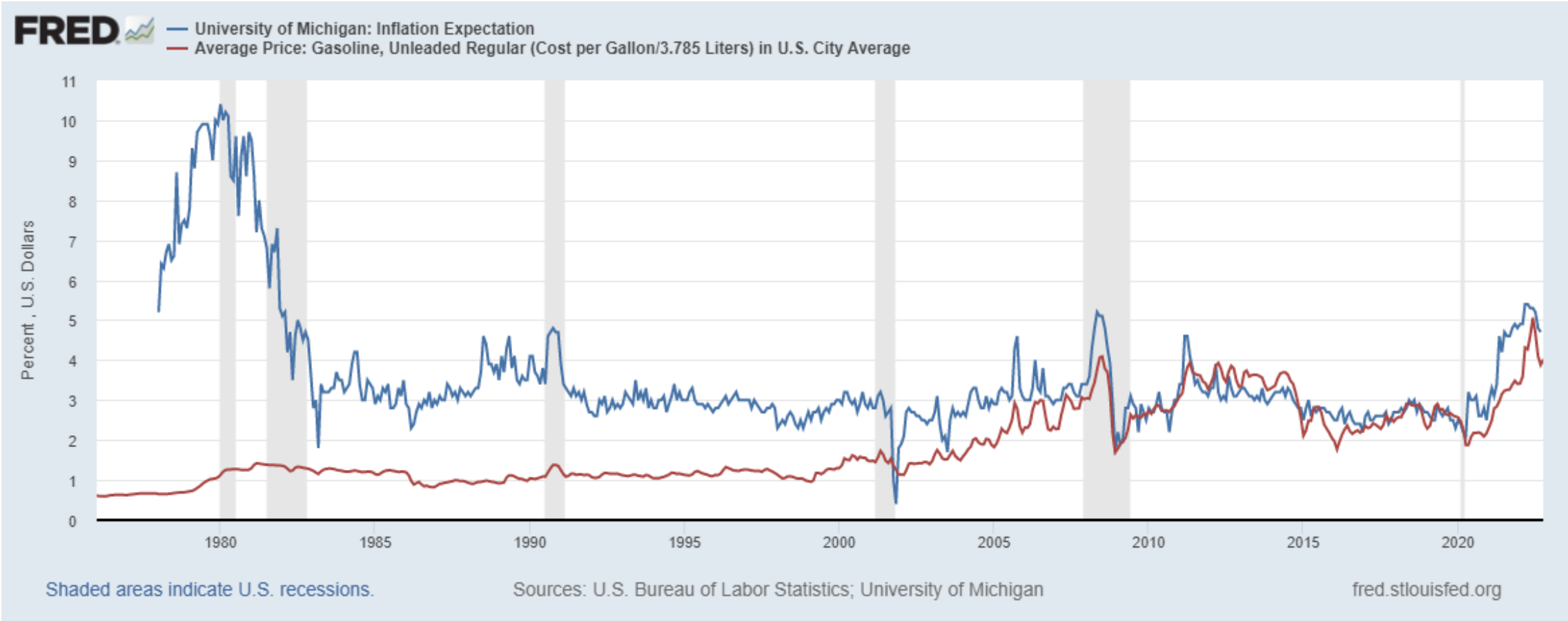
1/1/1959 to 10/1/2022



For illustrative purposes only. Past performance is not indicative of future results.

Consumer Inflation Expectations Influenced by Gas Prices

1/1/1980 to 10/01/2022



For illustrative purposes only. Past performance is not indicative of future results.



We Believe Inflation Expectations Have Begun to Moderate

1/2/2003 to 11/21/2022



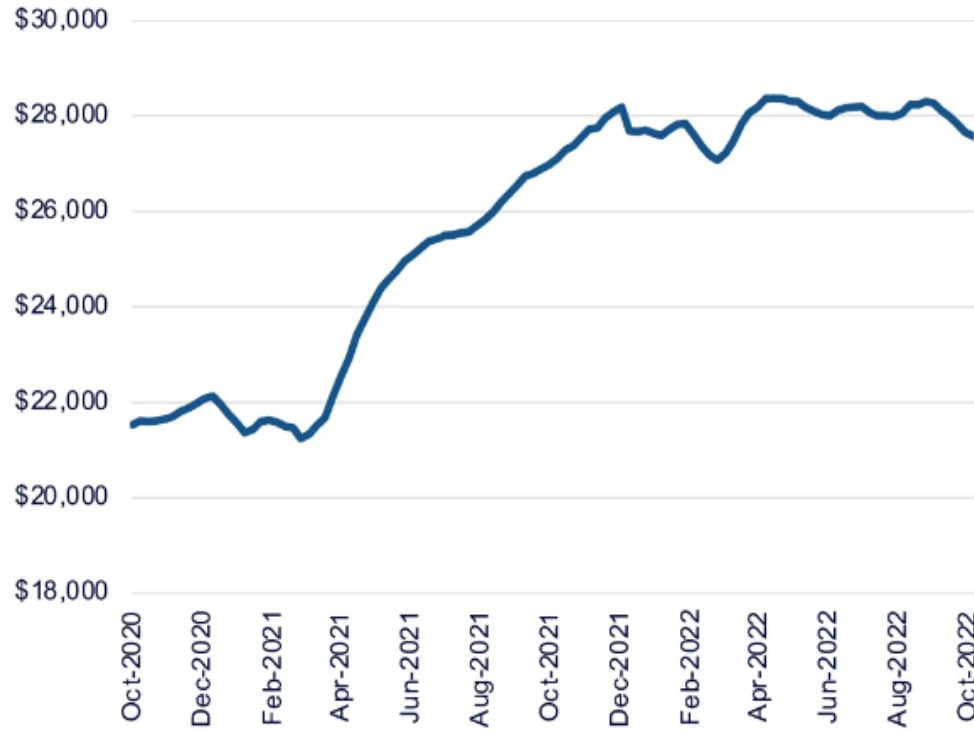
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Used Car Prices Are a Good Example

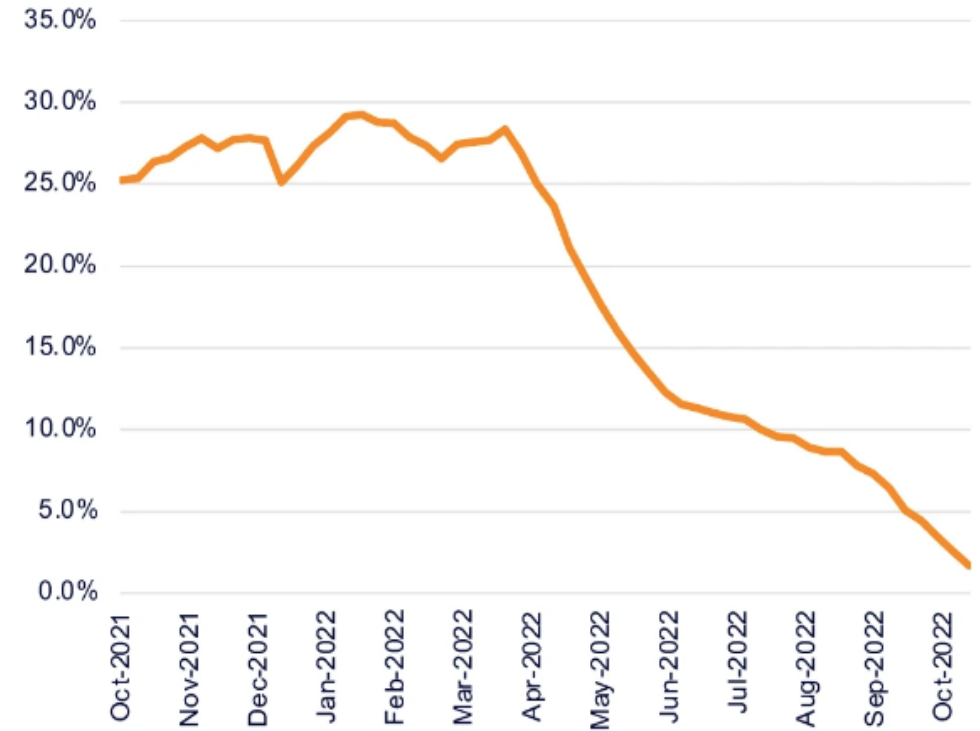
AVERAGE USED-VEHICLE LISTING PRICE PACE OF DECLINE RISING

Price growth now falling - trend suggests reaching 0% growth before Thanksgiving

Average Listing Price last 24 months



Annual Change last 12 months



Source: Cox Automotive - vAuto

For illustrative purposes only. Past performance is not indicative of future results.

Source: <https://www.coxautoinc.com/market-insights/used-vehicle-inventory-october-2022/>



Growing Cash Flow Impacts Returns

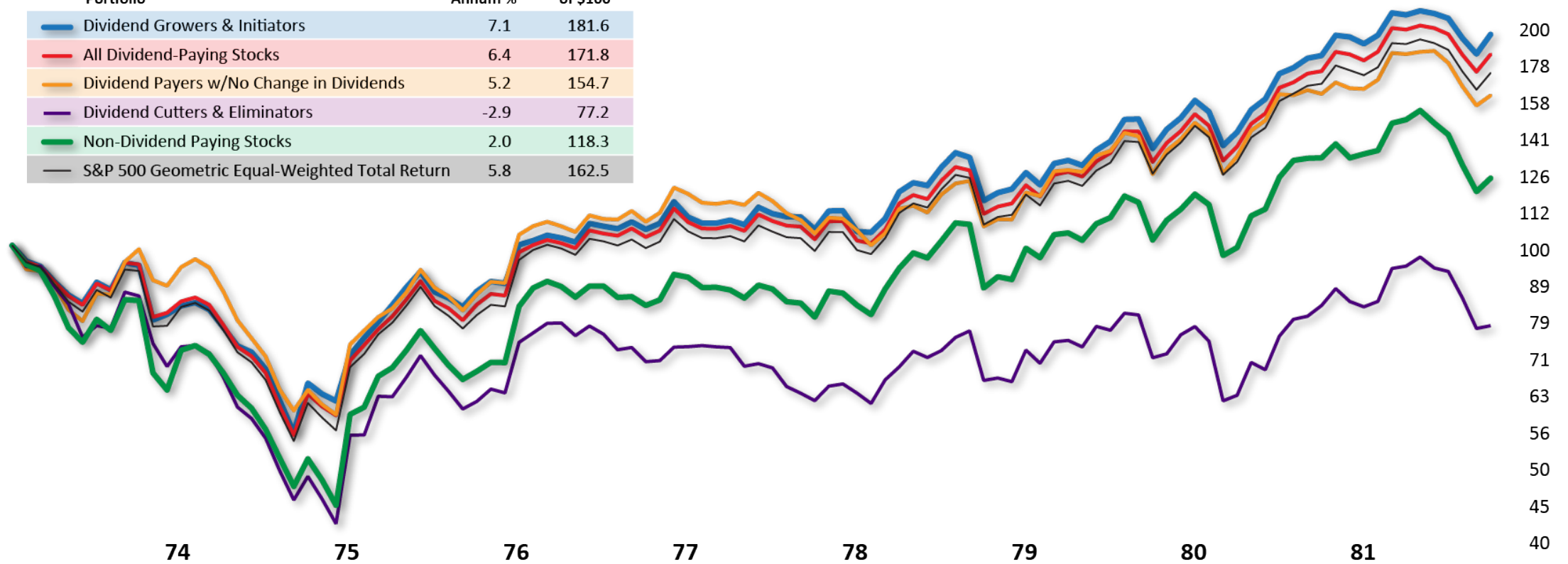
Returns of S&P 500 Stocks by Dividend Policy

Monthly Data 1973-01-31 to 1981-09-30 (Log Scale)

Portfolio Performance Statistics

Analysis Dates: 1973-01-31 - 1981-09-30

Portfolio	Gain/ Annum %	Growth of \$100
Dividend Growers & Initiators	7.1	181.6
All Dividend-Paying Stocks	6.4	171.8
Dividend Payers w/No Change in Dividends	5.2	154.7
Dividend Cutters & Eliminators	-2.9	77.2
Non-Dividend Paying Stocks	2.0	118.3
S&P 500 Geometric Equal-Weighted Total Return	5.8	162.5



Returns Based on monthly equal-weighted geometric average of total returns of S&P 500 component stocks, with components reconstituted monthly.

⁵⁰⁹

Chart date range was selected for illustrative purposes only. It should not be considered a current investment option.

Past performance is not indicative of future results. Investors cannot invest directly in an index and unmanaged index returns do not reflect any fees, expenses, or sales charges.

Source: Ned Davis Research

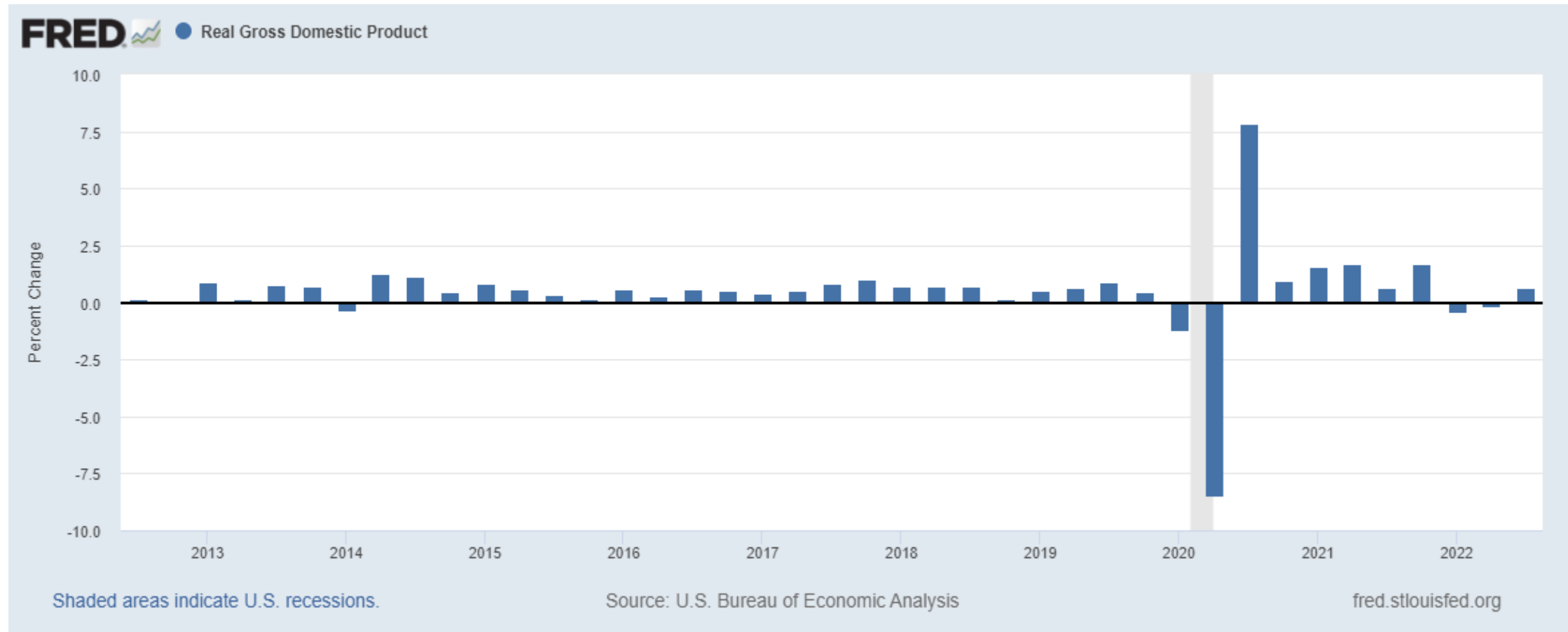
The Fed Is Raising Rates. Will That Cause a Recession?

- What is a Recession?
- Who is the National Bureau of Economic Research?
- What does the NBER look at?
- Market Pricing in A Lot of Rate Hikes



Two Neg Quarters of GDP is a Recession, or is it?

7/01/2012 to 7/1/2022

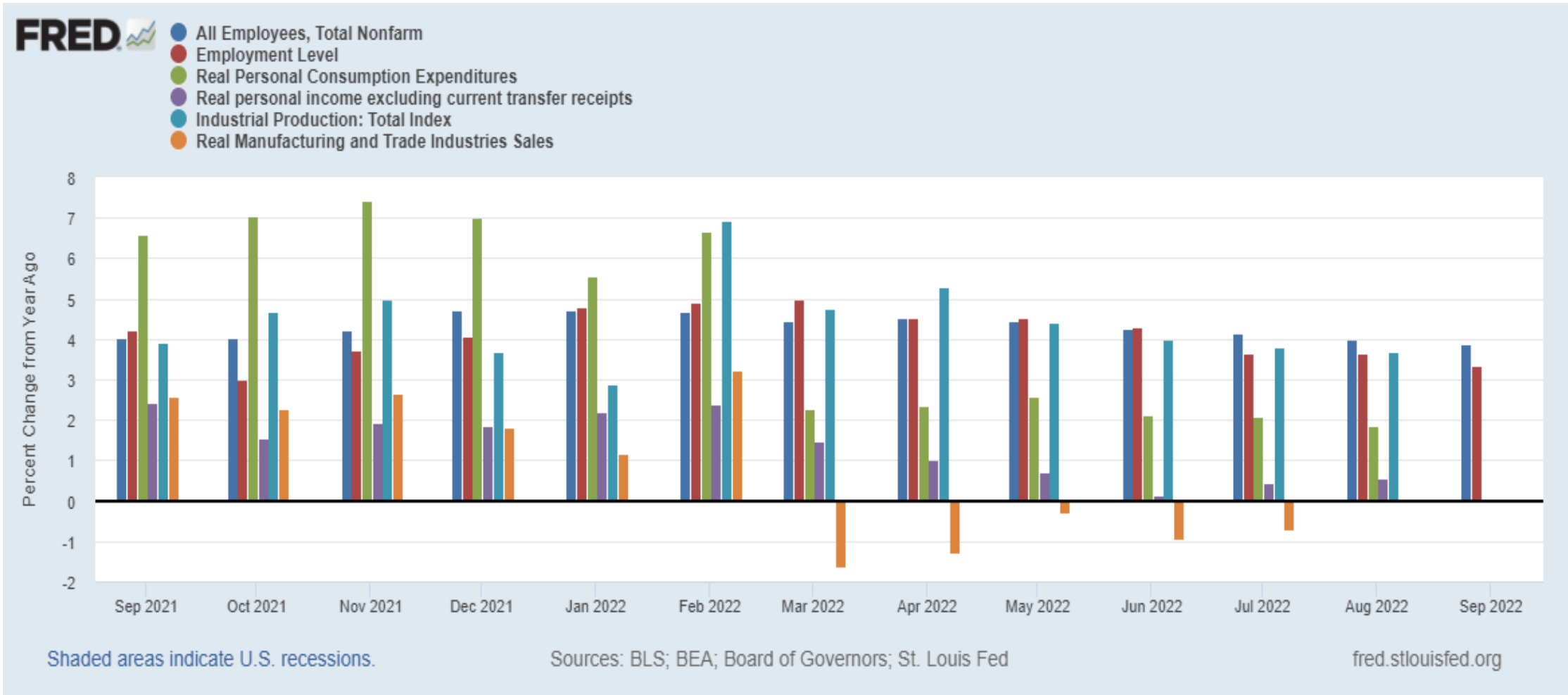


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The NBER Considers Six Economic Indicators

9/01/2021 to 9/1/2022



For illustrative purposes only. Past performance is not indicative of future results.

Atlanta Fed GDPNow Projects Q4 Growth

7/01/2011 to 10/1/2022



For illustrative purposes only. Past performance is not indicative of future results.

Fed Rate Hike Cycles

Date	#	Total Increase (bps)	Max Decline	Days Until Bottom	% Change from Low to Last Hike	Days Before Last Hike	Length of Cycle
2/4/1994 – 2/1/1995	7	300	-9%	59	+7.2%	303	362
6/30/1999 – 5/16/2000	6	175	-4%	107	+17.5%	214	321
6/30/2004 – 6/29/2006	17	425	-5%	43	+19.7%	686	792
12/17/2015 – 12/20/2018	9	225	-12%	56	+34.9%	1043	1099
3/17/2022 – 10/13/2022 (In Progress)	5	300	-18%	209		????	????
Average	9.75	281.25	-7%	66	+19.8%	562	628

For illustrative purposes. Past performance is not indicative of future results.



Bloomberg Agg Bond Index & Fed Rate Hike Cycles

Date	#	Total Increase (bps)	Low Return During Cycle	Date of Low	% Change from Low to Last Hike	Total Return in Cycle	Change in 10Y Treasury Yields (bps)	Change in 10Y Treasury Yields as % of Fed Funds Increase
2/4/1994 – 2/1/1995	7	300	-6.1%	5/9/94	4.5%	-1.9%	172	57%
6/30/1999 – 5/16/2000	6	175	-0.9%	8/10/99	3.0%	2.0%	62	35%
6/30/2004 – 6/29/2006	17	425	N/A	N/A	6.1%	6.1%	60	14%
12/17/2015 – 12/20/2018	9	225	-0.1%	12/29/15	6.1%	6.0%	55	24%
3/17/2022 – 10/11/2022 (In Progress)	5	300	-10.1%	9/27/2022	0.1%	-10.0%	177	59%
Average	9.75	281.25	-2.4%		4.9%	3.1%	87	31%

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Stocks Lead the Economy

Bear markets lead recessions

Post-War Recessionary Bears						
Equity Bear Market (DJIA)			Recession		Lead time (months) to recession	
Start	End	% Drop	Start	End	Start	End
6/15/1948	6/13/1949	16.3	11/1948	10/1949	5	4
1/05/1953	9/14/1953	13.0	7/1953	5/1954	6	8
4/06/1956	10/22/1957	19.4	8/1957	4/1958	16	6
1/05/1960	10/25/1960	17.4	4/1960	2/1961	3	4
12/03/1968	5/26/1970	35.9	12/1969	11/1970	12	6
1/11/1973	12/06/1974	45.1	11/1973	3/1975	10	3
9/08/1978	4/21/1980	16.4	1/1980	7/1980	16	3
4/27/1981	8/12/1982	24.1	7/1981	11/1982	3	3
7/16/1990	10/11/1990	21.2	7/1990	3/1991	0	5
1/14/2000	9/21/2001	29.7	3/2001	11/2001	14	2
10/09/2007	3/09/2009	53.8	12/2007	6/2009	2	3
2/12/2020	3/23/2020	37.1	2/2020	4/2020	0	1
Median		22.7			5.5	3.5

Source: Ned Davis Research, National Bureau of Economic Research.

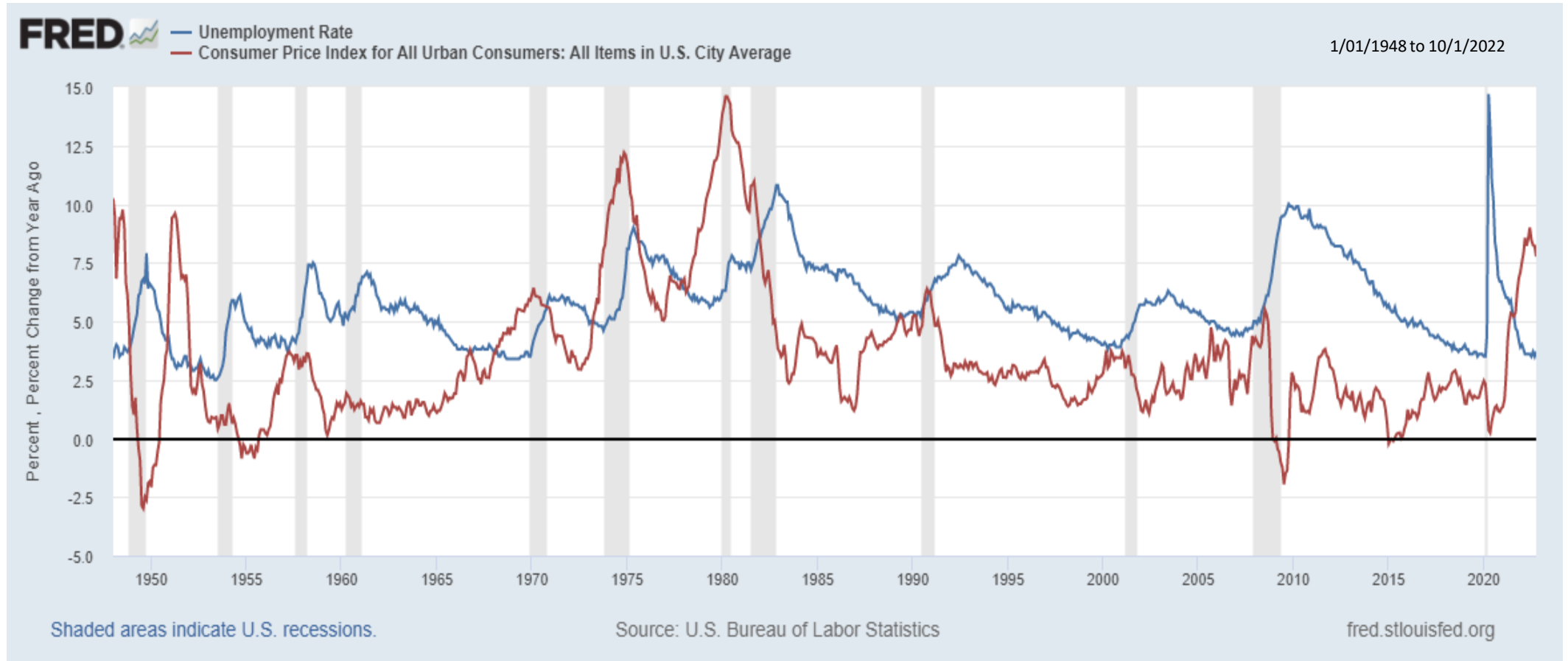
Ned Davis Research

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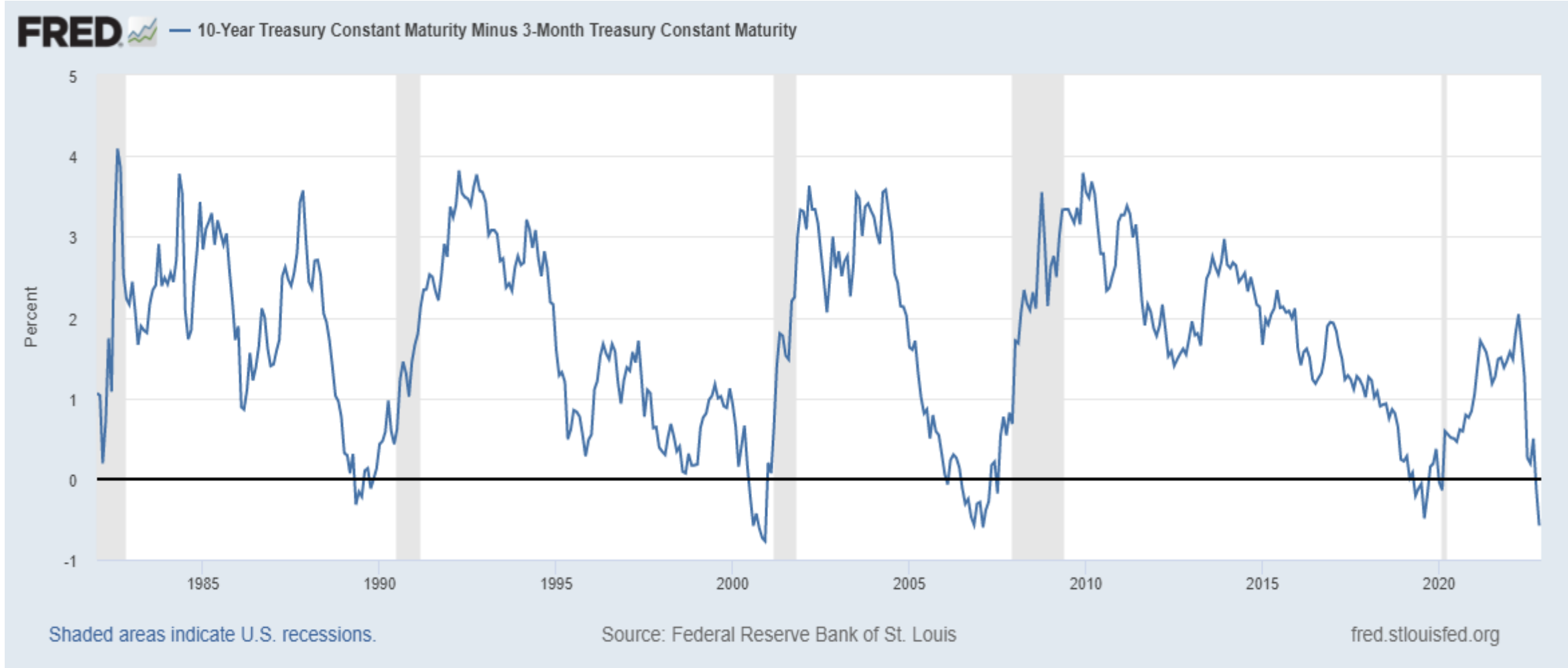
Fed's Dual Mandate – Full Employment and Price Stability



For illustrative purposes only. Past performance is not indicative of future results

Our Preferred Measure of the Yield Curve – Risks Rising for a Recession in 2023

1/04/1984 to 11/21/2022



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Source: FRED, Board of Governors of the Federal Reserve System



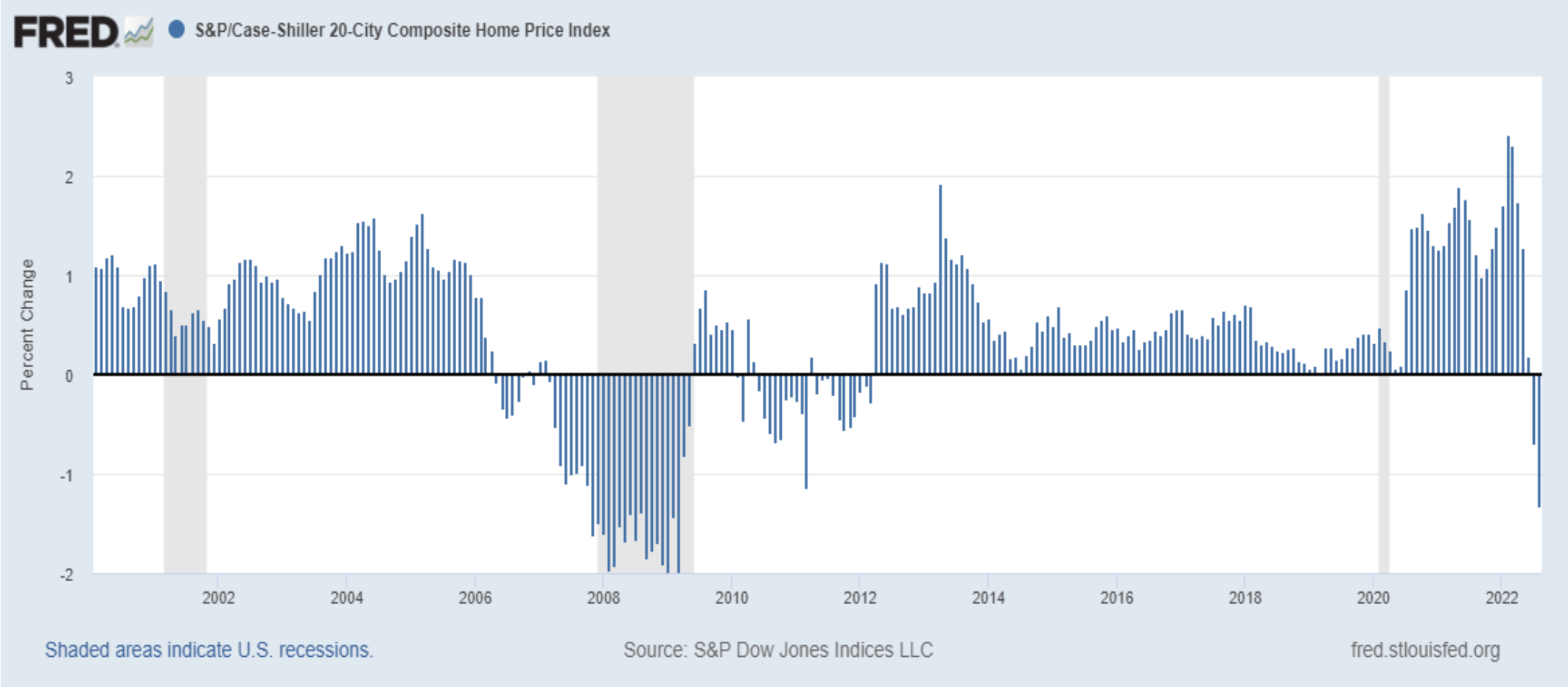
Are We in a Housing Bubble? Will Real Estate Crash?

- Bubble Characterized by Speculation & Leverage
–Not What We Have Seen
- Higher Mortgage Rates Have Hit Demand – Still Low by Historical Standards
- Demographics Supportive of Long Term Housing Market



First Monthly Decline in Home Prices Since 2012

8/1/2012 to 8/1/2022

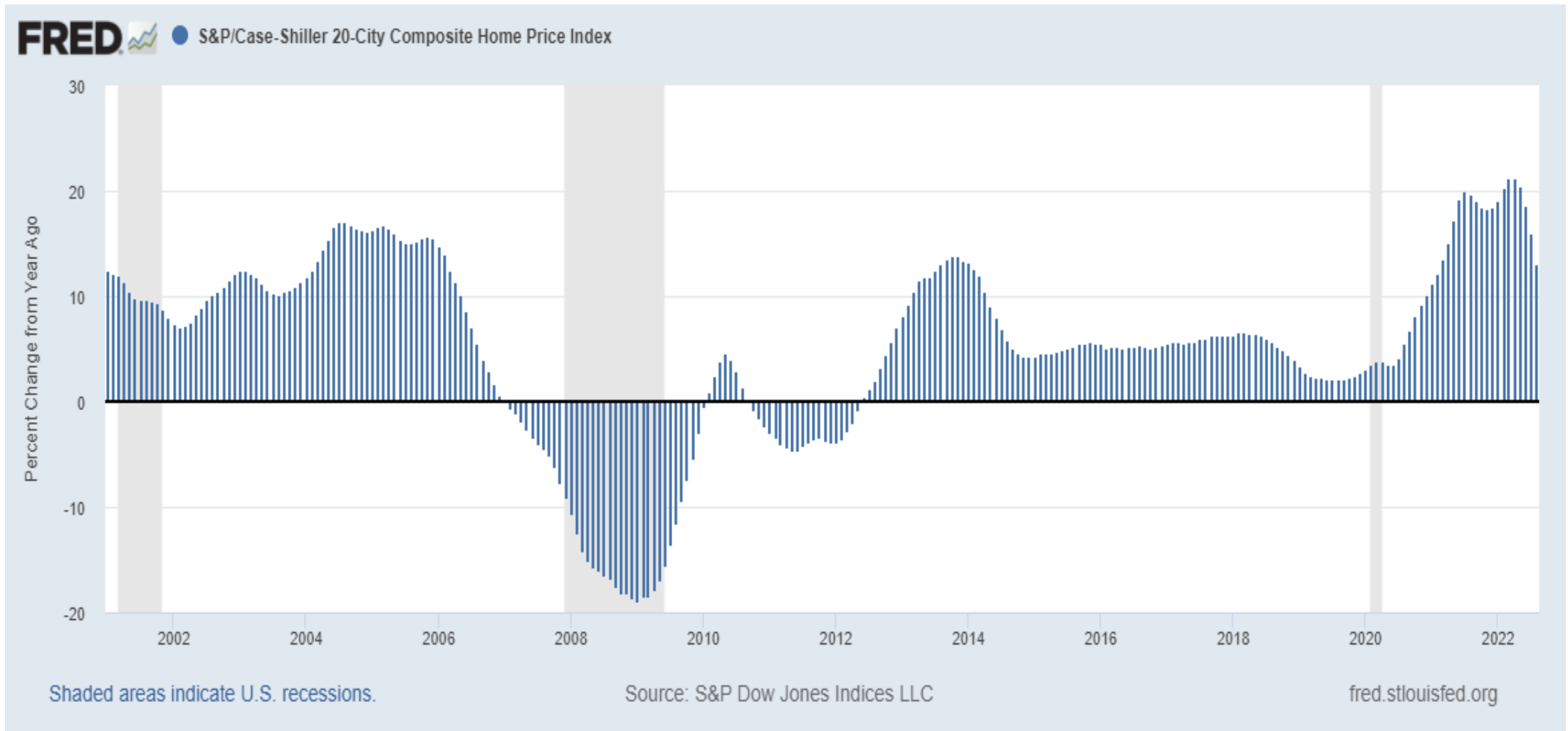


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Still Up from a Year ago

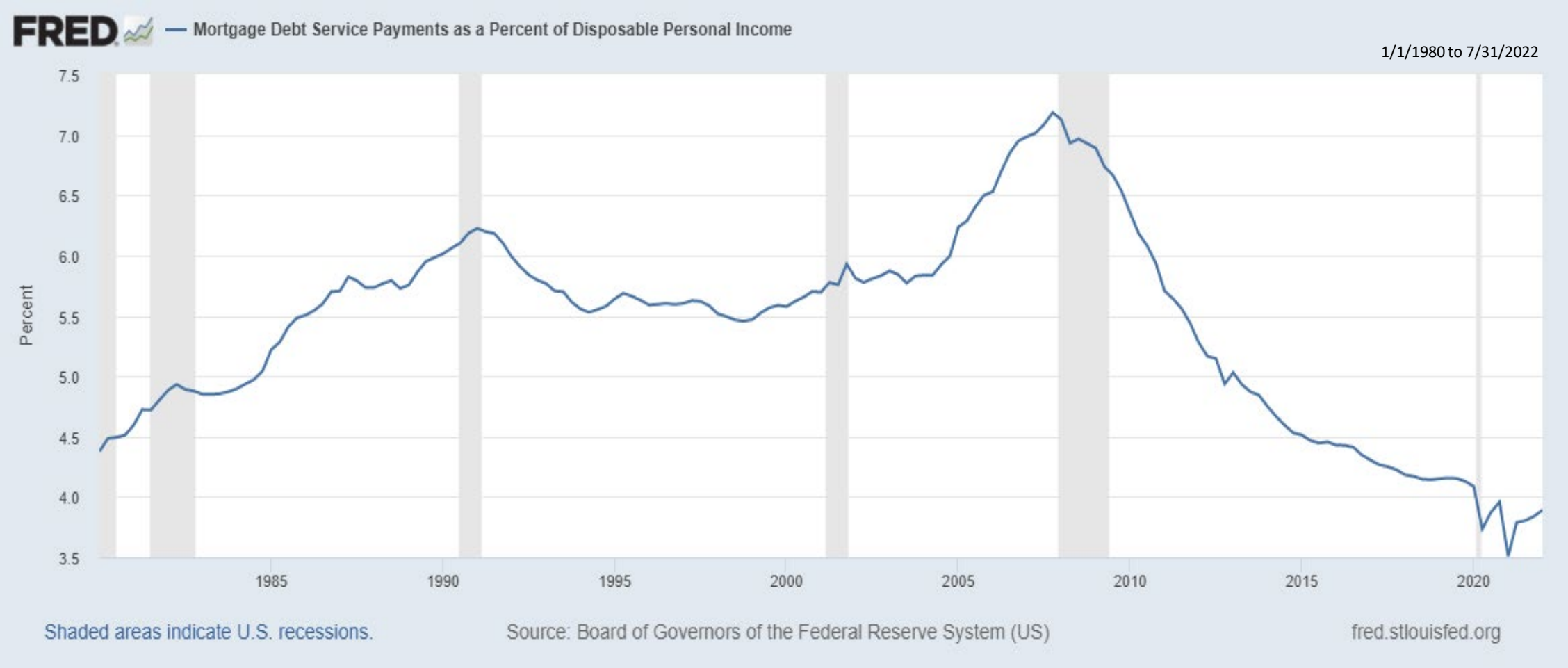
8/1/2012 to 8/1/2022



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Mortgage Payments Low Compared to Income

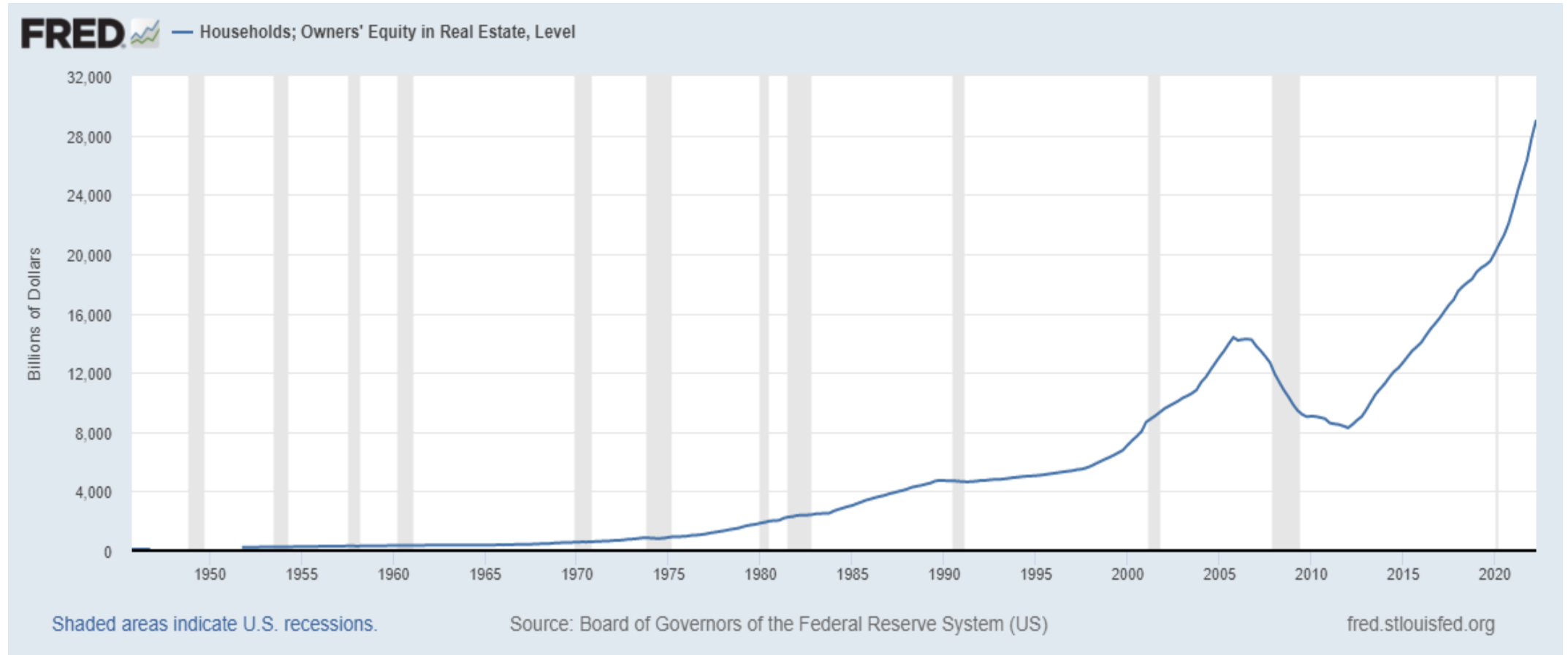


For illustrative purposes only. Past performance is not indicative of future results.



Lots of Equity in Homes

1/1/1945 to 4/1/2022



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Source: FRED, Board of Governors of the Federal Reserve System

Is this Correction Over?

- Great Question!
- The Market Priced in Doomsday
- Valuations Looking Much Better
- Investor Fear Levels High
- Stocks Lead the Economy
- Market Trying to Find a Bottom



Corrections Are Normal — Frequency of Declines

S&P 500 Declines	Occurrences Per Year	Frequency Average	Probability of Decline Moving to Next Stage	Mean Decline
-5% or more	3.4	Every 14 weeks	32%	-10.9%
-10% or more	1.1	Every Year	45%	-19.5%
-15% or more	0.5	Every 2 years	58%	-28.2%
-20% or more	0.3	Every 3 years	N/A	-35.7%

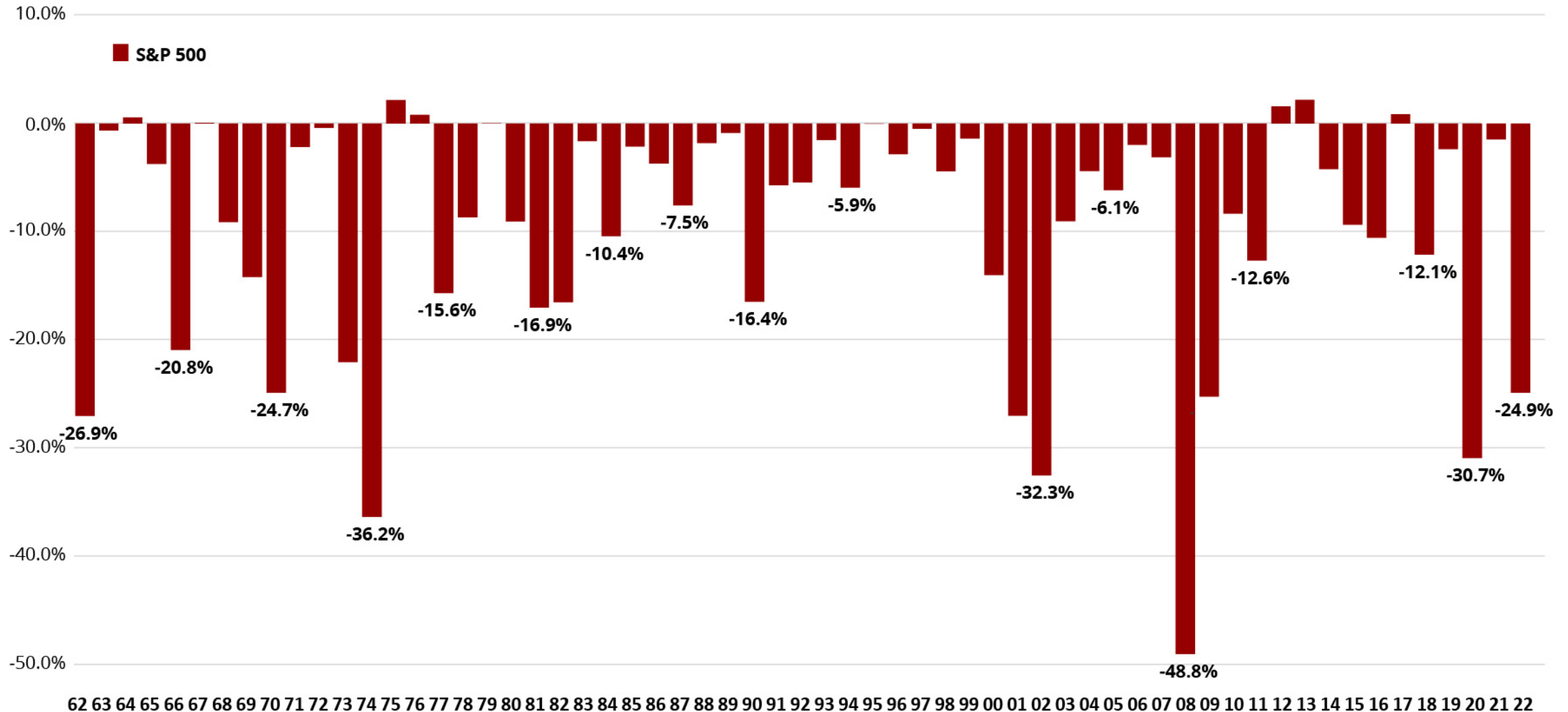
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Stocks Down at Some Point Nearly Every Year

S&P 500 Intra-Year Closing Low

1/1/1962 to 11/23/2022



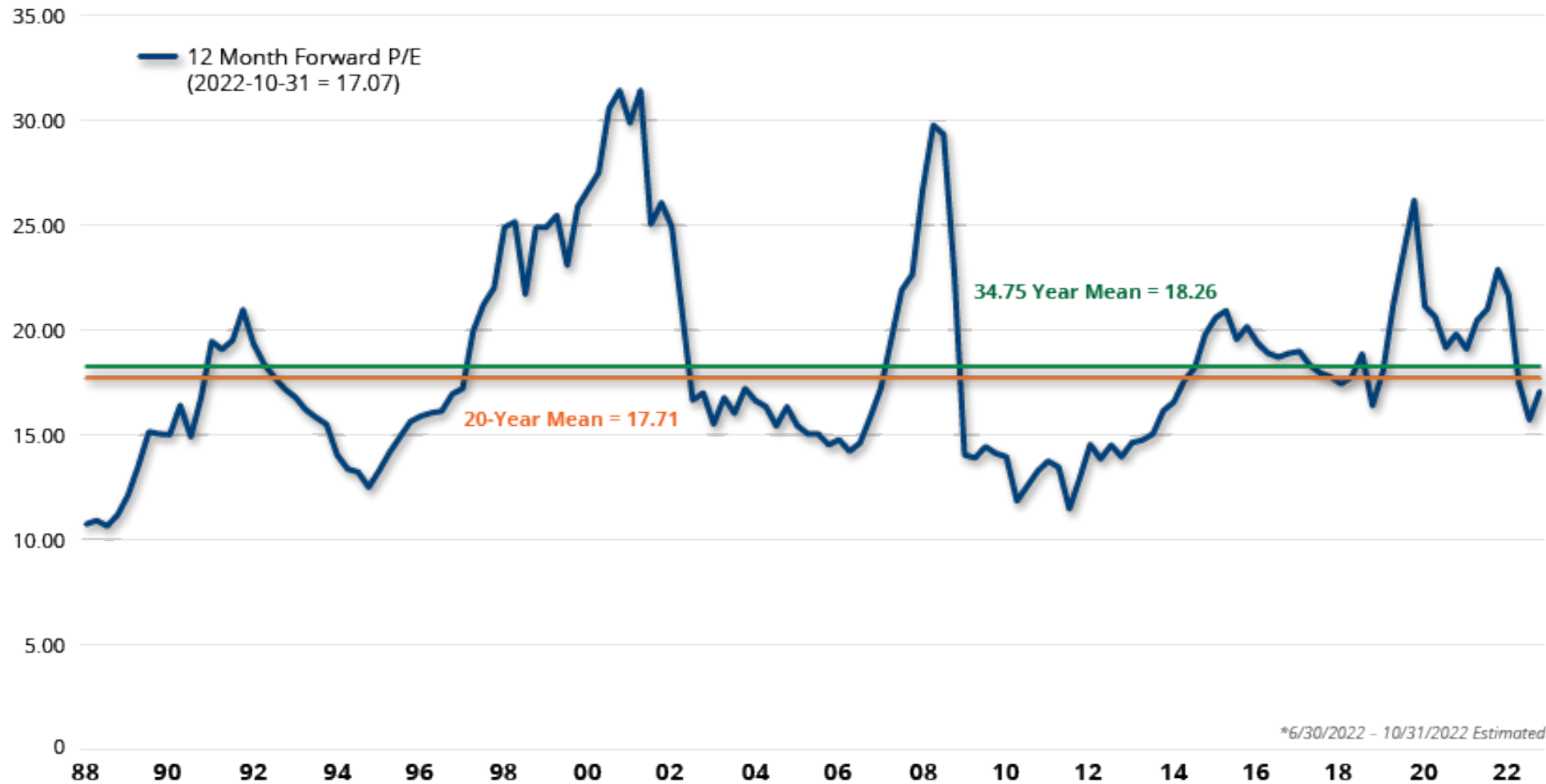
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Source: Macrotrends.net, Bloomberg. For illustrative purposes only.

Stocks Are Cheaper Now

S&P 500 Forward P/E

Monthly Data 1988-03-31 to 2022-10-31*



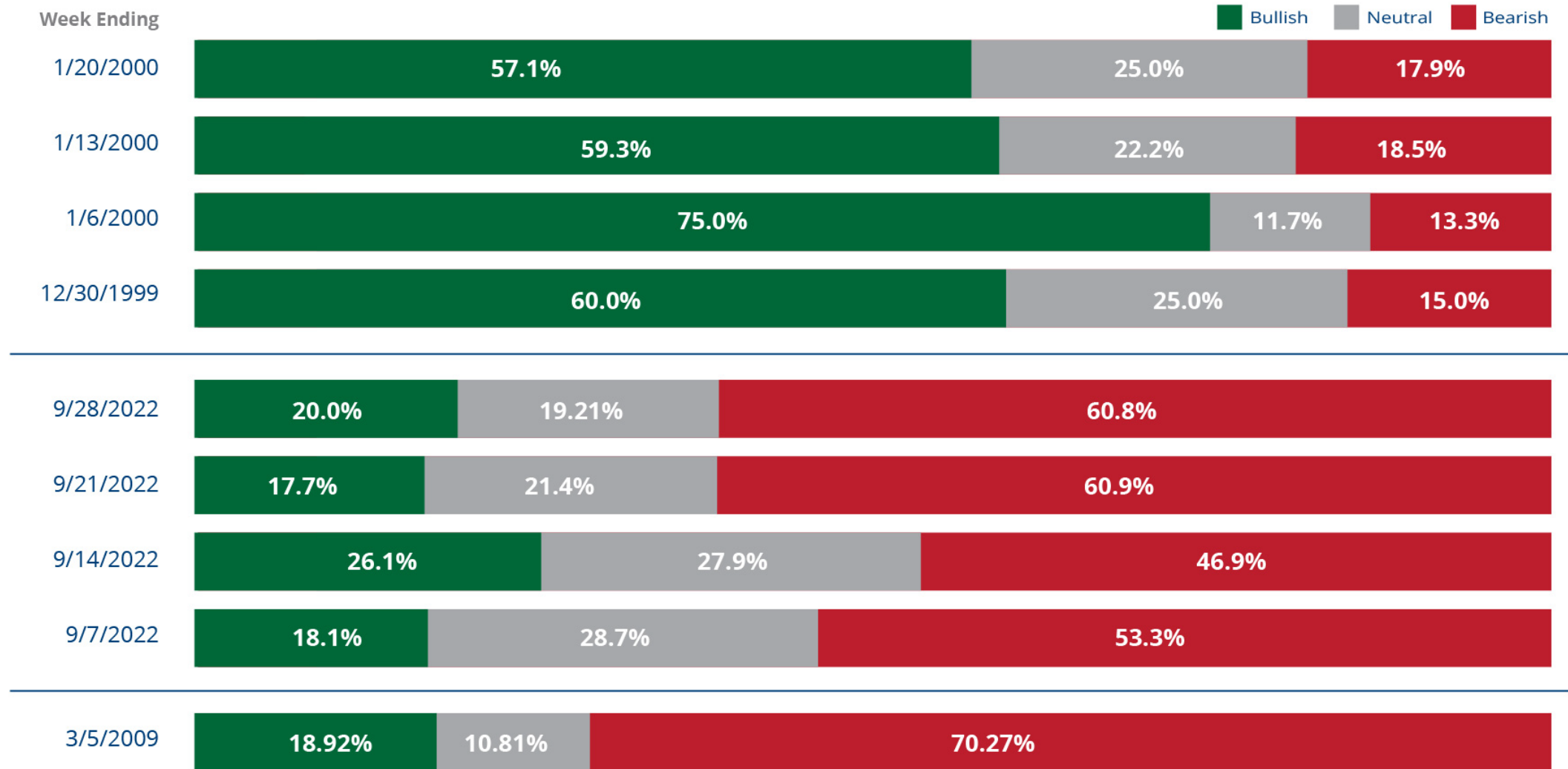
Source: Clark Capital Research

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Source: S&Pglobal.com

Bottoms are Formed When Pessimism is High

Sentiment Votes



Source: American Association of Individual Investors

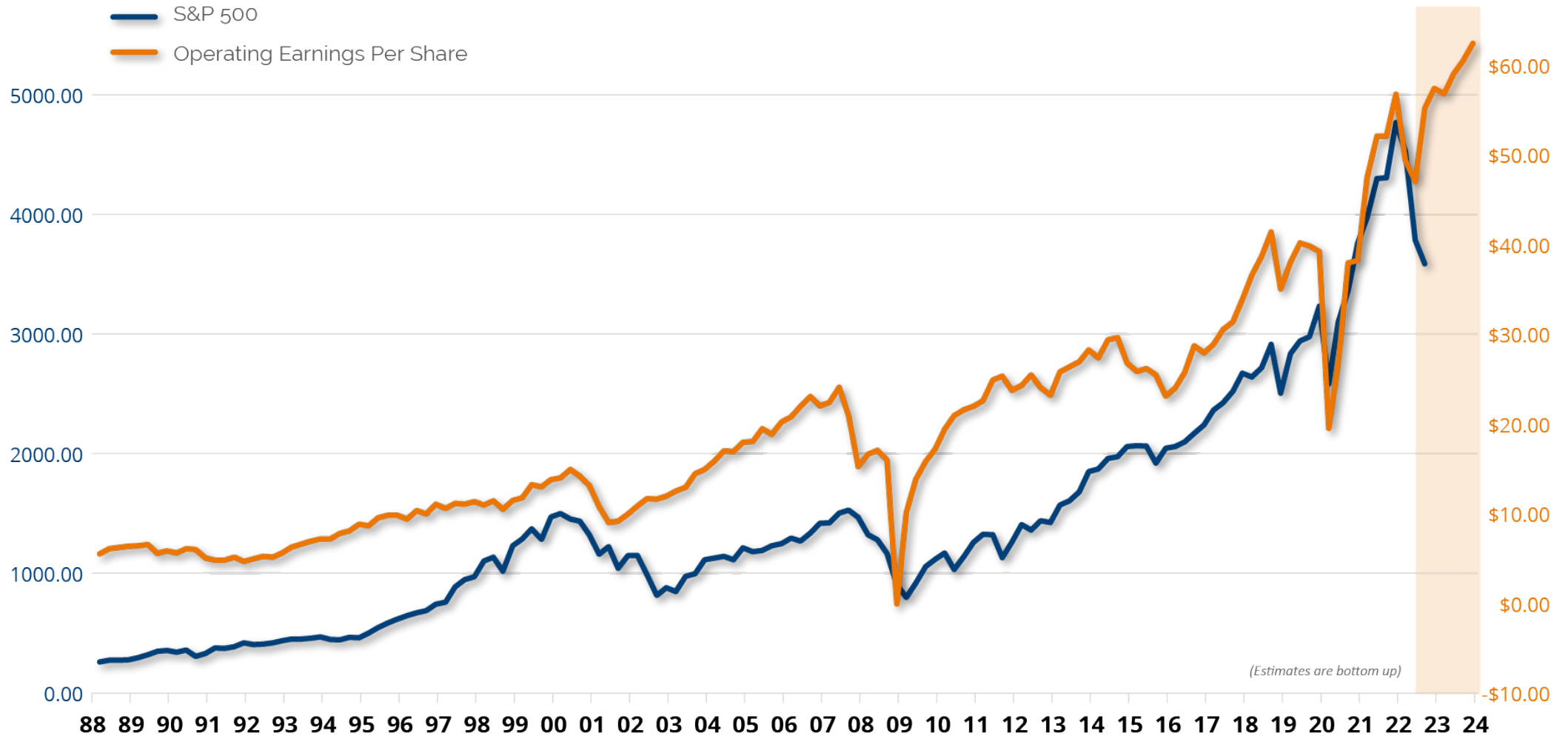


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Source: American Association of Individual Investors

Earnings Drive Stock Prices

S&P 500 & Operating Earnings



For illustrative purposes only. Projections or other forward looking statements regarding future financial performance of markets are only predictions and actual events or results may differ materially. Investors cannot invest directly in an index and unmanaged index returns do not reflect any fees, expenses, or sales charges.

Source: S&P Dow Jones Indices.

Is It Time to Buy or Sell International Stocks?

- We Believe
 - ❖ Geographic Diversification Is Important
 - ❖ Own Global Leaders, Wherever They Are Domiciled
 - ❖ Direction of Dollar Very Important



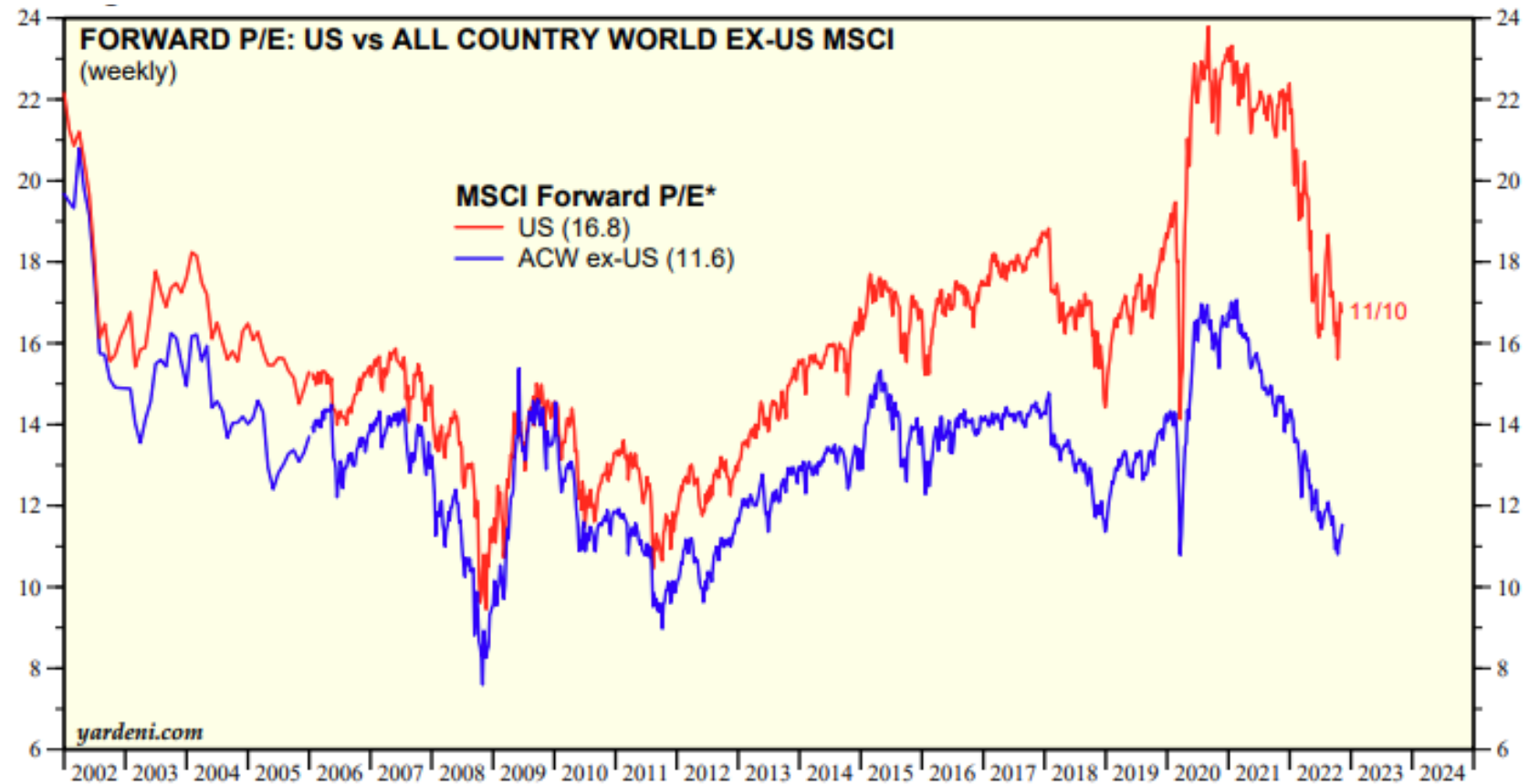
Int'l Struggling in Recent Years, but Long-Term is Different Story

	Int'l. Outperformed	U.S. Outperformed
Frequency	24 Years	27 Years
Dollar Down	18 Years	6 Years
Dollar Up	6 Years	21 Years

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International Stocks Look Cheap

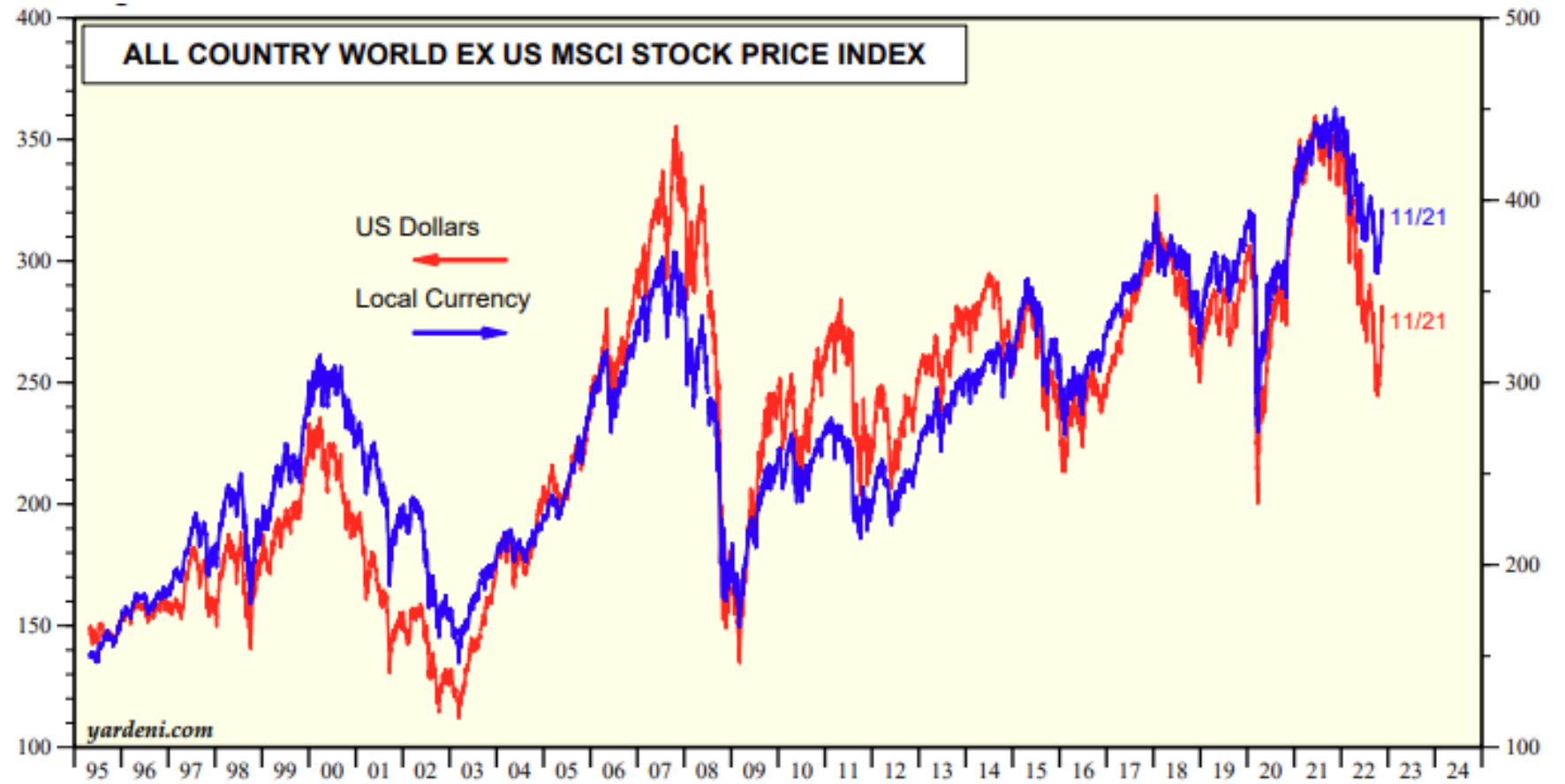


* Price divided by 12-month forward consensus expected operating earnings per share. Monthly through December 2005, weekly thereafter.
Source: I/B/E/S data by Refinitiv and MSCI.

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Strong Dollar Hurting International Stocks



Source: MSCI.

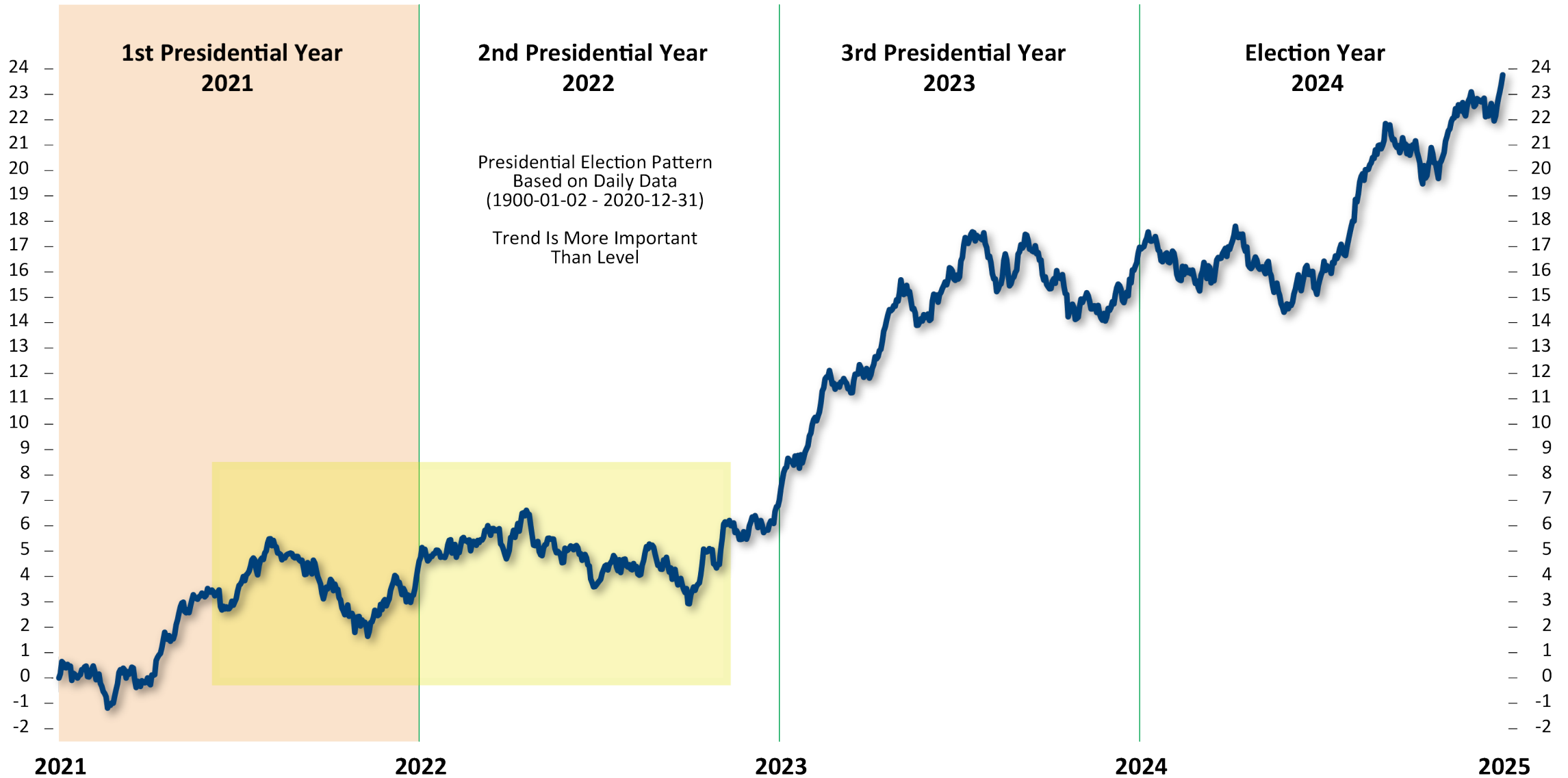
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It's Over, Now What?



Dow Industrials Four-Year Presidential Cycle



S01642

Source: Ned Davis Research

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What Is Clark Doing in the Portfolios?

- Some Tactical Strategies De-Risked in August and Re-Risked in October
- Changes Inside the Portfolios—Shift to Less Economically Sensitive Sectors
- Seeking What We Believe are Quality Securities
- Barbell Bond—Locking in Higher Rates
- Identifying Potential Tax Savings



Tune in Tonight for...



Q&A



Disclosure

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 investment 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 sectors or 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.

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Investing involves risk, including loss of principal.

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forecast. The performance shown is hypothetical and actual returns experienced by individual clients will differ due to many factors including their individual investments and fees, individual client restrictions, and the timing of the investments and cash flows

Fixed incomes 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.

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.

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Benchmark Descriptions

The S&P 500 measures the performance of the 500 leading companies in leading industries of the U.S. economy, capturing 80% of U.S. equities.

The Consumer Price Index (CPI) is a measure of the average change over time in the prices paid by urban consumers for a market basket of consumer goods and services. Indexes are available for the U.S. and various geographic areas.

The Cboe Volatility Index, or VIX, is a real-time market index representing the market's expectations for volatility over the coming 30 days. 1. Investors use the VIX to measure the level of risk, fear, or stress in the market when making investment decisions.

The MSCI ACWI ex USA Index captures large and mid cap representation across 22 of 23 Developed Markets countries, excluding the US, and 26 Emerging Markets countries covering approximately 85% of the global equity opportunity set outside the US.

BBgBarc U.S. Aggregate Bond Index covers the U.S. investment-grade fixed-rate bond market, including government and credit securities, agency mortgage pass-through securities, asset-backed securities and commercial mortgage-based securities. To qualify for inclusion, a bond or security must have at least one year to final maturity, and be rated investment grade Baa3 or better, dollar denominated, non-convertible, fixed rate and publicly issued.

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 volatility (beta) of an account may be greater or less than its respective benchmark.

The Dow Jones Industrial Average is the most widely used indicator of the overall condition of the stock market, a price-weighted average of 30 actively traded blue chip stocks, primarily industrials. The 30 stocks are chosen by the editors of the Wall Street Journal (which is published by Dow Jones & Company), a practice that dates back to the beginning of the century. The Dow is computed using a price-weighted indexing system, rather than

the more common market cap-weighted indexing system.

The S&P CoreLogic Case-Shiller U.S. National Home Price NSA Index measures the change in the value of the U.S. residential housing market by tracking the purchase prices of single-family homes.

The Personal Consumption Expenditures Price Index (PCE) is a measure of the prices that people living in the United States, or those buying on their behalf, pay for goods and services. The PCE price index is known for capturing inflation (or deflation) across a wide range of consumer expenses and reflecting changes in consumer behavior.

The National Bureau of Economic Research (NBER) Business Cycle Dating Committee—the official recession scorekeeper—defines a recession as “a significant decline in economic activity that is spread across the economy and that lasts more than a few months.

The U.S. Treasury index is based on the recent auctions of U.S. Treasury bills. Occasionally it is based on the U.S. Treasury’s daily yield curve.

Gross domestic product (GDP) is the monetary value of all finished goods and services made within a country during a specific period. GDP provides an economic snapshot of a country, used to estimate the size of an economy and growth rate.

University of Michigan (UoM) Inflation Expectations measures the percentage that consumers expect the price of goods and services to change during the next 12 months.

The ICE BofA AA US Corporate Index, a subset of the ICE BofA US Corporate Master Index, looks at the effective yield of all securities with a given investment grade rating AA.

The ICE BofA US Corporate BB Index, a subset of the ICE BofA US High Yield Master II Index, looks at the effective yield of all securities with a given investment grade rating BB.

A Treasury yield is the effective annual interest rate paid by the U.S. government to a bondholder.

