ClarkCapital MANAGEMENT GROUP

Portfolio Commentary

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Interest Rate Volatility and Banking Crisis Mask a Resilient Underlying Economy

Market Review

Since the Fed's hiking cycle began, markets have become reactive – perhaps hyperreactive – to economic and Fed-related news, and volatility has been the result. Last year we did not witness a December Santa Claus rally because rates were rising in December, but it turned out that a sizeable rally was merely delayed, as markets were boosted by falling inflation expectations and anticipation of the rate hike cycle ending. The S&P 500 was up by 6.3% in January, and small-caps surged up 9.8%.

In February, strong economic data cooled the optimism that the Fed would imminently pause, and markets stalled as interest rates reverted to December levels by early March. When Silicon Valley Bank failed on March 8th, fear gripped many investors, but there were winners and surprising divergences. From March 8th until March 31st, regional banks were decimated and declined 23.7% while broad small-caps declined by 5.4%. U.S. Treasuries gained 3.1% as a risk-off vehicle, but the NASDAQ 100 surged by 7.2%, as falling interest rates favored growth stocks.

Remarkably, despite enduring two of the three largest U.S. bank failures in history, the S&P 500 was up 2.4% during this period. The Fed increased interest rates by 50 basis points in December and 25 basis points on February 1st and March 22nd – in the midst of the banking stresses. Markets did rally near the end of March as investors were more and more persuaded that the Fed's hiking cycle is coming to an end.

While we soon should see an end to this turbulent hiking cycle, we believe there a number of conflicting forces that investors will face for the rest of 2023. We believe these negatives include declining Leading Economic Indicators for 11 months in a row, still declining earnings expectations, stresses in banking and tightened lending conditions, an inverted yield curve, and the lagged effects of numerous interest rate hikes.

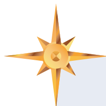
The one indisputable positive has been the robust job market, which has shown little weakness despite dramatic interest rate increases. Other positives include excessive pessimism among stock and bond investors, technology and cyclical relative strength, and a resilient market that didn't decline despite high profile bank failures.

First Quarter Portfolio Highlights

- After a dramatic underperformance in 2022, growth stocks reversed and stormed higher, enjoying their best quarter versus value since the 2nd quarter of 2020. The Russell Top 200 Growth outperformed the Russell Top 200 Value by 14.8%. The NASDAQ 100 was up an impressive 20.8%, while large-cap (SPYV) value gained 5.2%. Mid-caps (MDYV) and small-caps (IJS) fared worse, as the banking bailouts in March produced considerable pain. Mid-cap value (MDYV) gained only 2.5%, while mid-cap growth (MDYV) was up 5.0%. Small-cap value (IJS) was up 2.9%, while small-cap growth (IJS) could only gain 2.0%. The S&P 500 gained 7.5% on the quarter. Quality was the only factor to outperform, while buybacks, momentum,

Past performance is not indicative of future results.

This is not a recommendation to buy or sell a particular security. Please see attached disclosures.



and high dividend all were down during Q1.

- Among fundamental stock selection factors, companies with high cash positions and low debt-to-equity were most rewarded – both strong growth factors. Dividend yield, low P/E stocks, and cash flow yield were least rewarded.
- A volatile interest rate environment created a difficult environment for sustained trends to develop. The 10-Year Treasury yielded 3.9% in December, and then fell to 3.4% at the end of January as investors believed the worst of the Fed hikes were over. In February, however, persistent inflation fears returned and were reflected quickly in 2-Year Treasury yields, which rose from 4.2% to 5.1% from February to early March, but then dramatically declined from 5.1% to 3.9% during the banking crisis.
- The portfolio began the quarter favoring large-cap (SPYV) and mid-cap value (MDYV) and buybacks. As the January rally took hold and the rally broadened out, buybacks were sold and mid-cap and small-cap value grew up to a 35% weight. By February, Technology's strength began to be reflected, and we began a position in the NASDAQ 100. The Silicon Valley Bank collapse on March 8th was sharp and sudden, and mid-cap and small-cap value, which overweight financials, lost favor and underperformed. Within a few weeks, we had exited those positions, and established an over 50% position in the S&P 500 Index. We increased our positions in the large and mega-cap growth space, as only the NASDAQ 100 and the Russell Top 200 Growth stand higher than the benchmark in our rankings.

Positioning and Outlook

MultiStrategy now devotes two-thirds of its fixed income exposure to tactical high yield and one-third toward tactical investment grade. The portfolio had owned high yield since November. While January produced impressive gains, February's rate increases turned our models cautious by the middle of the month, and cash was the defensive vehicle of choice amidst rising rates. The banking crisis spiked interest rates down in March, and by mid-March our models moved the portfolio 100% into U.S. Treasuries.

The result of our repositioning was performance that was roughly in line with the broad Bloomberg High Yield Index. We listed a number of negatives that the market will have to confront this year, and the possibility that the end of the tightening cycles will lead to recession is on everyone's mind. We are happy to be in Treasuries with such downside at least a distinct possibility.

However, despite the banking stresses witnessed in March, broader credit markets remain stable and relatively contained. The credit stresses that mark real fear and panic are not yet present. High yield offers a roughly 8.5% yield, and while spreads of 4.5% can certainly widen, we believe they are attractive on a relative basis. We could find ourselves back in high yield soon if markets improve.

Within investment grade, as the quarter began we were defensively positioned in cash. However, a sharp downward move in rates and a risk-on rally drove us into investment grade before even the middle of January. A peak in rates and then reversal late in January drove us into defensive cash, and the banking failures in March drove our models towards Treasuries and their resurgence – but only for a brief time. In late March just after the Fed's rate hike, our models turned bullish again, and we are now 100% invested in investment grade.

With the Fed's hiking cycle nearing a close, all eyes are on the lookout for the recession that often follows tightening campaigns. So far, economic data indicates that employment and the consumer remain robust. So, while some forward looking warnings signs are warning of forthcoming weakness, the confirmation we require from real-time indicators simply has not come. As 2023 moves forward, it is worthwhile to consider how much pain 2022 brought us. Both stocks and bonds were down by over 10%, and both have now rallied to begin the year. In the 11 previous cases of the S&P 500 having a down year followed by a first quarter rally, in all 11 cases stocks were up for the remainder of the year, with an average gain of 11%. Any recession appears to be pushed back to later 2023 or more likely 2024 – and thus the potential for gains in both stocks and credit must not be ignored.

On the equity side, large-caps have taken over leadership, though so far cyclical Technology and Consumer Discretionary are leading the way. So far, we have not seen sustained weakness, though we believe markets may be confronted with economic trouble within the next 24 months. We will be listening to our quantitative models and remain prepared to take on a defensive stance in an attempt to preserve capital.

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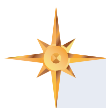

MultiStrategy 25-75 Top Contributors as of March 31, 2023

Company Name	Average Weight (%)	Contribution to Return (%)
Navigator Tactical Fixed Income Fund Class I	48.96	1.60
iShares Core S&P 500 ETF	3.93	0.82
iShares Russell Top 200 Growth ETF	1.22	0.43

MultiStrategy 25-75 Top Detractors as of March 31, 2023

Company Name	Average Weight (%)	Contribution to Return (%)
SPDR S&P 400 Mid Cap Value ETF	5.10	-0.47
iShares S&P Small-Cap 600 Value ETF	1.94	-0.34
iShares Core High Dividend ETF	0.74	0.07

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 and the last 12 months, contact: PortfolioAnalytics@ccmg.com.

MultiStrategy 50-50 Top Contributors as of March 31, 2023

Company Name	Average Weight (%)	Contribution to Return (%)
iShares Core S&P 500 ETF	8.17	1.68
Navigator Tactical Fixed Income Fund Class I	31.76	1.06
iShares Russell Top 200 Growth ETF	2.43	0.86

MultiStrategy 50-50 Top Detractors as of March 31, 2023

Company Name	Average Weight (%)	Contribution to Return (%)
SPDR S&P 400 Mid Cap Value ETF	10.29	-0.92
iShares S&P Small-Cap 600 Value ETF	3.89	-0.70
Navigator Tactical Investment Grade Bond Fund - Class I	15.62	0.13

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 and the last 12 months, contact: PortfolioAnalytics@ccmg.com.

MultiStrategy 75-25 Top Contributors as of March 31, 2023

Company Name	Average Weight (%)	Contribution to Return (%)
iShares Core S&P 500 ETF	12.45	2.61
iShares Russell Top 200 Growth ETF	3.23	1.15
Invesco NASDAQ 100 ETF	7.16	1.08

MultiStrategy 75-25 Top Detractors as of March 31, 2023

Company Name	Average Weight (%)	Contribution to Return (%)
SPDR S&P 400 Mid Cap Value ETF	14.07	-1.33
iShares S&P Small-Cap 600 Value ETF	5.29	-1.04
Navigator Tactical Investment Grade Bond Fund - Class I	7.30	0.06

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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).

The manager utilizes a proprietary investment model to assist with the construction of the strategy and to assist the manager with making investment decisions. Investments selected using this process may perform differently than expected as a result of the factors used in the model, the weight placed on each factor, and changes from the factors' historical trends. There is no guarantee that Clark Capital's use of a model will result in effective investment decisions.

Nasdaq is a global electronic marketplace for buying and selling securities.

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 Nasdaq-100 is a stock market index made up of 101 equity securities issued by 100 of the largest non-financial companies listed on the Nasdaq stock exchange. It is a modified capitalization-weighted index.

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 2 year treasury yield is included on the shorter end of the yield curve and is important when looking at the overall US economy.

The 10-year Treasury yield is the yield that the government pays investors that purchase the specific security. Purchase of the 10-year note is essentially a loan made to the U.S. government.

The Bloomberg Barclays U.S. Corporate High Yield Index measures the market of USD-denominated, non-investment grade, fixed-rate, taxable corporate bonds.

The Russell Top 200 Growth Index offers measures the performance of the especially large cap segment of the US equity universe represented by stocks in the largest 200 by market cap.

The Russell Top 200 Index measures the performance of the 200 largest companies in the Russell 1000 Index, with a weighted average market capitalization of $186 billion.

A leading economic indicator (LEI) is economic data that may correspond with a future movement or change in the economy. Leading economic indicators can help to predict an occurrence or forecast the timing of events and trends in business, markets, and the economy.

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.

One of the most effective smart beta strategies for achieving a reduction of risk are known as 'minimum volatility' strategies, which are specifically designed with this goal in mind, seeking to deliver market-like returns with less volatility by targeting lower volatility stocks.

Minimum volatility ETFs (commonly referred to as "min vol" ETFs) attempt to reduce exposure to stock market volatility. Min vol ETFs do not ensure against losses.

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