

Q2 2023 Review & Outlook

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Economic Gauges



Economy



Monetary Policy



Valuations



Investor Sentiment



Interest Rates

The gauges reflect the degree of Clark Capital's positive (forward) or negative (reverse) outlook on the corresponding economic factors. The gauges represent the firm's expectations for the market, and how changes in the market will affect the strategy but are only projections which assume certain economic conditions and industry developments and are subject to change without notice.



Executive Summary

- Increasing S&P 500 price target to 4500 from 4200
- Labor market continues to fuel economy
- The Fed skipped a meeting
- We believe valuations are "fair" for stocks
- We believe fear is starting to be replaced by greed
- Yield curve remains inverted, and long rates have moved down



Why Did We Keep the Economic Gauge Neutral?



Economy

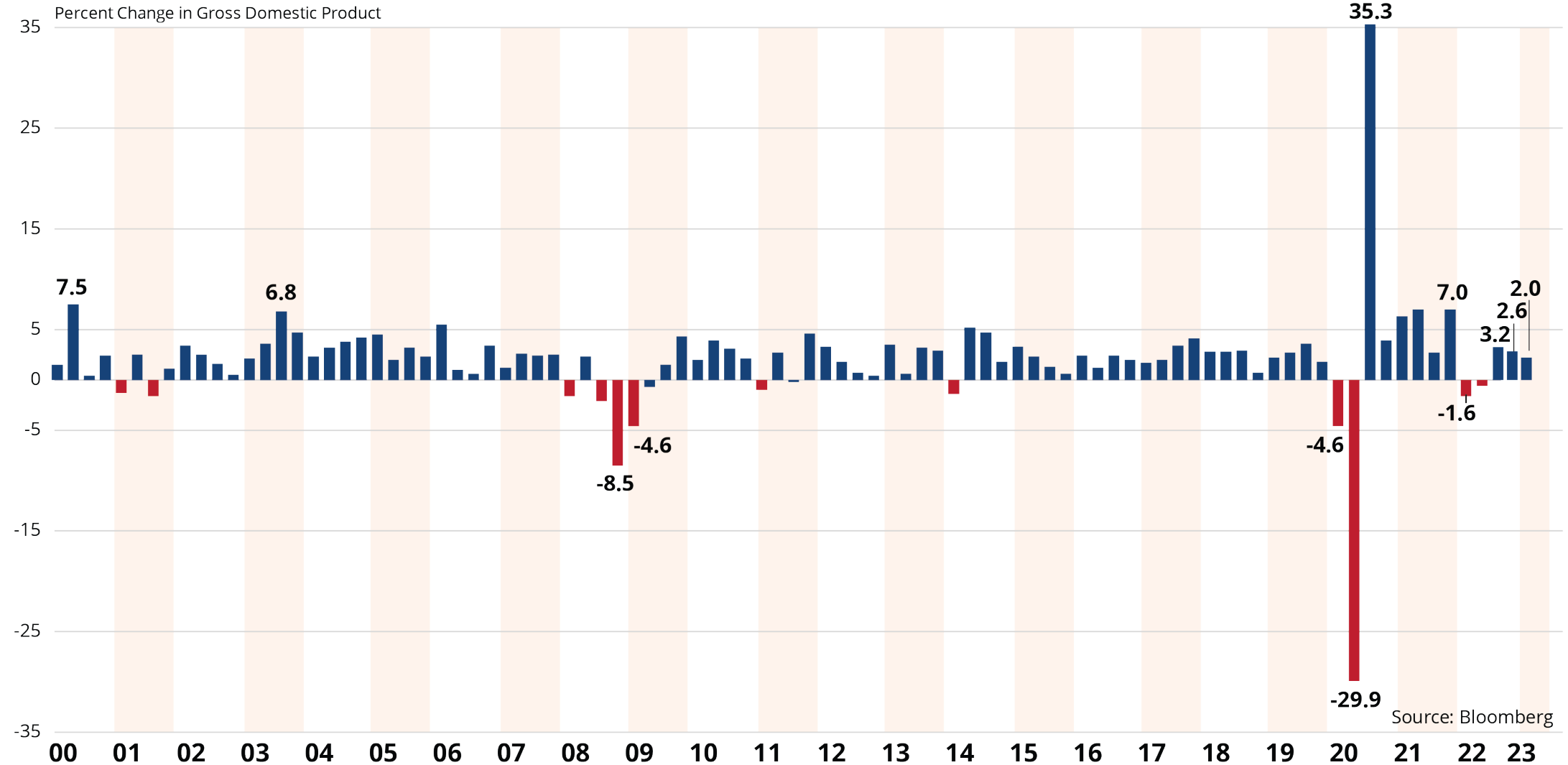
- Growth has slowed, but the labor market is holding firm
- Inflation continues to come down. Easy comparisons almost behind us
- Q2 Y/Y earnings expected to be up double digits on heels of Q1 rebound
- Why does this matter? GDP helps drive earnings



Economy Has Bounced Back

United States GDP Annualized Growth

3/31/2000 to 6/30/2023

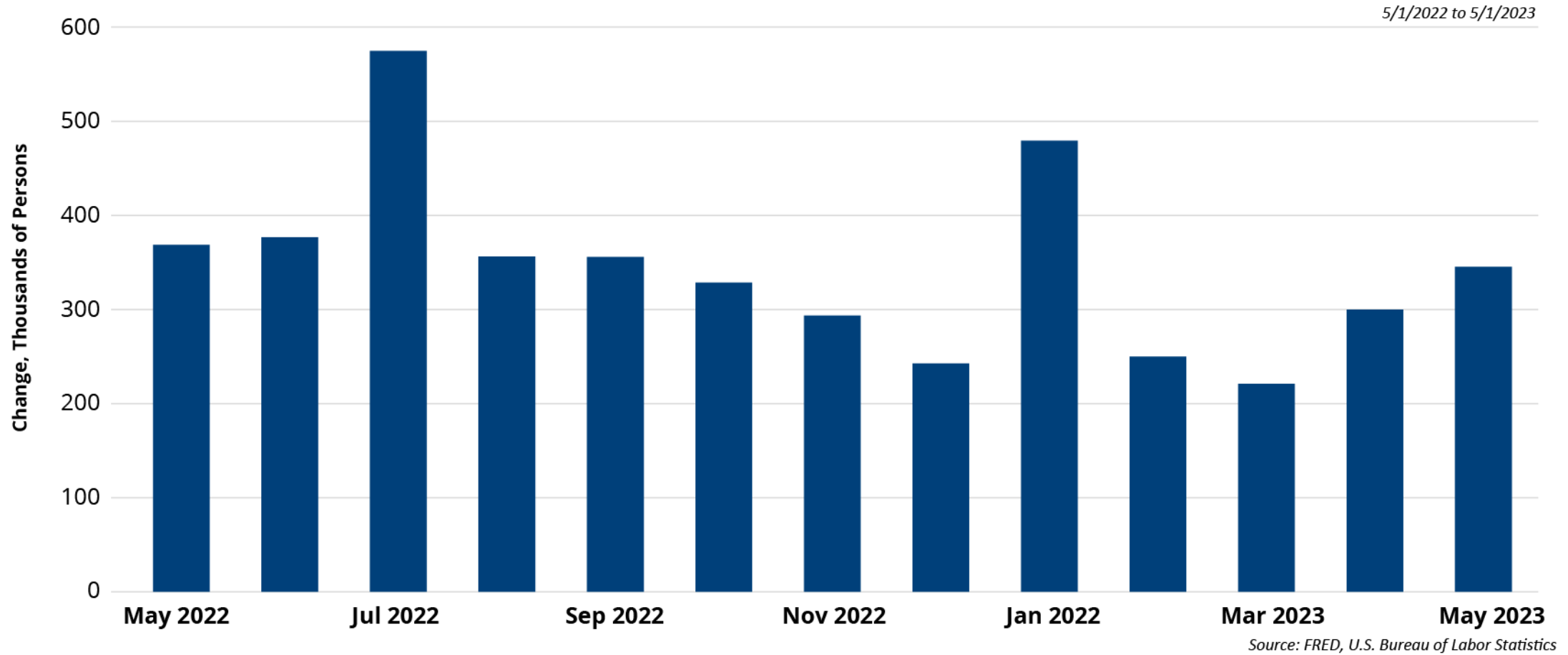


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Labor Market Continues to Buoy the Economy

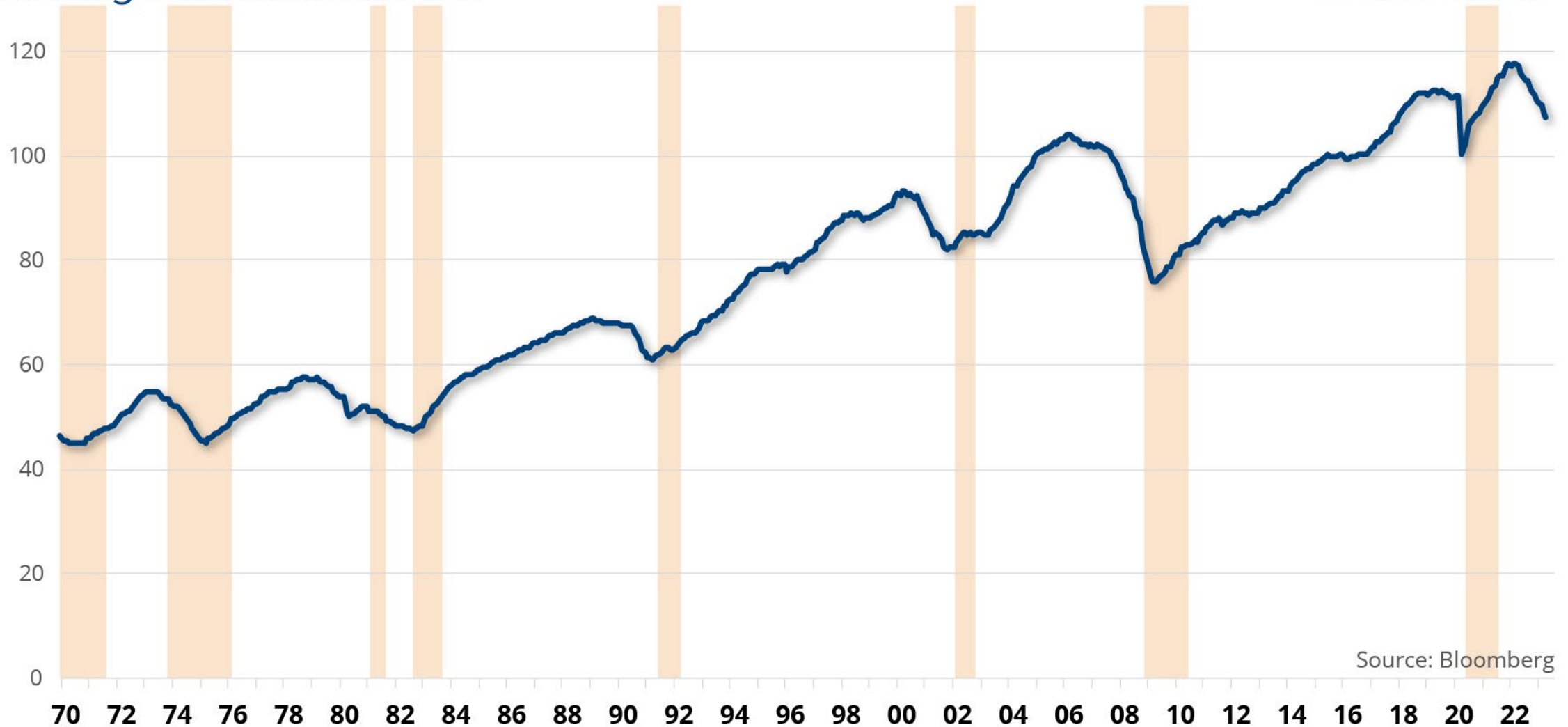
All Employees, Total Nonfarm



Economy Likely to Slow

Leading Economic Indicators

1/1/1970 to 4/30/2023



Source: Bloomberg



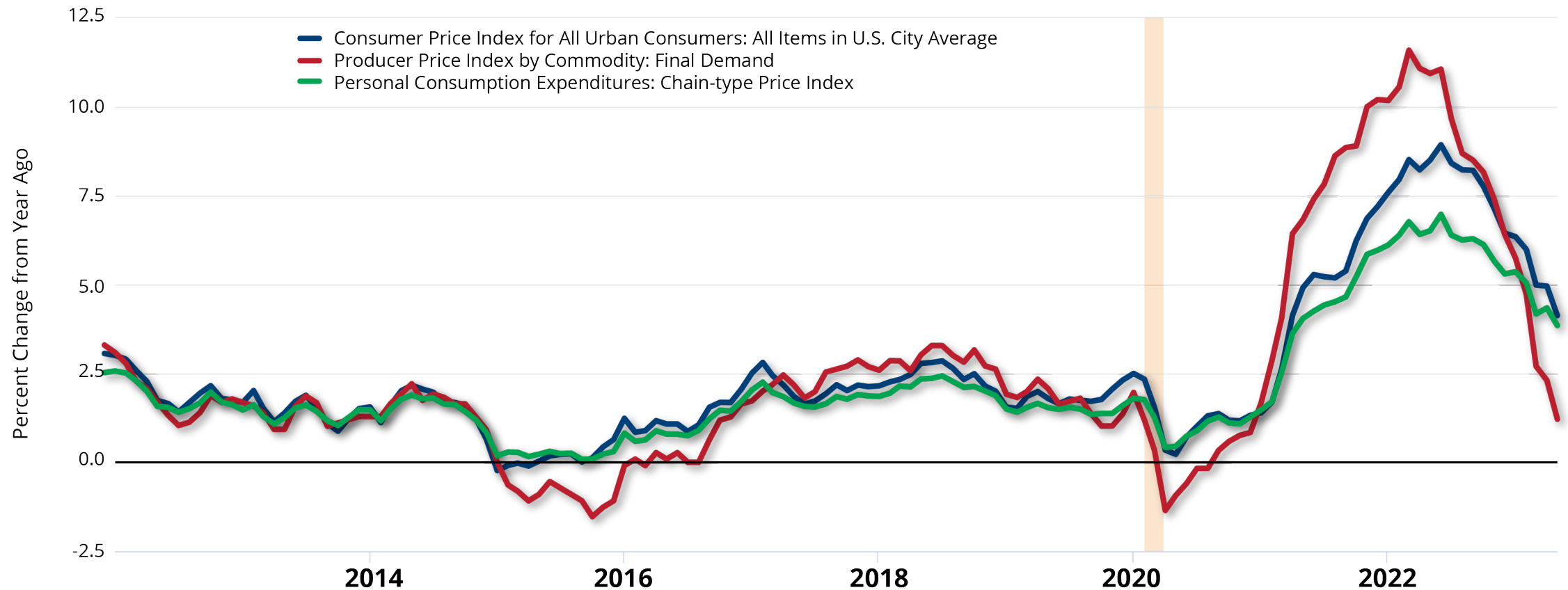
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Source: Ned Davis Research

Inflation Continues to Recede from High Seen Last Year

Consumer Price Index for All Urban Consumers: All Items in U.S. City Average
Producer Price Index by Commodity: Final Demand
Personal Consumption Expenditures: Chain-type Price Index

1/1/2012 to 5/1/2023



Source: Board of Governors of the Federal Reserve System (US)

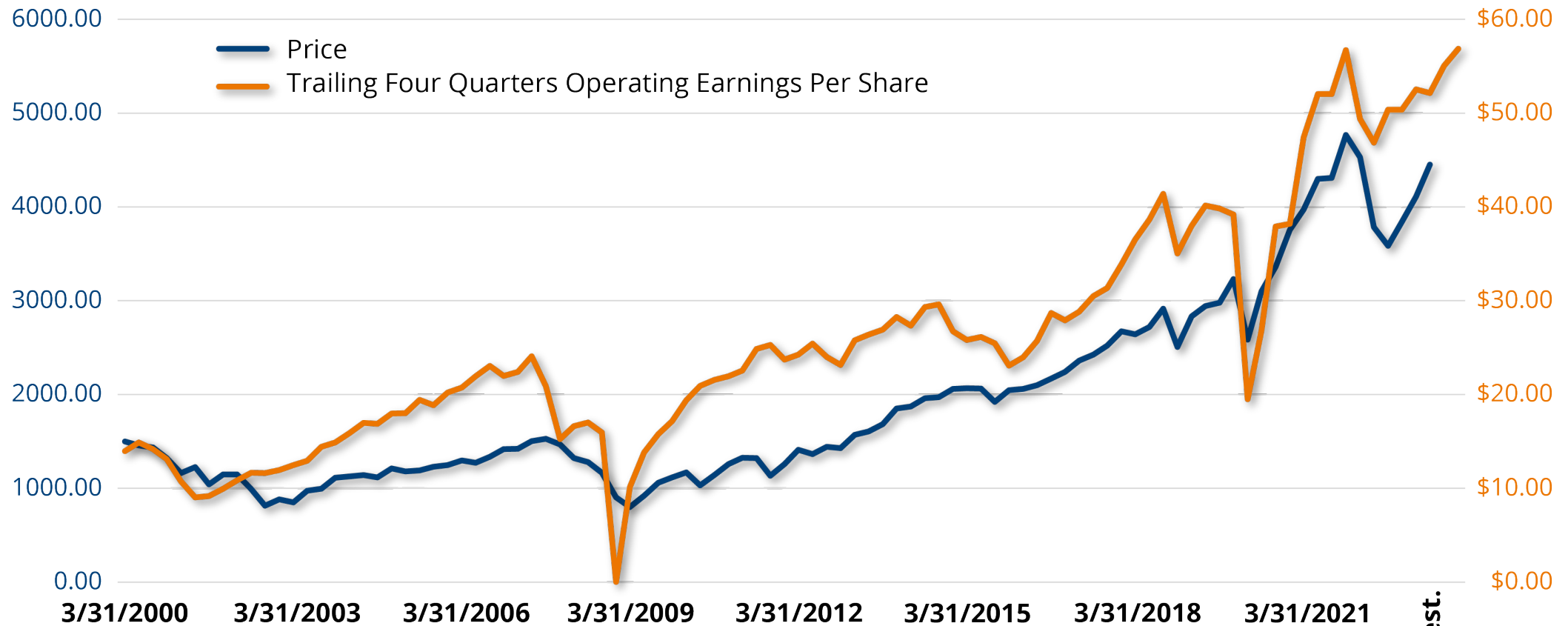
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Earnings Drive Stock Prices

S&P 500 vs. Operating Earnings

3/31/2000 to 6/30/2023



Source: Clark Capital, S&P Global, Bloomberg

6/30/2023 est.

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And Estimates May Have Turned the Corner

As of 6/30/2023

Region	% Positive Earnings Revision	1-Year Point Change
ACWI	66.4	13.3
United States	77.3	0.8
Japan	44.2	15.6
Canada	73.7	12.4
Pacific ex. Japan	64.0	12.4
United Kingdom	71.9	33.9
Emerging Markets	63.1	15.9
Europe ex. U.K.	66.8	22.9

% Positive Revisions based on 3-month smoothing of monthly mean analyst change

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Why Did We Keep the Monetary Gauge Slow Negative?

- The Fed finally skipped a meeting!
- Market expectations more in line with Fed guidance
- Fed back on QT path after regional bank scare
- Fed done or close to it
- Why does this matter?
Fed tightening is a headwind for stocks

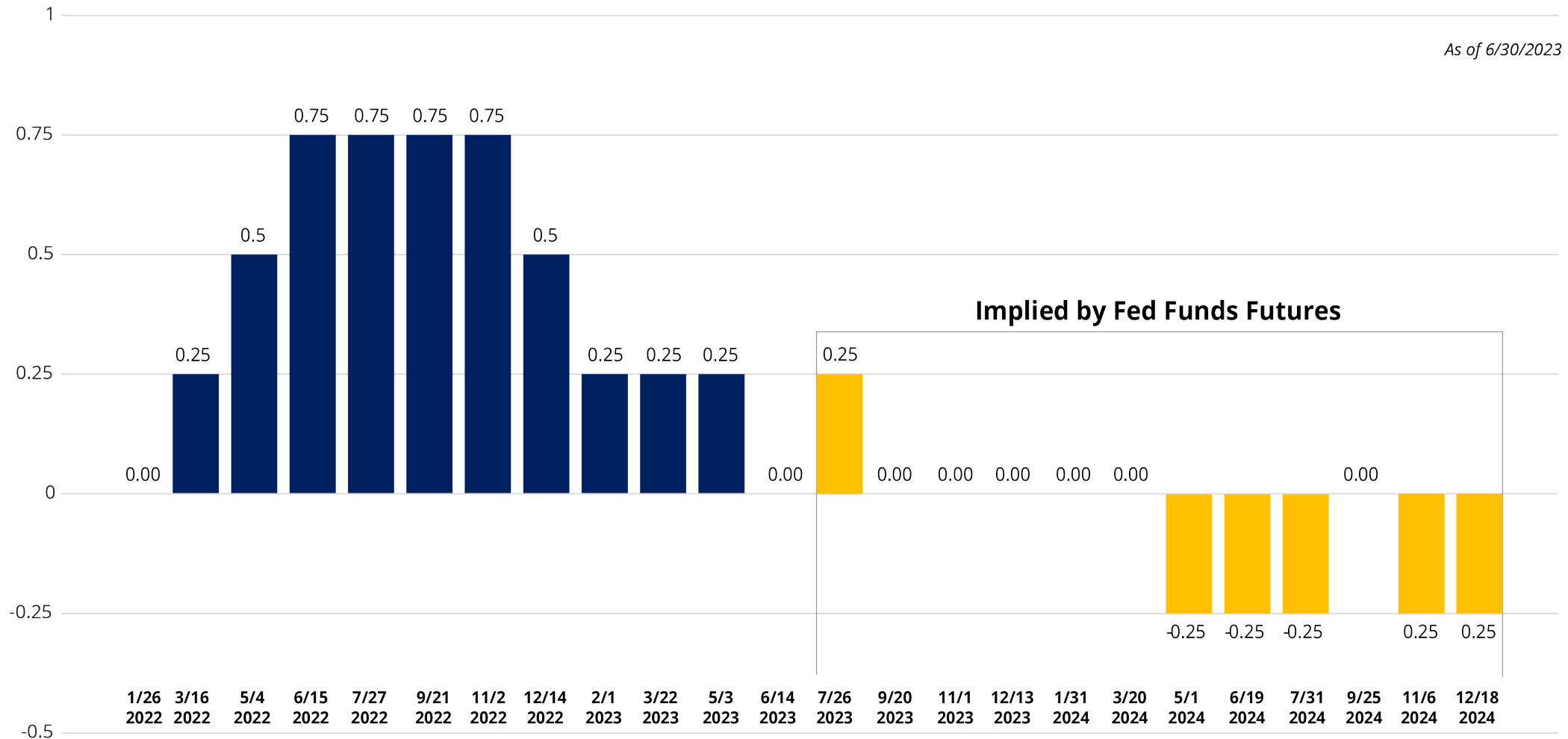


Monetary Policy



Skip, Hike, Pause, Lower

Fed Rate Hikes: Actual and Implied by Fed Funds Futures



Source: Clark Capital, fred.stlouisfed.org, CME FedWatch Tool

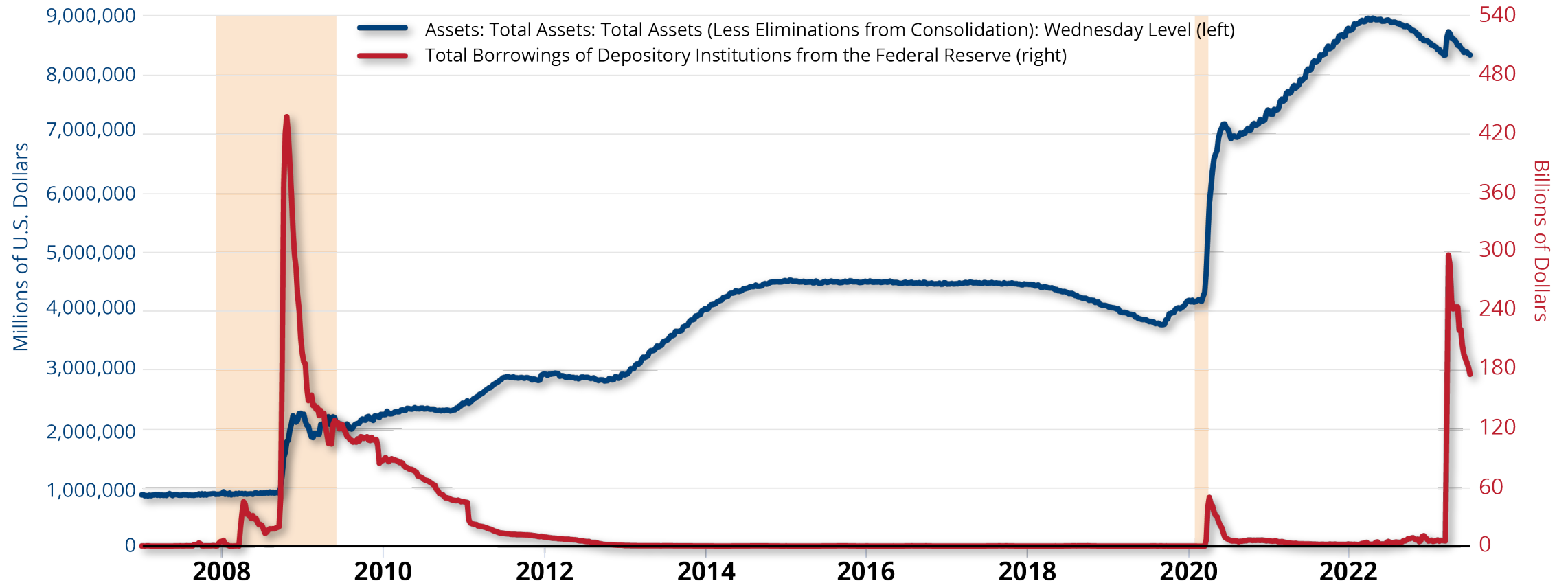
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QT is Back

Assets: Total Assets: Total Assets (Less Eliminations from Consolidation): Wednesday Level Total Borrowings of Depository Institutions from the Federal Reserve

6/1/2007 to 6/30/2023



Source: www.stlouisfed.com



What Has Historically Happened When the Fed is Done?

Date of Last Hike	Date of 1st Cut	3 Months After Last Hike			6 Months After Last Hike			12 Months After Last Hike			Last Hike to First Cut		
		3 Month Bill	Agg	S&P	3 Month Bill	Agg	S&P	3 Month Bill	Agg	S&P	3 Month Bill	Agg	S&P
12/19/1989	7/13/1990	1.9%	-0.9%	-0.3%	3.9%	1.4%	4.9%	7.8%	8.3%	-3.6%	4.4%	2.7%	7.3%
2/1/1995	7/6/1995	1.4%	4.8%	9.5%	2.8%	9.3%	18.8%	5.6%	16.9%	35.2%	2.4%	10.5%	17.8%
5/16/2000	1/3/2001	1.5%	5.0%	2.0%	3.1%	7.5%	-6.7%	5.6%	13.8%	-12.1%	3.8%	11.0%	-8.1%
6/29/2006	9/18/2007	1.2%	4.1%	4.9%	2.5%	5.4%	11.4%	5.0%	6.5%	18.1%	6.0%	9.6%	19.4%
12/20/2018	8/1/2019	0.6%	2.6%	15.7%	1.2%	6.1%	19.6%	2.1%	9.0%	30.6%	1.4%	7.5%	19.9%
	Average	1.3%	3.1%	6.4%	2.7%	6.0%	9.6%	5.2%	10.9%	13.6%	3.6%	8.3%	11.2%

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Source: FactSet, Clark Capital

Why Did We Keep Valuation Gauge Neutral?



Valuations

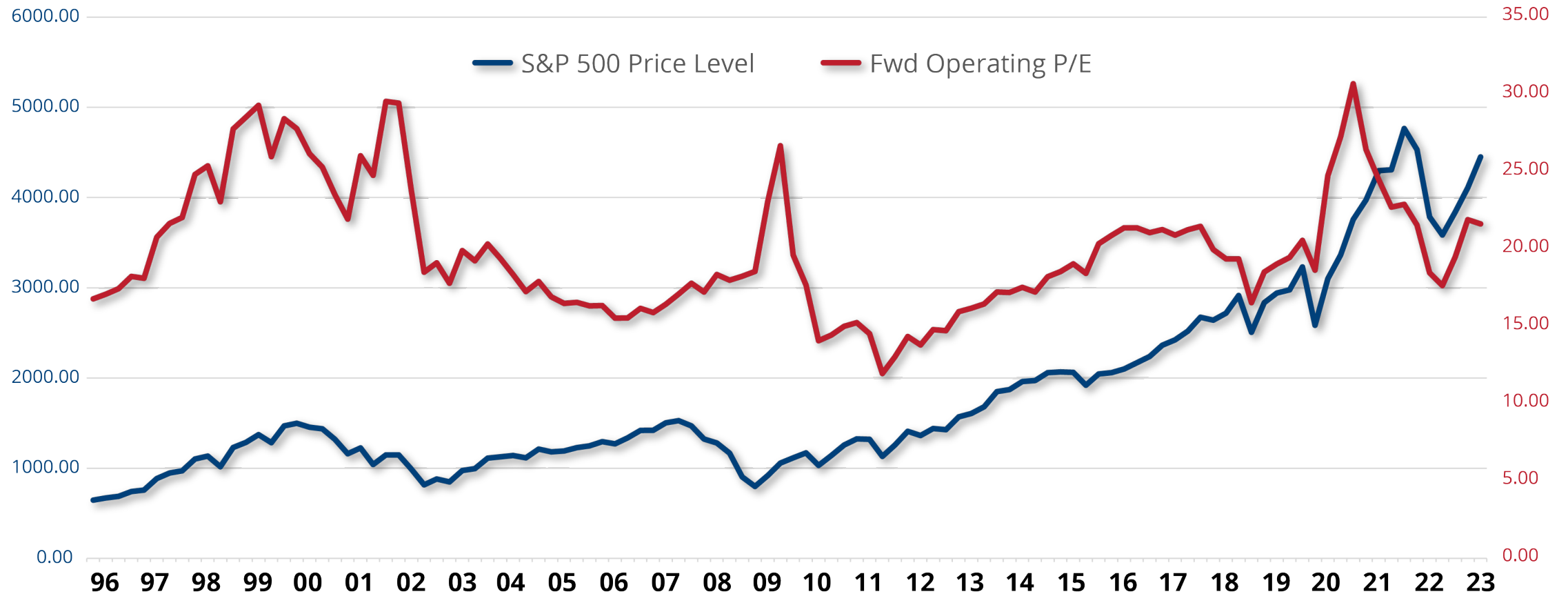
- Forward P/Es near long-term averages
- Mid/Small cheaper than large; International cheaper than US
- Downward earnings estimate revisions have slowed/ended
- Why does this matter?
We believe stocks still have appreciation potential



Stock Valuations inline with LT Averages

S&P 500 Price Level vs Fwd Operating P/E

3/31/1996 to 6/30/2023



Source: S&P Dow Jones Indices; Clark Capital

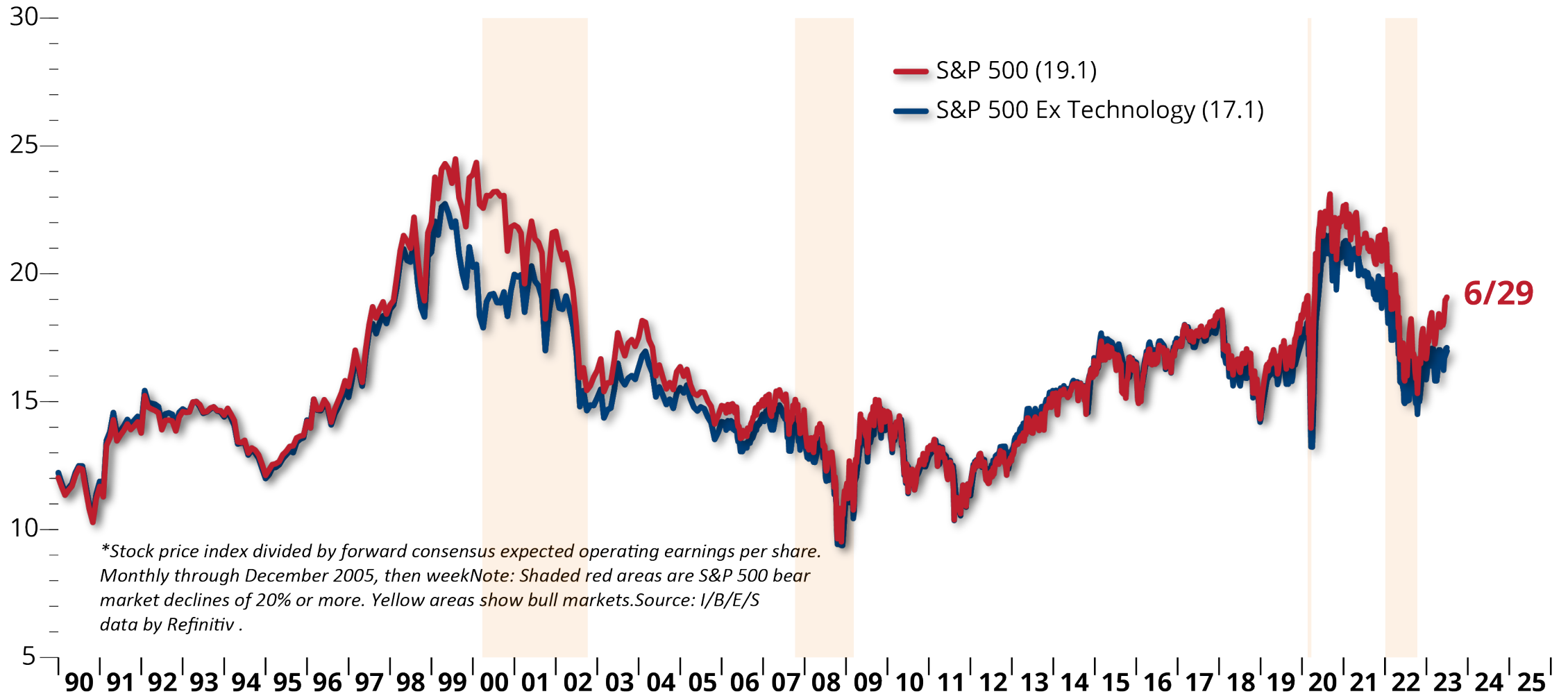
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Tech Pushing Market Multiple Higher

Forward P/E Ratios for S&P 500*

1/1/1990 to 6/29/2023



www.yardeni.com

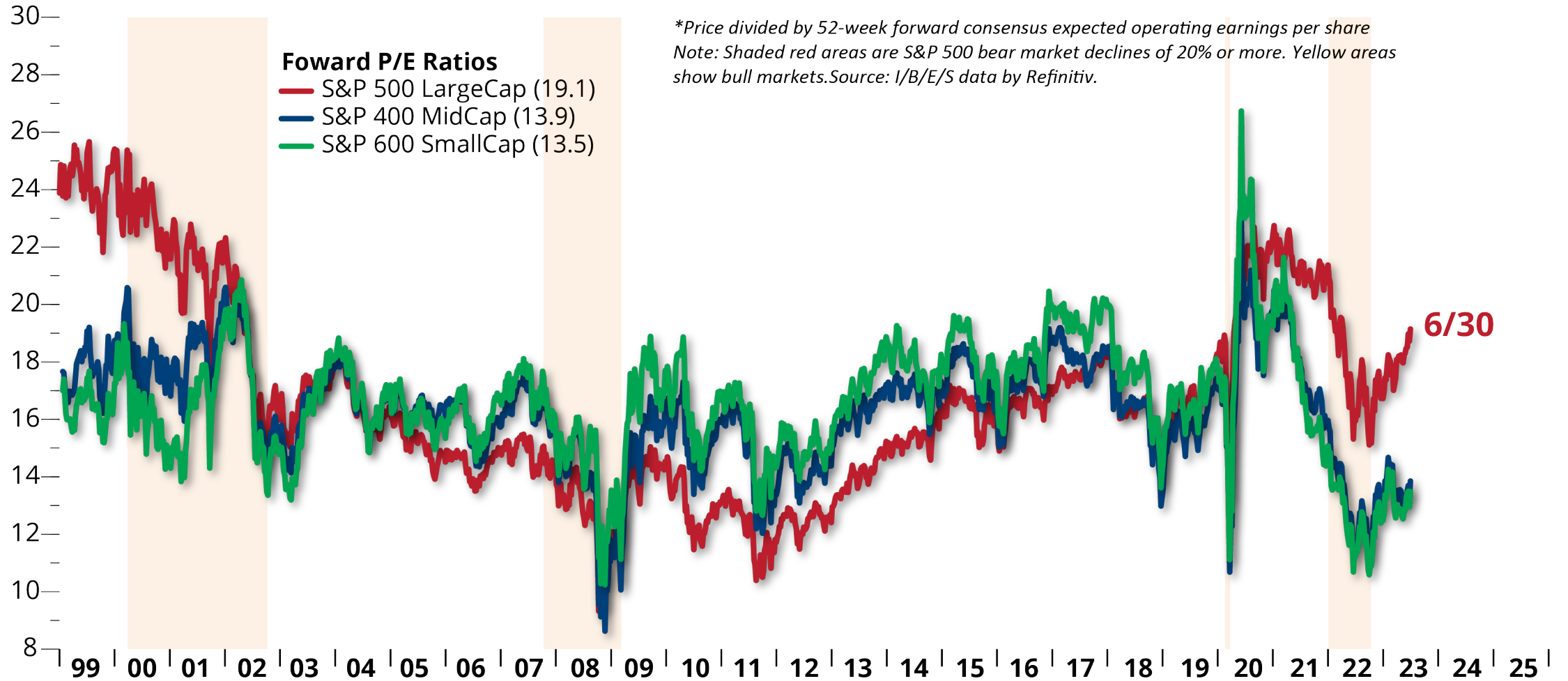
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Mid & Small Look Cheaper

Forward P/E Ratios for S&P 500 Indexes (Weekly)*

1/1/1999 to 6/30/2023



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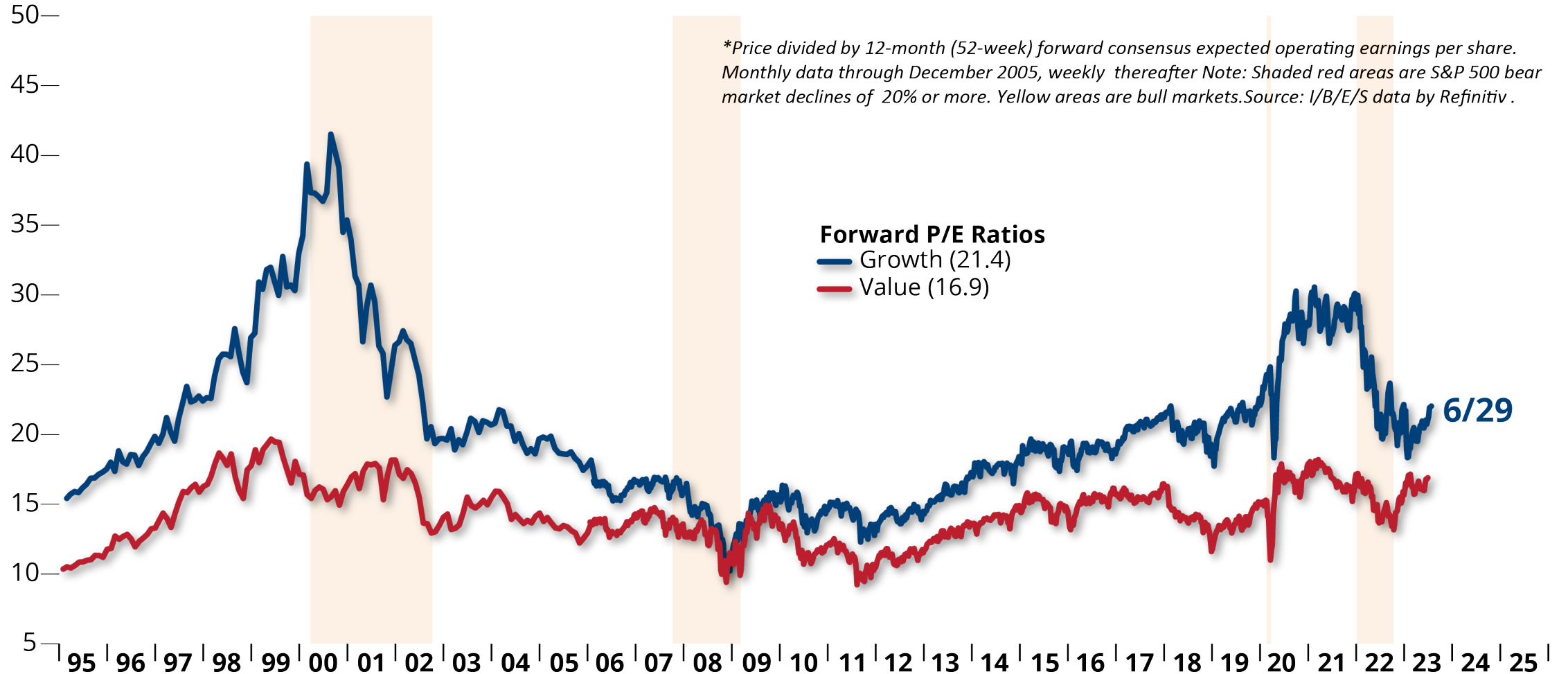
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Growth/Value Has Tightened

S&P 500 Forward P/E Ratios for Growth & Value (weekly)*

1/1/1995 to 6/29/2023



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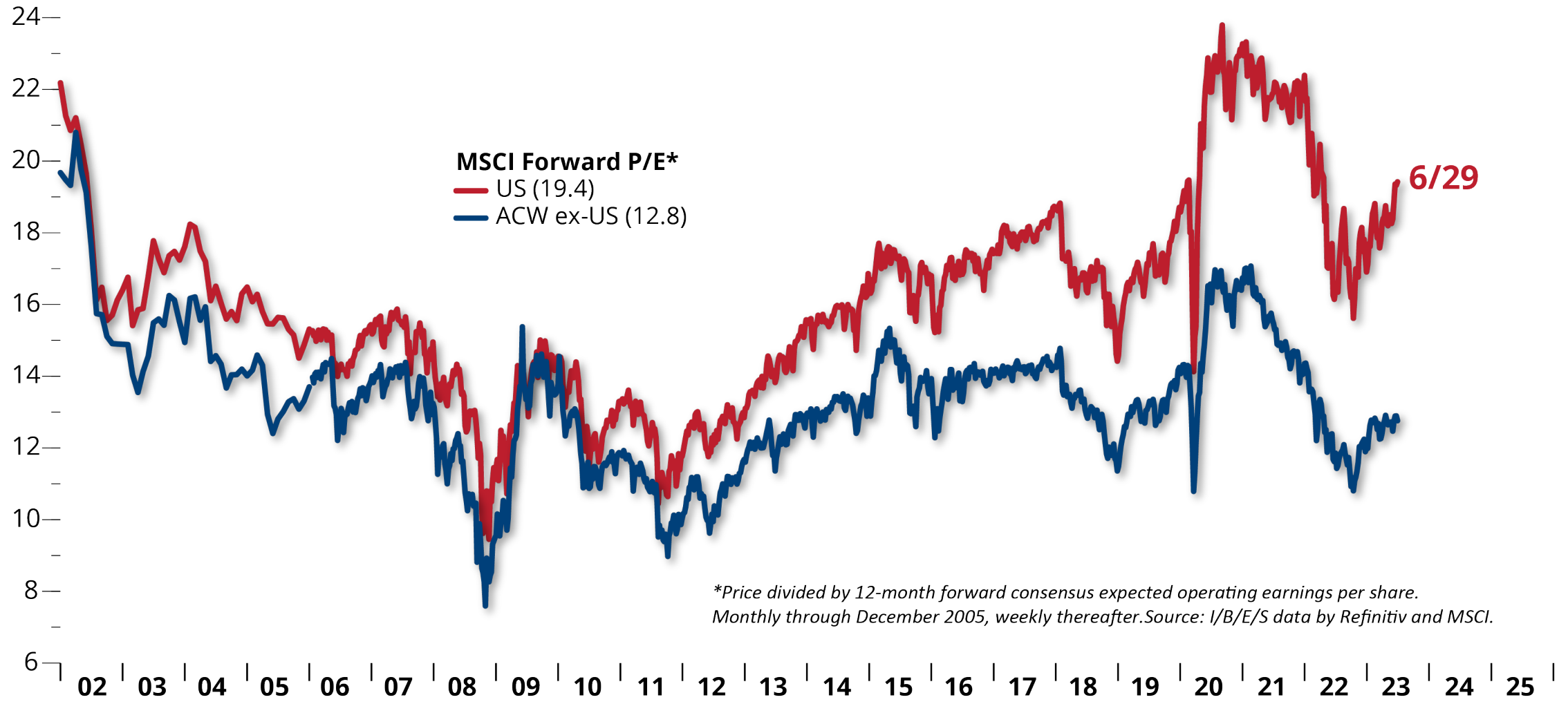
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International Cheaper Than US

Forward P/E: US vs All Country World Ex-US MSCI (weekly)*

1/1/2002 to 6/29/2023



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Why Did We Move the Investor Sentiment Gauge backwards 2 Notches into Negative Territory?



Investor Sentiment

- Investors have become bullish! That's not good!
- Very sensitive gauge — can change quickly
- Low volatility showing complacency
- Why does this matter?

Bottoms are formed when fear levels are high

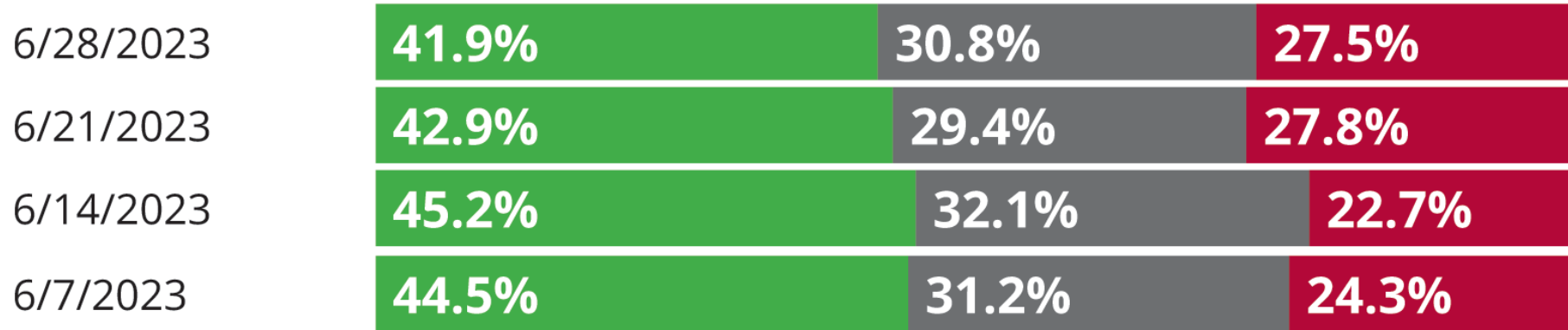


Bullishness Suggests a Headwind for the Market

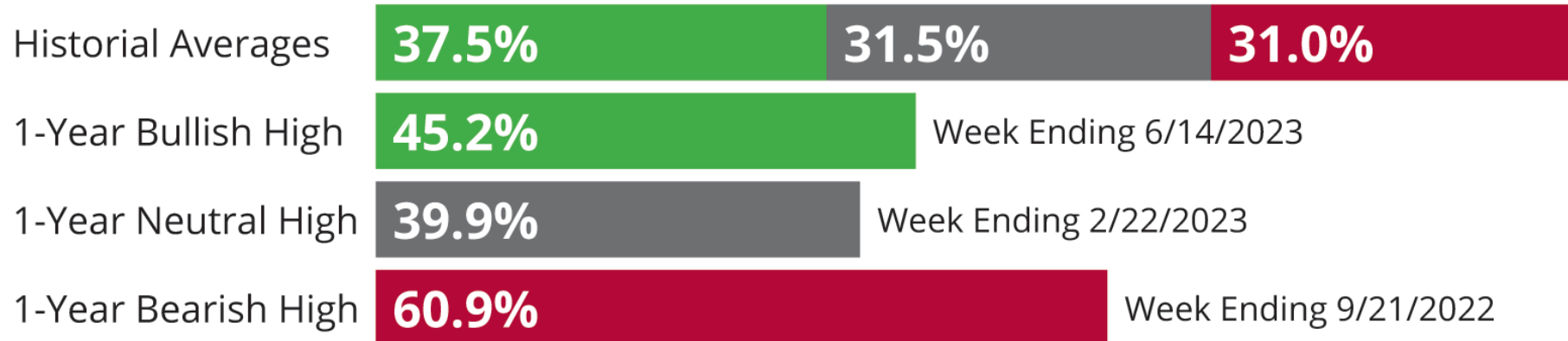
Sentiment Votes

Week Ending

■ Bullish ■ Neutral ■ Bearish



Historial View



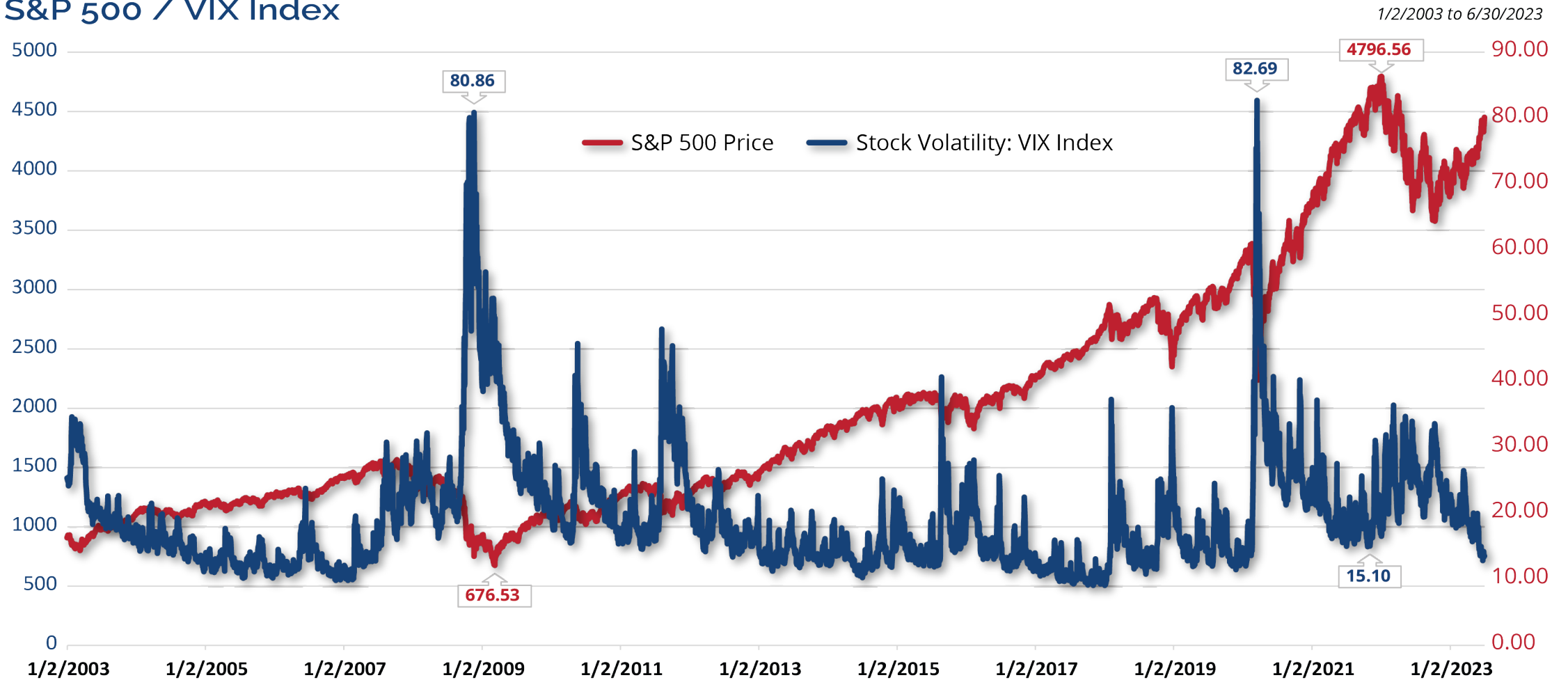
Source: American Association of Individual Investors

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Stock Volatility Declining

S&P 500 / VIX Index



Source: Bloomberg; S&P 500; Clark Capital

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Volatility Lower and Mostly Better

	Days down 1% or More	Days up 1% or More	Total Days Greater than 1% Change
Q2 2023	3	9	12
2023	16	25	41
2022	63	58	121
2021	21	34	55
2020	45	64	109

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Why Did We Keep the Interest Rate Gauge in Slow Negative?

- Yield curve remains inverted
- As expected, long-term rates have been declining
- Why does this matter?

Higher rates and flat/inverted yield curve have historically been a headwind for stocks



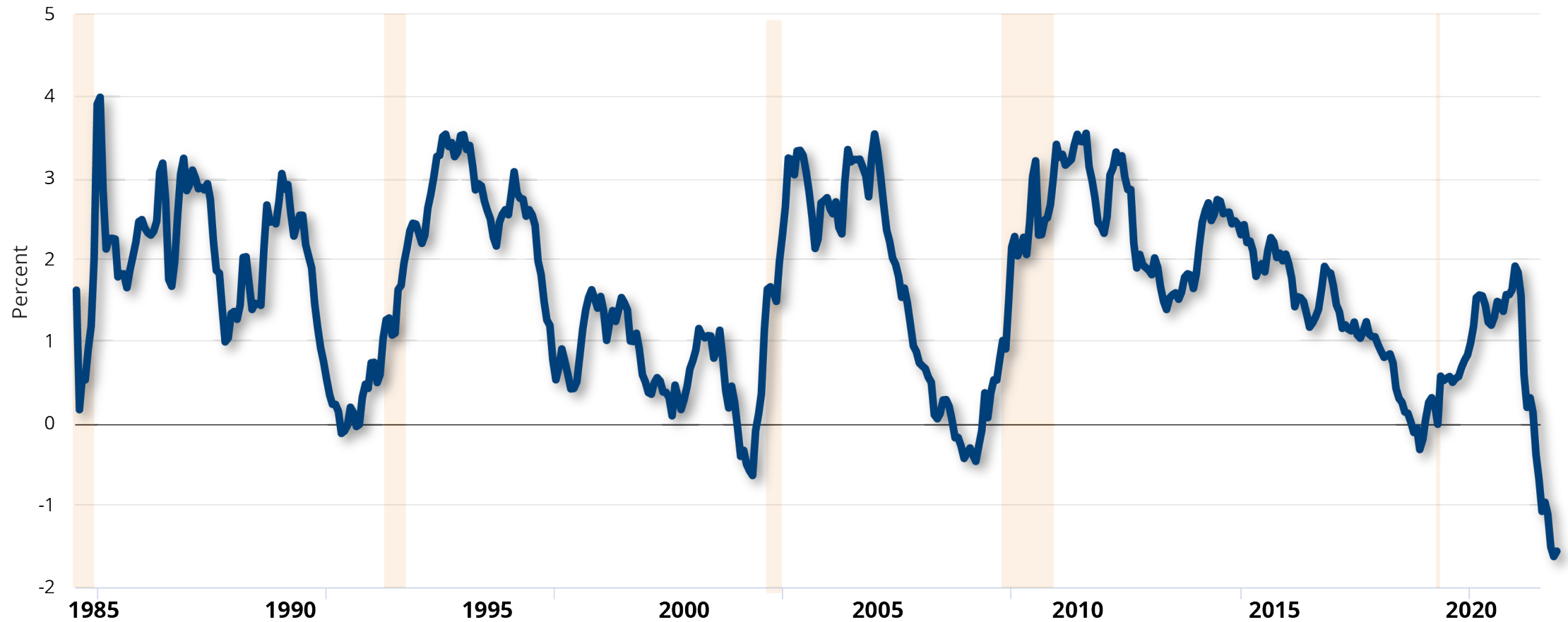
Interest Rates



Inverted Yield Curve is a Concern

10-Year Treasury Constant Maturity Minus 3-Month Treasury Constant Maturity

1/1/1984 to 6/30/2023



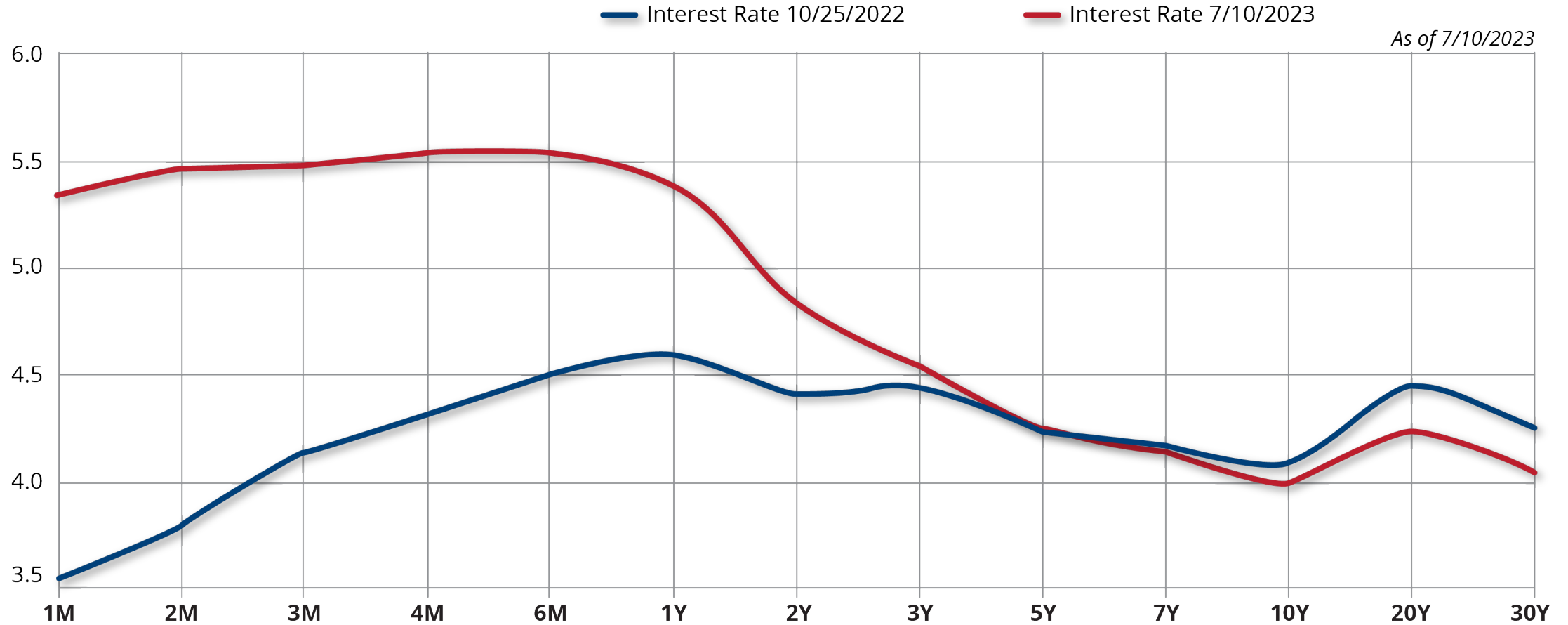
Source: Federal Reserve Bank of St. Louis

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Long-Term Rates Typically Peak After Fed Funds Spike – History is Rhyming

U.S. Treasuries Yield Curve



Source: UStreasurysyieldcurve.com

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Q&A



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Investing involves risk, including loss of principal.

Equity securities are subject to price fluctuation and possible loss of principal. Stock markets tend to move in cycles, with periods of rising prices and periods of falling prices. Certain investment strategies tend to increase the total risk of an investment (relative to the broader market). Strategies that concentrate their investments in limited sectors are more vulnerable to

adverse market, economic, regulatory, political, or other developments affecting those sectors.

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), extension (principal repayments may not occur as quickly as anticipated, causing the expected maturity of a security to increase), and inflation risk (rising prices will lower the purchasing power of the investment at maturity).

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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.

References to market or composite indices, benchmarks or other measures of relative market performance over a specified period of time (each, an "index") are provided for your information only. Reference to an index does not imply that the portfolio will achieve returns, volatility or other results similar to that index. The composition of the index may not reflect the manner in which a portfolio is constructed in relation to expected or achieved returns, portfolio guidelines, restrictions, sectors, correlations, concentrations, volatility or tracking error targets, all of which are subject to change. Investors cannot invest directly in an index.

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.

The Composite Index of Leading Indicators, otherwise known as the Leading Economic Index (LEI), is an index published monthly by The Conference Board. It is used to predict the direction of global economic movements in future months. It is used to predict the direction of global economic movements in future months. The index is composed of 10 economic components whose changes tend to precede changes in the overall economy.

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.

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.

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 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. GDPNow is a forecasting model that provides a "nowcast" of the official GDP estimate prior to its release by estimating GDP growth using a

methodology similar to the one used by the U.S. Bureau of Economic Analysis.

VIX of VIX (or VVIX) is a measure of the volatility of the Chicago Board Options Exchange (CBOE) Volatility Index (VIX). The CBOE's VIX measures the short-term volatility of the S&P 500 indexes, and the VVIX measures the volatility of the price of the VIX. In other words, VVIX is a measure of the volatility of the S&P 500 index and alludes to how quickly market sentiment changes.

The Producer Price Index (PPI) program measures the average change over time in the selling prices received by domestic producers for their output. The prices included in the PPI are from the first commercial transaction for many products and some services.

The nonfarm payroll measures the number of workers in the U.S. except those in farming, private households, proprietors, non-profit employees, and active military.

The price-to-earnings ratio is the ratio for valuing a company that measures its current share price relative to its earnings per share (EPS).

The S&P SmallCap 600 measures the small cap segment of the U.S. equity market. The index is designed to be an investable portfolio of companies that meet specific inclusion criteria to ensure that they are liquid and financially viable.

The benchmark is the S&P MidCap 400 Index. The S&P MidCap 400 provides investors with a benchmark for mid-sized companies. The index covers over 7% of the U.S. equity market, and seeks to remain an accurate measure of mid-sized companies, reflecting the risk and return characteristics of the broader mid-cap universe on an on-going basis.

The MSCI USA Index is designed to measure the performance of the large and mid cap segments of the US market. With 638 constituents, the index covers approximately 85% of the free float-adjusted market capitalization in the US.

The Core Consumer Price Index (CPI) measures the changes in the price of goods and services, excluding food and energy.

The S&P 500[®] Ex-Information Technology is designed to measure the broad U.S. market, excluding members of the GICS[®] Information Technology sector.

The 3 month Treasury yield is the effective annual interest rate paid by the U.S. government to a bondholder with a maturity of 3 months.

