ClarkCapital MANAGEMENT GROUP

Portfolio Commentary

Navigator® High Dividend Equity

Portfolio Manager

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Co-Head of Equity

Top Contributors as of September 30, 2023

Company Name	Avg. Weight (%)	Contribution to Return (%)
Valero Energy Corporation	1.64	0.29
Exxon Mobil Corporation	2.86	0.28
Eli Lilly and Company	1.79	0.22

Top Detractors as of September 30, 2023

Company Name	Avg. Weight (%)	Contribution to Return (%)
NextEra Energy, Inc.	1.70	-0.40
Omnicom Group Inc	1.68	-0.39
American Express Company	1.84	-0.27

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.

The Rate Relief Rally Ends

Market Review

After a strong first half of the year, the impact of quantitative tightening and record high bond yields contributed to negative returns for all market caps and style categories. Yield competition from fixed income continues to pressure dividend payers, specifically in the highest yield category.

For the first time since 2007, the headwind of higher oil prices, tighter monetary policy, and stricter lending conditions has not led to leadership in defensive sectors like Utilities. Despite a more than one standard deviation discount to historical valuations versus the market, Utilities still look expensive versus risk free yields. ROEs are falling in the face of higher cost of capital in the debt laden sector. In 2024, higher interest expenses on maturing debt may start to impact corporate profits across broader market sectors in a more material way.

In the meantime, investors remain focused on large-cap, profitable companies with strong free cash flow, and continue to avoid higher beta and small-cap companies. While inflation remains elevated, we believe dividend growers that are increasing their dividend faster than the rate of inflation are an attractive, undervalued category. According to Bloomberg, companies in the U.S. may increase dividends 5% in 2023 and 5.8% in 2024. The High Dividend Equity five-year estimated dividend growth is 7.5%.

Third Quarter Portfolio Highlights

- Navigator® High Dividend Equity portfolio holds approximately 98.7% in developed countries with the remainder in cash. The United States is the largest country weight at 89.2%, followed by Britain at 3.4%, and Ireland at 2.8%. The portfolio consists of 90.5% large-cap holdings, 7.3% in mid-cap, 0.9% in small-cap, and the remainder is in cash.
- Financials are the largest sector weight at 20.3% and are below the benchmark at 20.6%. The next three largest portfolio weights are Healthcare, Industrials, and Information Technology at 16.3%, 12.8%, and 11.0%, respectively.
- Healthcare, Industrials, and Consumer Staples contributed to relative performance in contrast to Communication Services, Financials, and Energy, which underperformed.
- The top three contributors to absolute portfolio return in the month were Valero Energy Corp., Exxon Mobil Corp., and Eli Lilly & Co. The top three detractors were NextEra Energy Inc., Omnicom Group Inc., and American Express Co.

Positioning and Outlook

Despite the current headwinds, we expect stronger earnings growth in most sectors into year end driven primarily by improving margins, lower inflation, and cost controls.

Past performance is not indicative of future results.
This is not a recommendation to buy or sell a particular security. Please see attached disclosures.

To benefit from improving business fundamentals, additions to the portfolio included home retailer Williams-Sonoma Inc. Longer term, the company expects mid-to-high single digit net annual revenue growth and has a five-year dividend growth rate of 15%. We also added Caterpillar, Inc., which is a beneficiary of high demand for construction machinery and heavy transport equipment as infrastructure projects continue to rise in the U.S. Lastly, we added AT&T due to slowly improving business momentum for the telecom carrier, a stable promotional environment, and better broadband and wireless trends. To offset capital gains for the year, tax losses included Nexstar Media Group Inc., Target Corp., and RTX Corp.

Market volatility has produced a flat return in the S&P 500 Index over the last two years, which we believe emphasizes the importance of investing in companies demonstrating strong business momentum, free cash flow, and rising dividends. We believe the trend towards growth will prevail over value due to better fundamentals and higher earnings growth expectations.

Sources: Ned Davis, Bloomberg