Clark Capital Management Group

Portfolio Commentary

Navigator® High Dividend Equity

Portfolio Manager

Maira Thompson
Co-Head of Equity

Top Contributors as of December 31, 2023

Company Name	Avg. Weight (%)	Contribution to Return (%)
PulteGroup, Inc.	2.55	0.97
JPMorgan Chase & Co.	3.21	0.55
Broadcom Inc.	1.63	0.53

Top Detractors as of December 31, 2023

Company Name	Avg. Weight (%)	Contribution to Return (%)
Exxon Mobil Corporation	2.97	-0.53
Chevron Corporation	1.84	-0.28
Valero Energy Corporation	1.81	-0.20

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.

Broad Rally a Good Sign for Dividend Stocks

Market Review

After the October 27th low, the three major indices closed the year with a nine-week winning streak, igniting a leadership rotation from large-cap growth into value, small and mid-cap stocks. The majority of the Russell 1000 Value Index return for 2023 was in the fourth quarter, rising +9.5% versus the S&P 500 Index +11.6%. U.S. Treasuries rallied amid expectations for inflation to track below consensus leading to potential rate cuts in 2024.

After a rate hike cycle, leadership tends to turn defensive shifting into Staples, Healthcare, REITs, and Utilities, which have a concentration of undervalued dividend growers. The fourth quarter rally was a classic response to improving financial conditions with eight sectors turning positive versus one sector last year. Over the next twelve months, we believe positive momentum factors for the market may include continued P/E expansion in undervalued sectors, bottoming Purchasing Managers' Index (PMIs), which can lead to improved earnings growth, and increased long-term productivity via artificial intelligence. We also believe that undervalued dividend growers stand to benefit from the cyclical earnings recovery and the positive correlation to variables like West Texas Intermediate (WTI) oil, the U.S. 10-year Treasury, and lower inflation, which have turned positive into year end.

Fourth Quarter Portfolio Highlights

- The Navigator® High Dividend Equity strategy is positioned with approximately 98.7% in developed countries with the remainder in cash.
- The United States is the largest country weight at 90.3%, followed by Britain at 3.1%, and Ireland at 2.6%. The portfolio consists of 91.1% large-cap, 7.6% mid-cap, and the remainder in cash. Financials represent the largest sector exposure at 22.1% versus the benchmark at 21.8%.
- The next three largest portfolio weights are Industrials, Healthcare, and Information Technology at 14.4%, 13.1%, and 10.9%, respectively. The lowest sector exposure remains in Consumer Staples, Utilities, and Basic Materials totaling 12.0% of the combined portfolio.
- For the year and the quarter, performance was attributed to bottom-up stock selection versus allocation effect. In the fourth quarter, our overweight positions in Consumer Discretionary and Information Technology along with an equal-weight position in Financials were positive for relative performance. Our exposures to Communication Services, Industrials, and Energy were a negative. The top three individual contributors to absolute portfolio return were PulteGroup Inc., Broadcom Inc., and JP Morgan Chase & Co. The top three detractors were Exxon Mobil Corp., Chevron Corp., and Valero Energy Group.

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

Positioning and Outlook

Sector positioning remained mostly unchanged with a slight increase in Financials and Industrials. Sale transactions included a tax loss sale of Pfizer Inc., and additional sales of Thermo-Fisher Scientific, Inc., Tractor Supply Co., and Veralto Corp., a spin-off from Danaher Corp., all experiencing declining business momentum.

A more dovish tone from the Federal Reserve allowed for an initial position in Fifth Third Bancorp, a regional bank with emphasis in consumer and small business banking, commercial banking, and wealth management services. Other purchases were Amgen, Inc., a biotech company that engages in the discovery, development, and manufacturing of human therapeutics, Cintas Corp., which is involved in the provision of corporate identity uniforms through rental and sales programs, General Dynamics Corp., a global aerospace and defense company, and Verizon Communications, which engages in the provision of communication, information, and entertainment products.

In 2024, we believe that the sectors expected to have the strongest earnings growth include Healthcare, Technology, and Industrials. We continue to invest in companies that we believe have improving business momentum, strong cash flow, and an above average five-year dividend growth.

Bloomberg, NDR

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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.

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