



Portfolio Commentary

Navigator® MultiStrategy

Portfolio Manager



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Economic Cycles Versus Market Cycles

Market Review

For most of 2023, the narrative was that a handful of mega-cap Tech companies produced gains that masked underlying market weakness. Through late October, this assertion had considerable merit. For most of the year, through October 26th, the S&P 500 was up 9.2%— even at a technical low — driven by the NASDAQ 100's 29.6% gain. Meanwhile, small-caps were down 5.3%.

However, after interest rates peaked and the Fed's intent to pause became clear, market participation expanded, and small-caps soared 22.6% through the end of the year. The market surge was in reality an all-asset surge driven by tumbling interest rates, a decline so tremendous that the 20+ Year Treasury's 17.8% gain actually eclipsed the S&P 500 itself, which rose 15.7%.

2023 displayed one of the largest differences that we have seen between the economic cycle and the market's opportunity cycle. The economic cycle is defined by the Fed's actions (and the market's perception of those actions) of balancing restrictive and easing credit conditions with sustained economic growth.

During 2023, the market narrative was that we were "late" in the economic cycle after the Fed raised rates over 500 basis points in 14 months; by this logic, after such a large series of hikes a recession usually follows. Many investors became too cautious and defensive, inverting the yield curve, which led to persistent large equity outflows. When the economy instead delivered solid growth, we had too many bears much too soon, which forced the bears to reverse and buy back in.

Thus, the most anticipated recession ever became the most delayed recession ever. In contrast, market volatility in 2022 and 2023 presented unique opportunities that investors pounced on. When the NASDAQ 100 ended 2022 down 32.6%, we believe it presented the opportunity to buy high quality, innovative Technology companies at 22.5 times forward earnings, which is not too far from the March 2020 COVID low of 19. As we will discuss below, the October equity lows presented a similar situation, but for small-caps.

Fourth Quarter Portfolio Highlights

- For all of 2023, large-cap growth was the strongest equity style, gaining 30.0%, and the biggest gains were much more concentrated, with the NASDAQ 100 surging 55.0%. Small-cap value was up 14.7% on the year, while small-cap growth gained 17.1%. All of small-cap's 2023 gains were achieved during the fourth quarter, as small-cap value was the strongest equity style, surging 15.8%, while small-cap growth increased 14.4%. By comparison, the S&P 500 gained 11.7% for the quarter.
- For much of 2023, our rankings and holdings focused on the narrow areas within large-cap growth that were leadership, particularly in the NASDAQ 100 and Russell Top 200 Growth. As the fourth quarter rally developed legs, our rankings shifted to favoring mid-cap and small-cap value and the portfolio saw substantial change. We now devote 40% to mid-caps and small-caps, with a value tilt. While large-cap growth has slipped in our rankings, its relative strength has only flattened, and as a result, we continue to allocate 25% there. However, the portfolio now allots 50% to value stocks between large-cap, mid-cap, and small-cap value.

Past performance is not indicative of future results.

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



- 2023 was unique in the narrow focus and participation of the market's true winners. Quality gained 30.1% and was the only factor to outperform the S&P 500. Buybacks (+17.2%), minimum volatility (+10.3%) and high dividend (up only 1.7%) all trailed the S&P 500's gain of 26.3%. The NASDAQ 100 and its growth and Technology focus outshone all other ETFs in our universe with a 55.0% gain. We found the fourth quarter's expansion of market breadth quite encouraging.

Positioning and Outlook

MultiStrategy devotes two-thirds of its fixed income exposure to tactical high yield and one-third toward tactical investment grade. Within high yield credit, the portfolio moved into defensive cash in early October amidst surging interest rates, but after interest rates peaked in October and the Fed hinted at pausing in early November, rates plummeted, and credit markets sprung alive.

Our models quickly responded, and by November 6th, we moved out of cash and into a risk-on stance in high yield. Both high yield and Treasuries staged large rallies to end the year, but underlying credit spreads have narrowed, indicating strong credit conditions that had our credit-driven models making new highs in late December.

The Bloomberg High Yield Corporate Bond Index yields 7.6% as of December 31st, and while spreads are historically somewhat tight, they can continue lower and 7.6% is a sizeable yield within a healthy credit backdrop. When interest rates turned in late October and the risk environment turned in early November, our models also turned us positive on investment grade on November 6th. Since then, investment grade bonds have staged an even larger rally than high yield, driven by a fall in interest rates that pushed longer duration bonds substantially higher. Investment grade spreads have narrowed even further than high yield; as a result, while the credit background remains robust and we remain positive, we believe the next big opportunity within the space will be to play defense.

Looking forward to 2024, we should be mindful that only two months ago, small-cap stocks had reached a major low that concluded a 22 month bear market. Between the end of 2021 and October 26th, the S&P Small Cap Index had fallen 20.7% — all without a recession in sight. For some perspective, in late October the S&P 600 Small Cap Index was at a forward P/E of 12.4, which is not too far from the March 2009 lows of 11.6. The Russell 2000 also made a new 10-year relative strength low in late October; thus, we believe that small-caps, from a valuation and relative perspective, are at the earlier stages of an opportunity cycle instead of near a top. We believe that valuations remain compelling for small-caps and value stocks as well. Banks (a major part of value indexes) made a relative strength low during the March regional banking failures and have since had a strong run.

Even after the late year rally, large portions of the market like small-caps, Financials, and defensive stocks have underperformed and offer potential opportunity. When these areas, along with traditional Technology and growth stocks, also become overvalued, we will become much more concerned. While investors panicked and had priced in small-caps and Financials for a recession back in October, bond investors are likely too optimistic in pricing six rate cuts into 2024. Thus, we believe that either solid economic data or even the fear of inflation are most likely to be the drivers of corrective activity next year.

Finally, we would be remiss not to mention turbulence around the 2024 presidential election (and other global elections) as a potential market risk. The past few elections have seen major selloffs into the election itself, followed by a sharp rally. We will be watchful for such a repetition, but as always, we are driven by our quantitative models that seek to follow trend leadership and avoid weakness.

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

Company Name	Average Weight (%)	Contribution to Return (%)
Navigator Tactical Investment Grade Bond Fund - Class I	24.50	2.20
Navigator Tactical Fixed Income Fund Class I	48.24	2.08
iShares Core S&P 500 ETF	6.98	1.10

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

Company Name	Average Weight (%)	Contribution to Return (%)
Invesco Buyback Achievers ETF	2.19	-0.14
iShares MSCI USA Min Vol Factor ETF	0.08	-0.03
Invesco NASDAQ 100 ETF	3.29	-0.00

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 December 31, 2023

Company Name	Average Weight (%)	Contribution to Return (%)
iShares Core S&P 500 ETF	14.59	2.34
Navigator Tactical Investment Grade Bond Fund - Class I	16.34	1.47
Navigator Tactical Fixed Income Fund Class I	31.22	1.33

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

Company Name	Average Weight (%)	Contribution to Return (%)
Invesco Buyback Achievers ETF	4.31	-0.34
iShares MSCI USA Min Vol Factor ETF	0.15	-0.07
Invesco NASDAQ 100 ETF	6.58	-0.02

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 December 31, 2023

Company Name	Average Weight (%)	Contribution to Return (%)
iShares Core S&P 500 ETF	21.32	3.41
iShares MSCI USA Quality Factor ETF	8.08	2.06
iShares Russell Top 200 Growth ETF	11.68	1.50

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

Company Name	Average Weight (%)	Contribution to Return (%)
Invesco Buyback Achievers ETF	6.54	-0.50
Invesco NASDAQ 100 ETF	9.90	-0.13
iShares MSCI USA Min Vol Factor ETF	0.23	-0.10

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.

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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 S&P SmallCap 600 Index is a stock market index established by S&P Global Ratings. It covers roughly the small-cap range of American stocks, using a capitalization-weighted index.

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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 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 2000 index is a market index comprised of 2,000 small-cap companies.

The Bloomberg US Treasury Index measures US dollar-denominated, fixed-rate, nominal debt issued by the US Treasury.

The Invesco BuyBack Achievers™ ETF (Fund) is based on the Nasdaq US Buy-Back Achievers™ Index (Index). The Fund will normally invest at least 90% of its total assets in common stocks that comprise the Index.

The iShares Core S&P 500 ETF index measures the performance of the large-capitalization sector of the U.S. equity market, as determined by SPDJL.

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.

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The securities of mid-cap companies may be subject to more abrupt or erratic market movements and may have lower trading volumes.

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