

Q4 2023 Review & Outlook

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Corrections Are Normal — Frequency of Declines

S&P 500 Declines	Occurrences Per Year	Frequency Average	Probability of Decline Moving to Next Stage	Mean Decline
-5% or more	3.4	Every 14 weeks	32%	-10.9%
-10% or more	1.1	Every Year	45%	-19.5%
-15% or more	0.5	Every 2 years	58%	-28.2%
-20% or more	0.3	Every 3 years	N/A	-35.7%



Perspective...

Domestic Equity		2022	2023	2022-2023
	S&P 500	-18.13%	26.26%	3.37%
	Russell 1000	-19.14%	26.50%	2.29%
	Russell 2000	-20.46%	16.88%	-7.03%
	Russell 3000	-19.22%	25.93%	1.72%
	Russell 1000 Value	-7.56%	11.41%	2.99%
	Russell 1000 Growth	-29.14%	42.67%	1.10%
International Equity				
	MSCI Emerging Market	-20.09%	8.83%	-12.24%
	MSCI All Country World (ex US)	-16.00%	15.62%	-2.89%
Fixed Income				
	BBgBarc U.S. Aggregate Bond	-13.01%	5.53%	-8.20%
	BBgBarc U.S. Treasury	-12.46%	4.05%	-8.91%
	BBgBarc U.S. Corporate	-15.76%	8.52%	-8.59%
	BBgBarc U.S. Corporate High Yield	-11.19%	13.45%	0.75%
	BBgBarc Municipal	-8.53%	6.40%	-2.67%

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



Why Did We Keep the Economic Gauge Neutral?

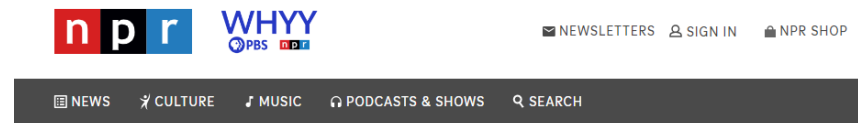


Economy

- Consumer driven economy defies the skeptics
- Still expect economic slowdown
- Inflation on right track
- Earnings continue to rebound
- Why does this matter? GDP helps drive earnings



2023: The most anticipated recession that never happened



ECONOMY

A recession might be coming. Here's what it could look like

JANUARY 24, 2023 · 5:01 AM ET

By Rafael Nam, Greg Rosalsky



'The worst is yet to come': IMF says 2023 will 'feel like a recession'

More than a third of the global economy will contract in 2023, as the three largest economies - the US, the EU, and China—will continue to stall, the International Monetary Fund's analyses of global economic developments says.

By Sarah Taaffe-Maguire, business reporter

Tuesday 11 October 2022 16:31, UK

NEWS > STOCKS

Morgan Stanley's Mike Wilson says US stocks could crash another 20% as the risks of a recession rise

Harry Robertson Jun 21, 2022, 11:20 AM EDT



A trader works on the floor of the New York Stock Exchange Andrew Burton/Getty Images

FORBES > MONEY

Will There Be A Recession In 2023— And How Long Will It Last?

Q.ai - Powering a Personal Wealth Movement Former Contributor Making wealth creation easy, accessible and transparent.

Jan 20, 2023, 08:00am EST

Listen to article 7 minutes



AFP VIA GETTY IMAGES

Business · Analysis

If you thought 2022 was bad, wait until you see what 2023 has in store for the economy

Recession, persistent inflation and rising unemployment all forecast for the new year

Peter Armstrong · CBC News · Posted: Jan 02, 2023 4:00 AM EST | Last Updated: January 2



Traders work on the floor at the New York Stock Exchange in this June 2022 file photo. It's a hard time to look for good news in the 2023 economic outlook. (Seth Wenig/The Associated Press)

MARKETS Published February 6, 2023 11:38am EST

Bank of America 'still forecasting' 2023 recession: Fed action 'not enough,' exec warns

Bank of America Global Research maintains prediction of recession in 2023

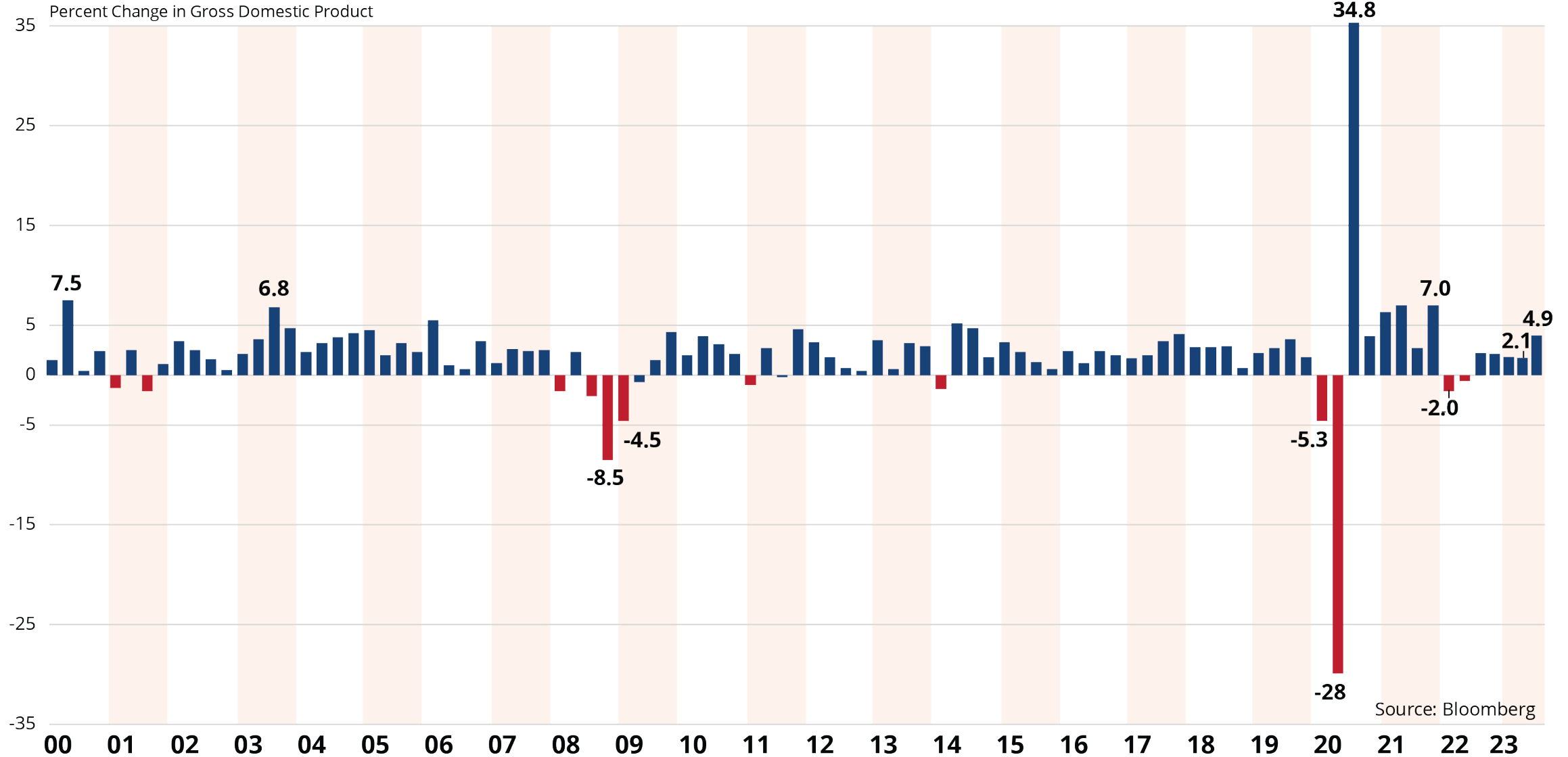


For illustrative purposes. Past performance is not indicative of future results.

Source: NPR, Business Insider, Forbes, CBC News, Sky News, FoxBusiness

United States GDP Annualized Growth

3/31/2000 to 9/30/2023



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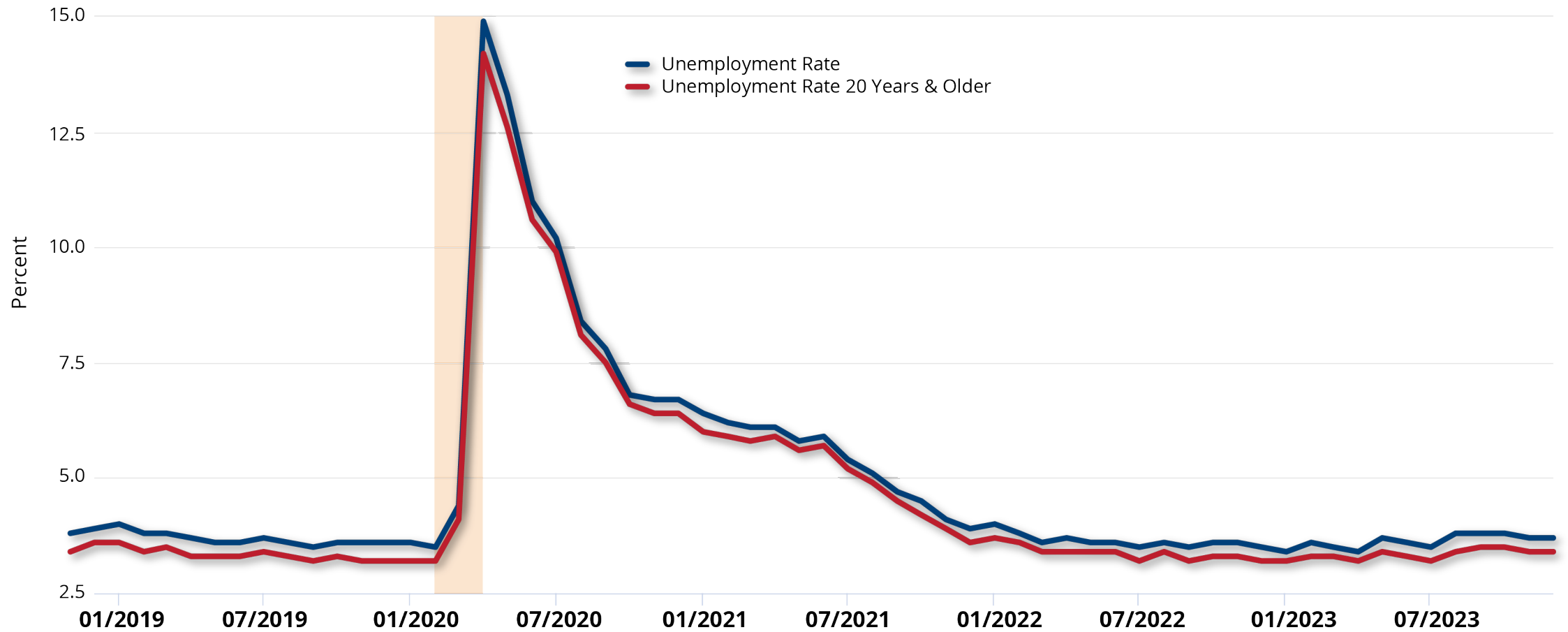
Source: Bloomberg



US Economy is Driven by the Consumer

Unemployment Rate Unemployment Rate 20 Years & Older

12/31/2018 to 12/31/2023



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

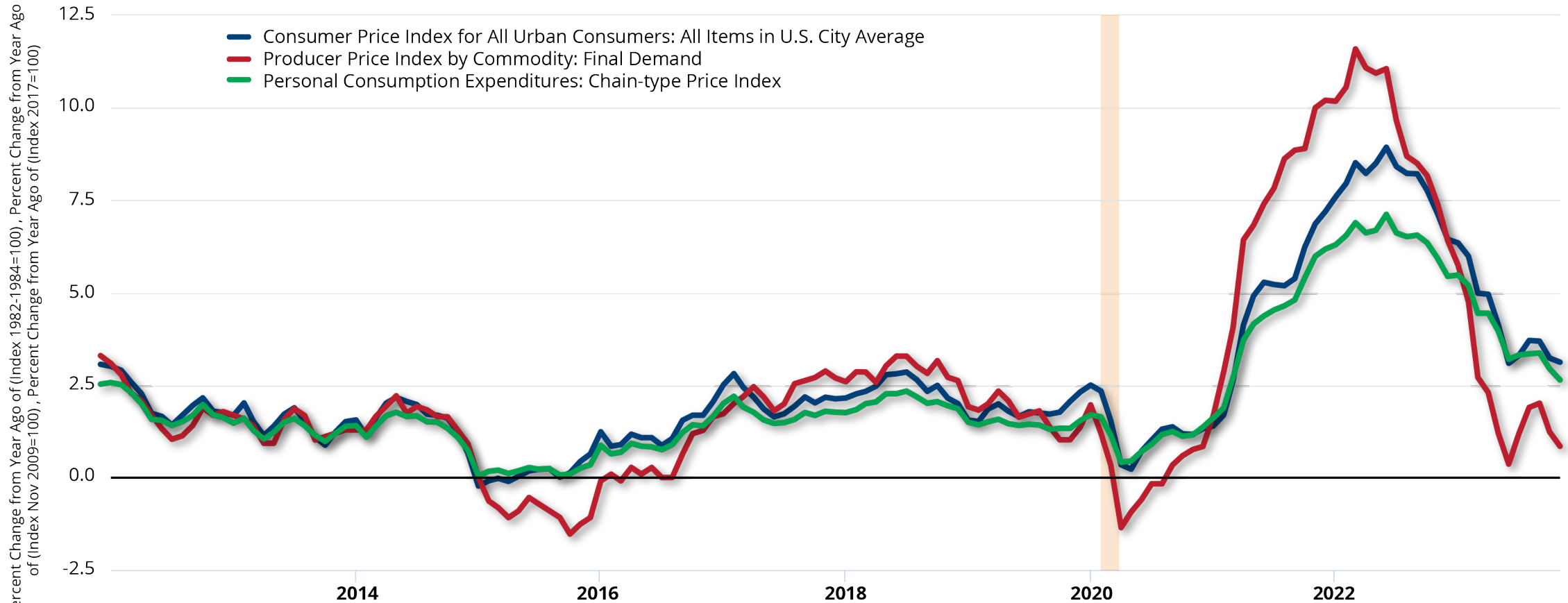


For illustrative purposes only.

Source: fred.stlouisfed.org

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

1/1/2013 to 11/30/2023



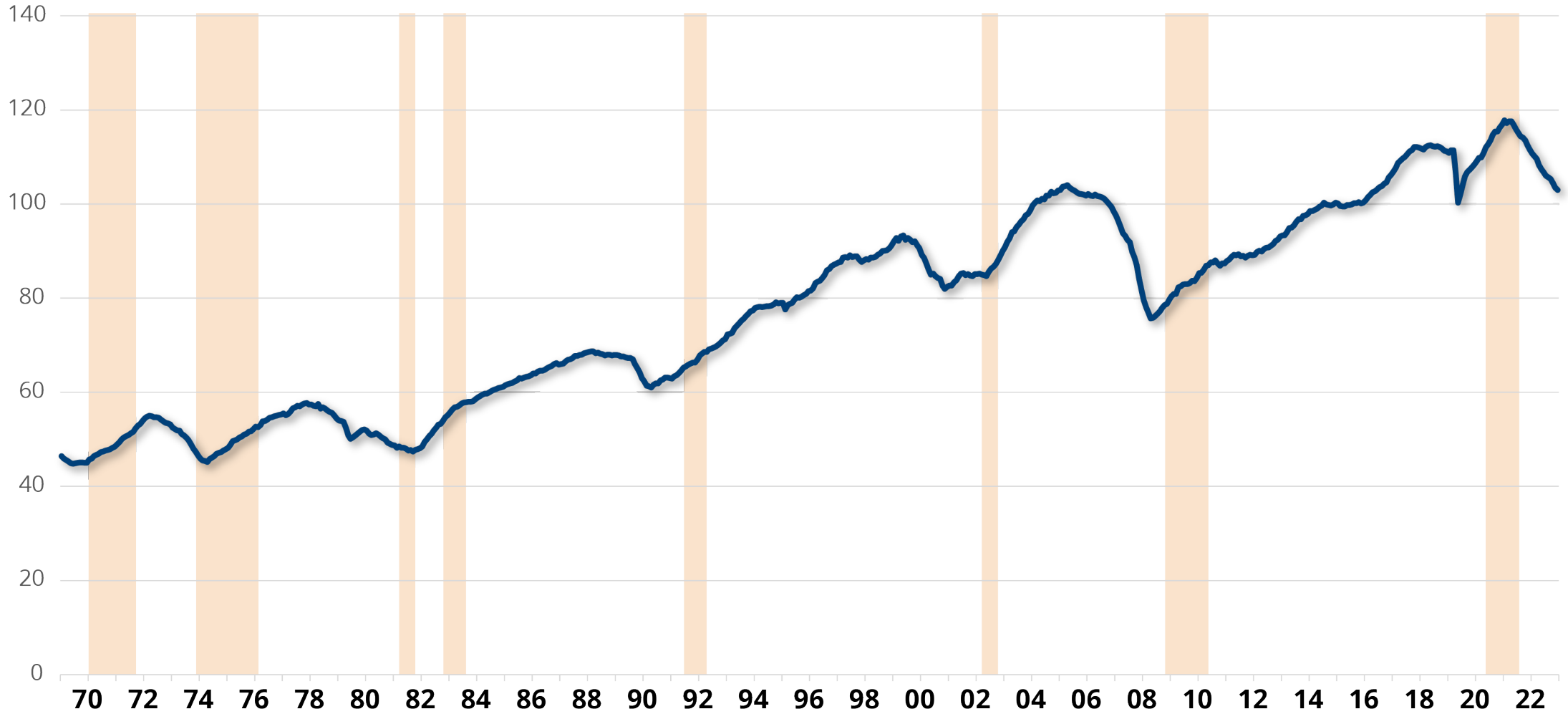
Source: Board of Governors of the Federal Reserve System (US)

For illustrative purposes only. Past performance is not indicative of future results.



Leading Economic Indicators

12/31/1969 to 11/30/2023



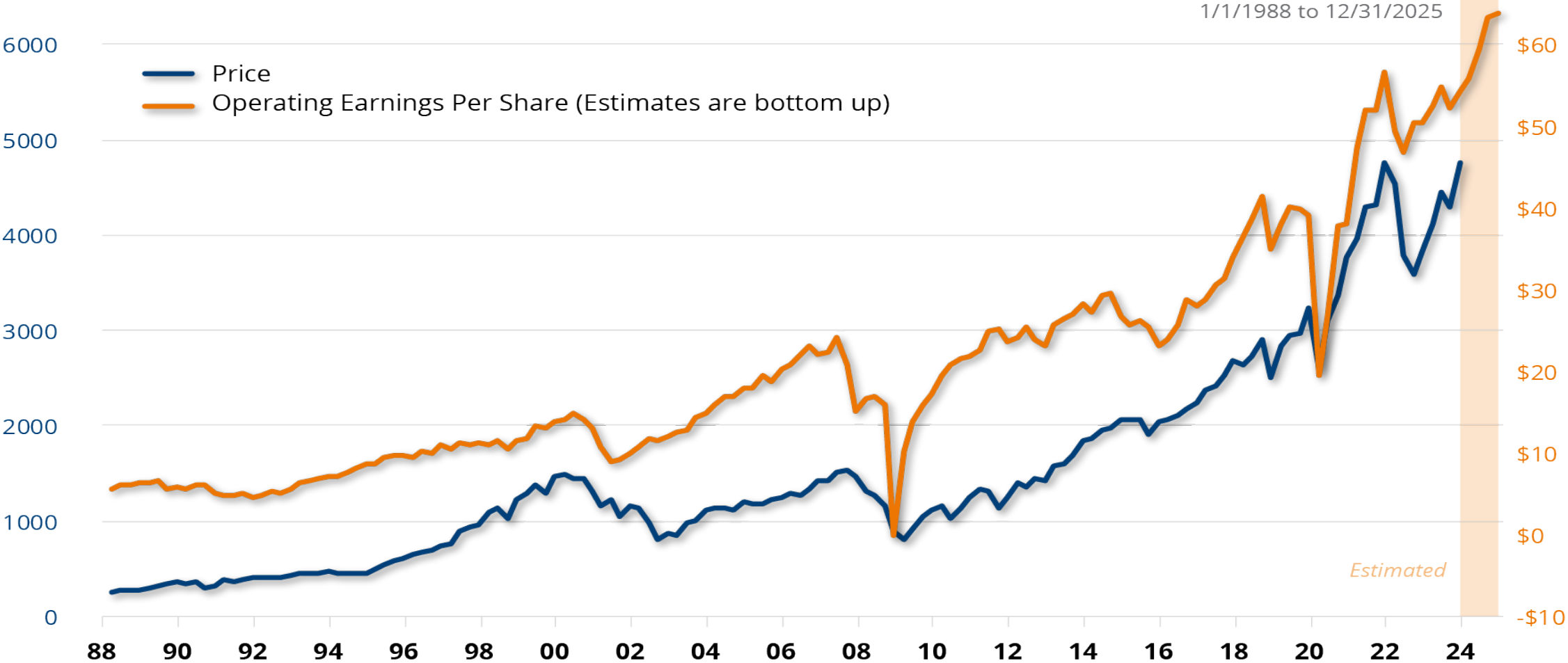
Source: Bloomberg

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Earnings Drive Stock Prices

S&P 500 vs. Operating Earnings



Source: Clark Capital, S&P Global, Bloomberg

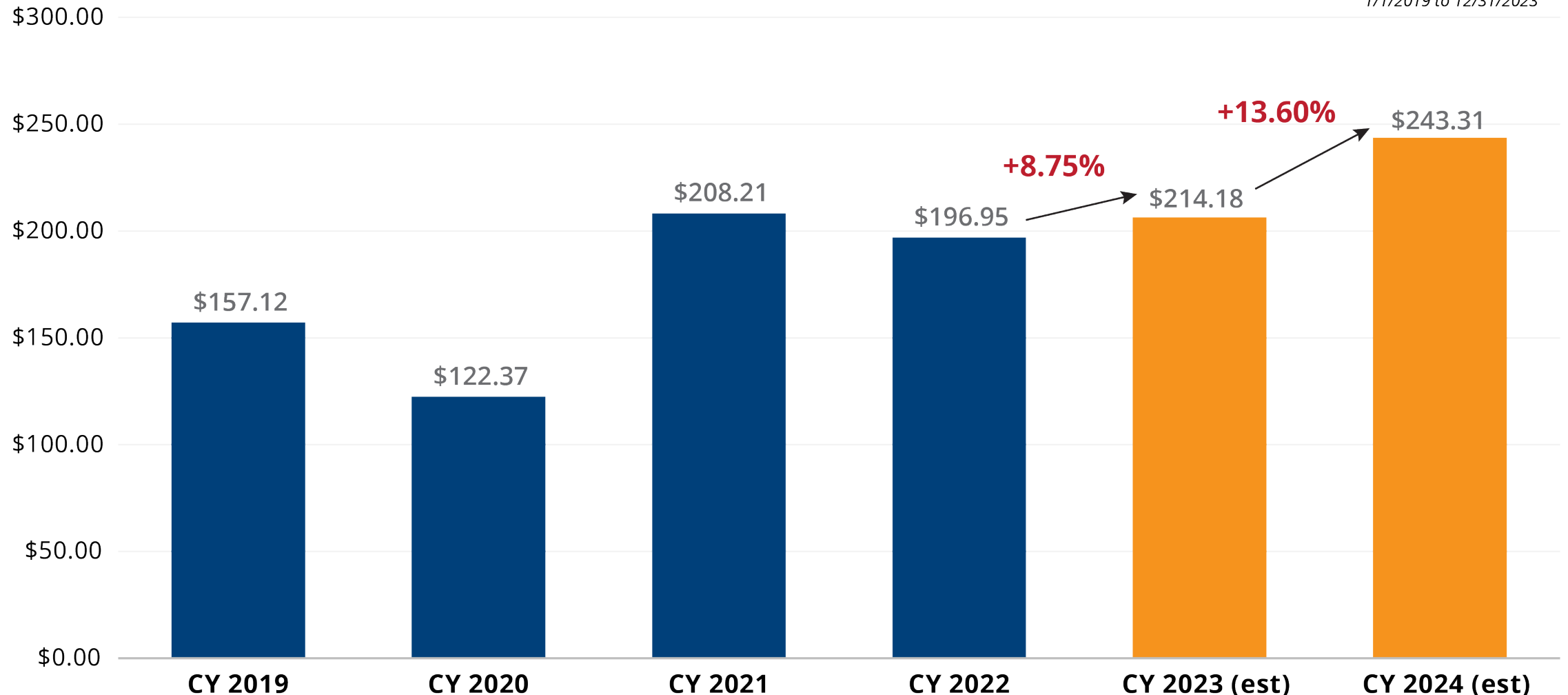
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S&P 500 operating earnings are expected to grow

S&P 500 Calendar Year Operating EPS Actuals & Estimates

1/1/2019 to 12/31/2023



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Source: S&P Global

Why Did We Move the Monetary Gauge Forward to Neutral?

- We believe the last rate hike was on July 26
- When and how many cuts is the question
- Will Quantitative Tightening continue?
- Why does this matter?

Fed tightening is a headwind for stocks



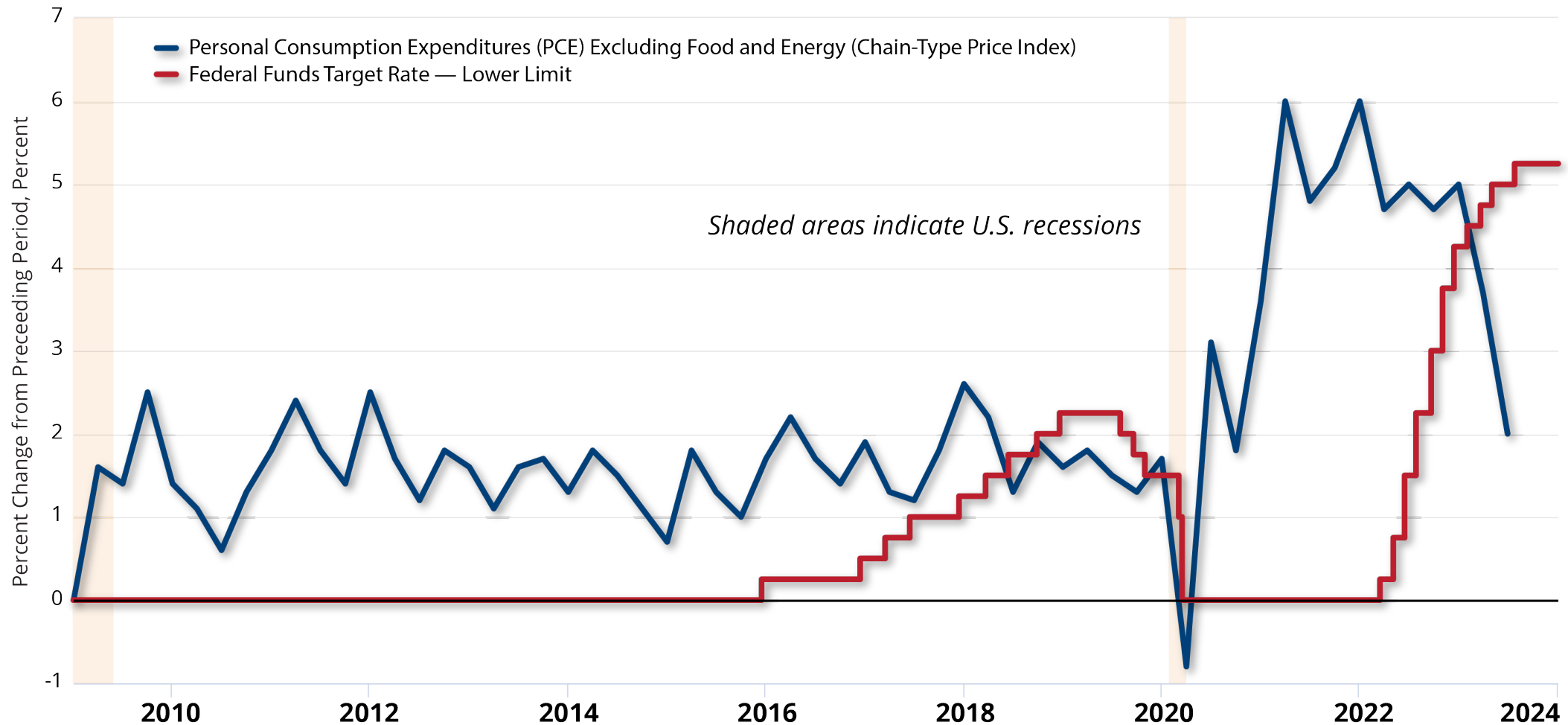
Monetary Policy



Time to Take the Foot Off the Brake!

Personal Consumption Expenditures (PCE) Excluding Food and Energy (Chain-Type Price Index)
Federal Funds Target Rate — Lower Limit

09/01/2009 to 01/01/2024



For illustrative purposes only. Past performance is not indicative of future results.

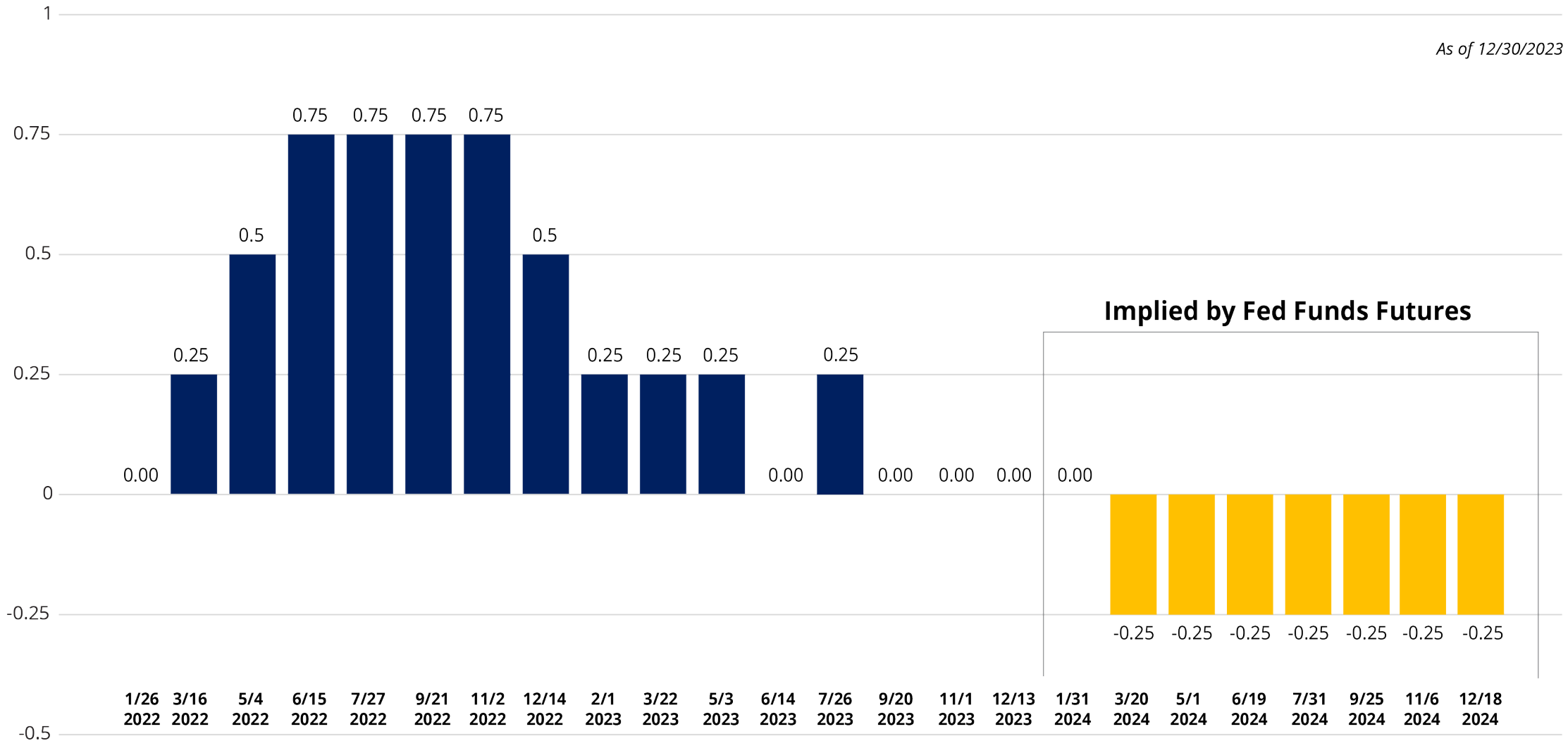
Sources: BFA; Board of Governors, fred.stlouisfed.org



Market Looking for Cuts

Fed Rate Hikes: Actual and Implied by Fed Funds Futures

As of 12/30/2023



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

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What Has Historically Happened When the Fed is Done?

Date of Last Hike During a Cycle	3 Months After Last Hike			6 Months After Last Hike			12 Months After Last Hike			Last Hike to First Cut		
	3 Month T-Bill	U.S. Agg. Bond*	S&P 500	3 Month T-Bill	U.S. Agg. Bond*	S&P 500	3 Month T-Bill	U.S. Agg. Bond*	S&P 500	3 Month T-Bill	U.S. Agg. Bond*	S&P 500
12/19/1989	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	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	1.5	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	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	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

For illustrative purposes only. Past performance is not indicative of future results.

Source: FactSet, Clark Capital



Why Did We Keep Valuation Gauge Neutral?

- Forward P/Es pretty average
- Magnificent 7 masking better valuations
- Earnings are hitting all-time highs
- Why does this matter?

We believe stocks still have appreciation potential

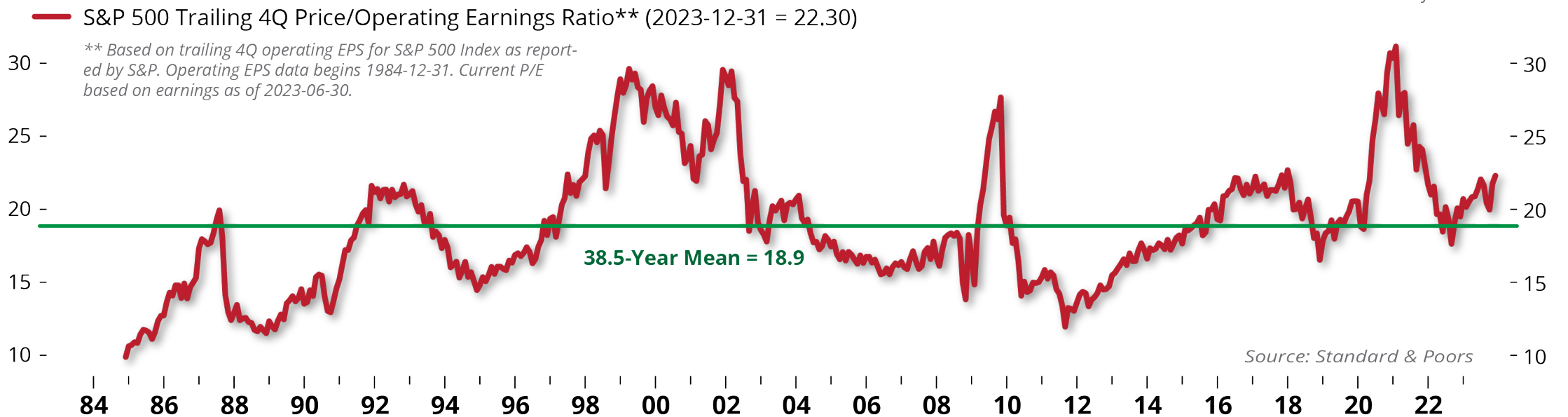
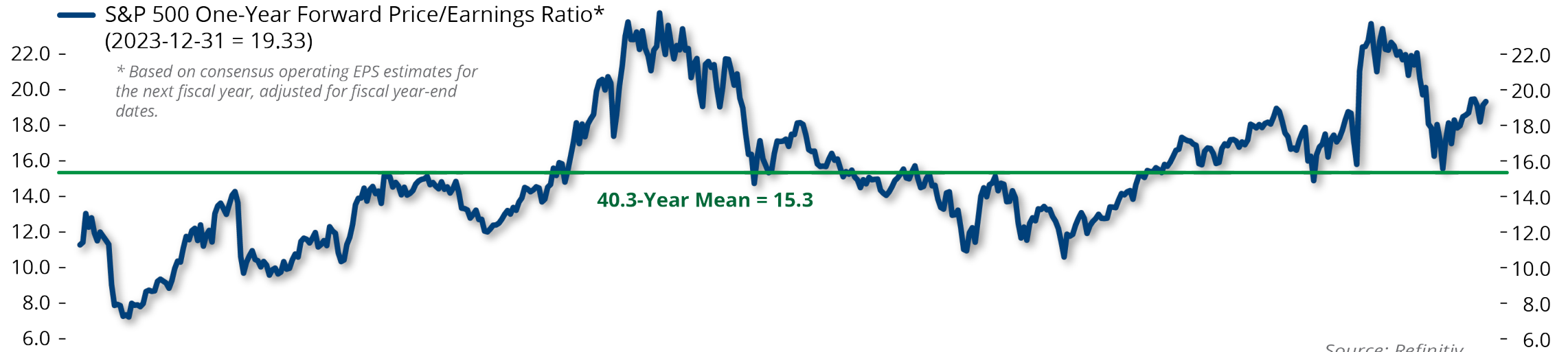


Valuations



S&P 500 Forward vs. Trailing Price/Earnings Ratios

Monthly Data 1983-02-28 to 2023-12-31



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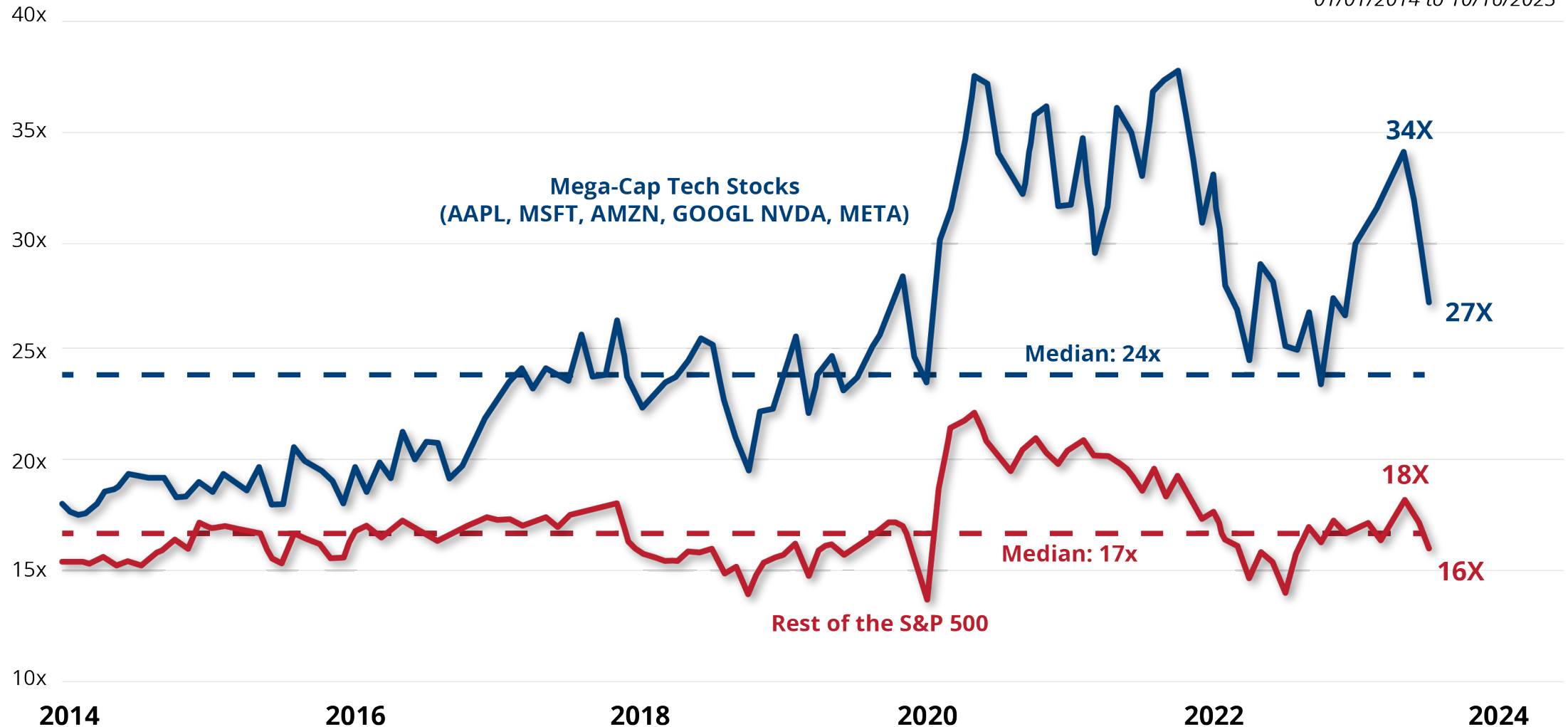
Source: Ned Davis Research



“Magnificent Seven” skewing valuations higher

Mega-Cap Tech vs. Rest of S&P 500 PE

01/01/2014 to 10/16/2023

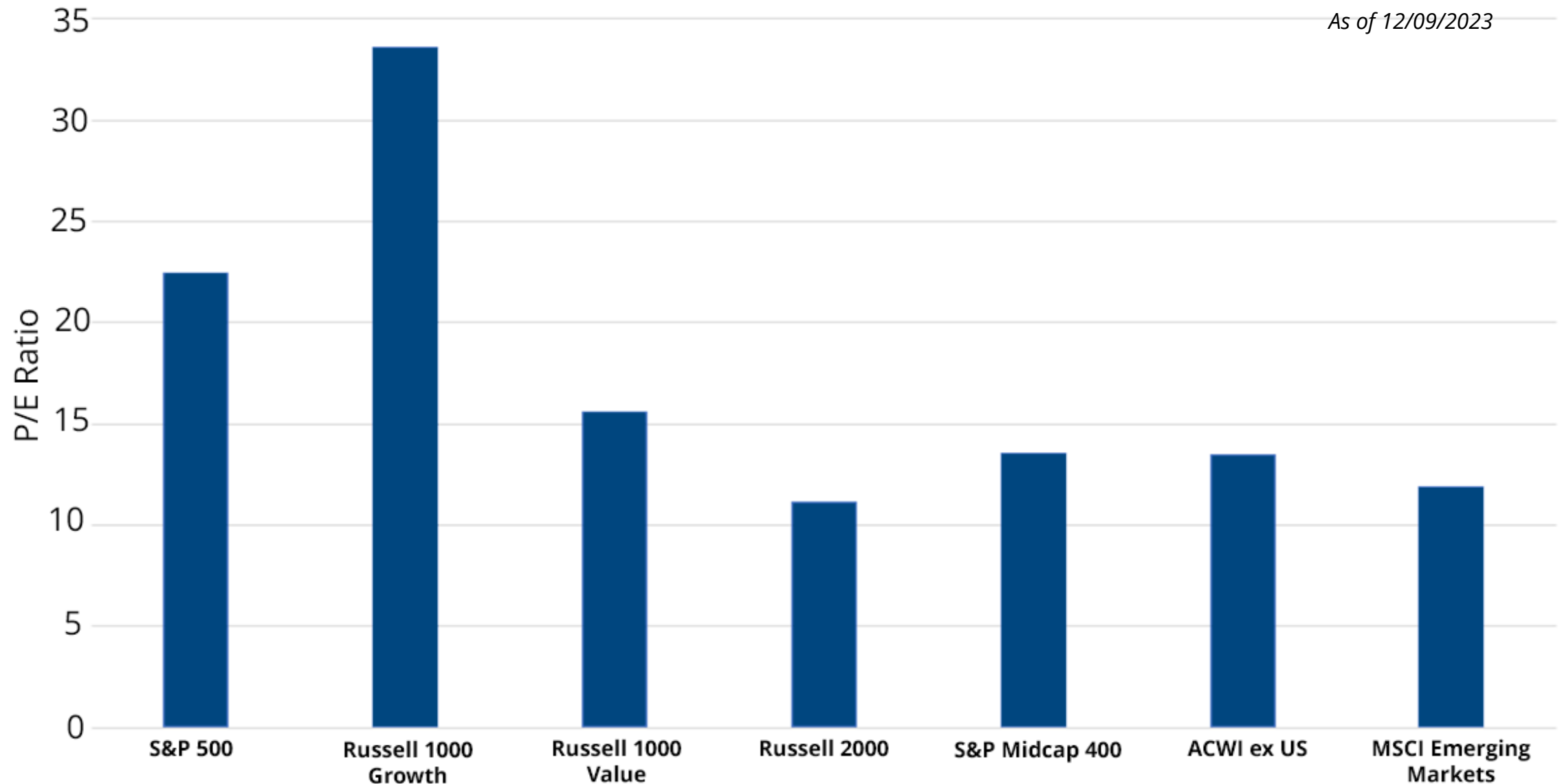


Source: Goldman Sachs Global Investment Research

For illustrative purposes only. Past performance is not indicative of future results.

Source: Goldman Sachs Global Investment Research

Large Value, SMID, and International look cheaper



For illustrative purposes only. Past performance is not indicative of future results. Investors cannot invest directly in an index and unmanaged index returns do not reflect any fees, expenses, or sales charges.

Why Did We Move the Investor Sentiment Gauge Backward Two Notches into Negative Territory?



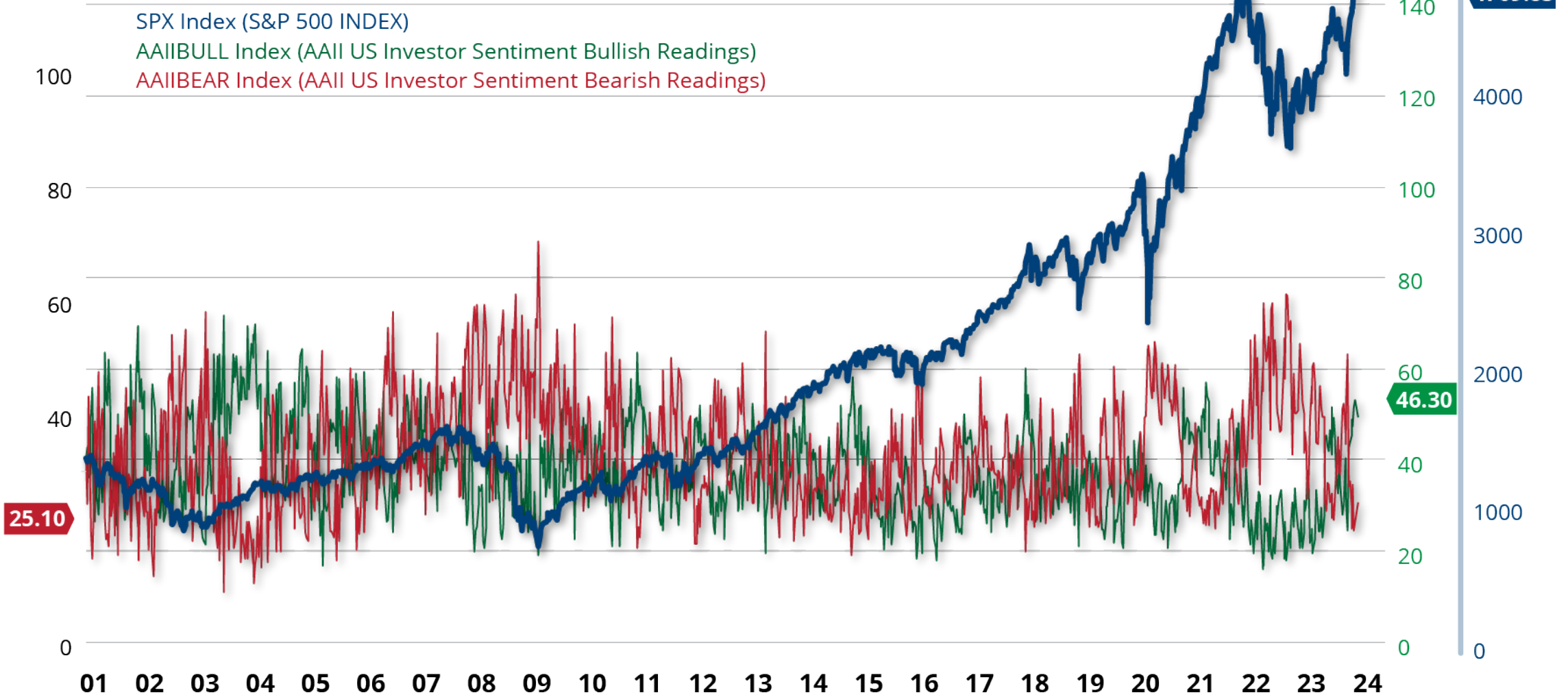
Investor Sentiment

- Optimism has replaced Fear
- Very sensitive gauge — can change quickly
- Not mania levels, still some cautious investors
- Why does this matter?
Bottoms are formed when fear levels are high



S&P 500 vs AII Bull and Bear

1/2/2021 to 12/31/2023



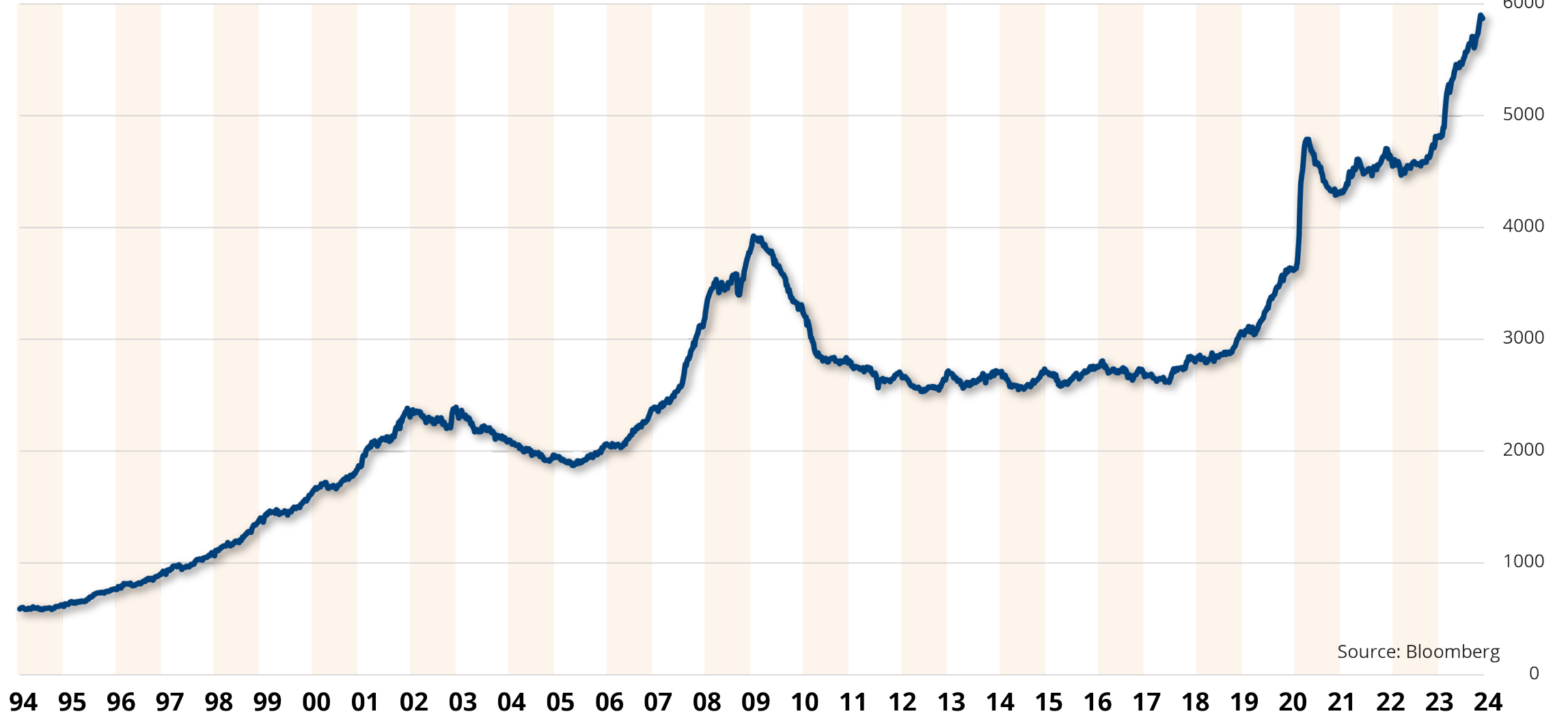
Source: Bloomberg

For illustrative purposes only. Past performance is not indicative of future results.



ICI Money Market Fund Assets

1/5/1994 to 12/20/2023



Source: Bloomberg

For illustrative purposes only. Past performance is not indicative of future results.



Why Did We Move the Interest Rate Gauge Forward to Neutral?

- The Fed will likely drive short rates down
- Long rates dropped on Powell pivot
- Not a tail wind yet, but not wind in our faces
- Why does this matter?

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



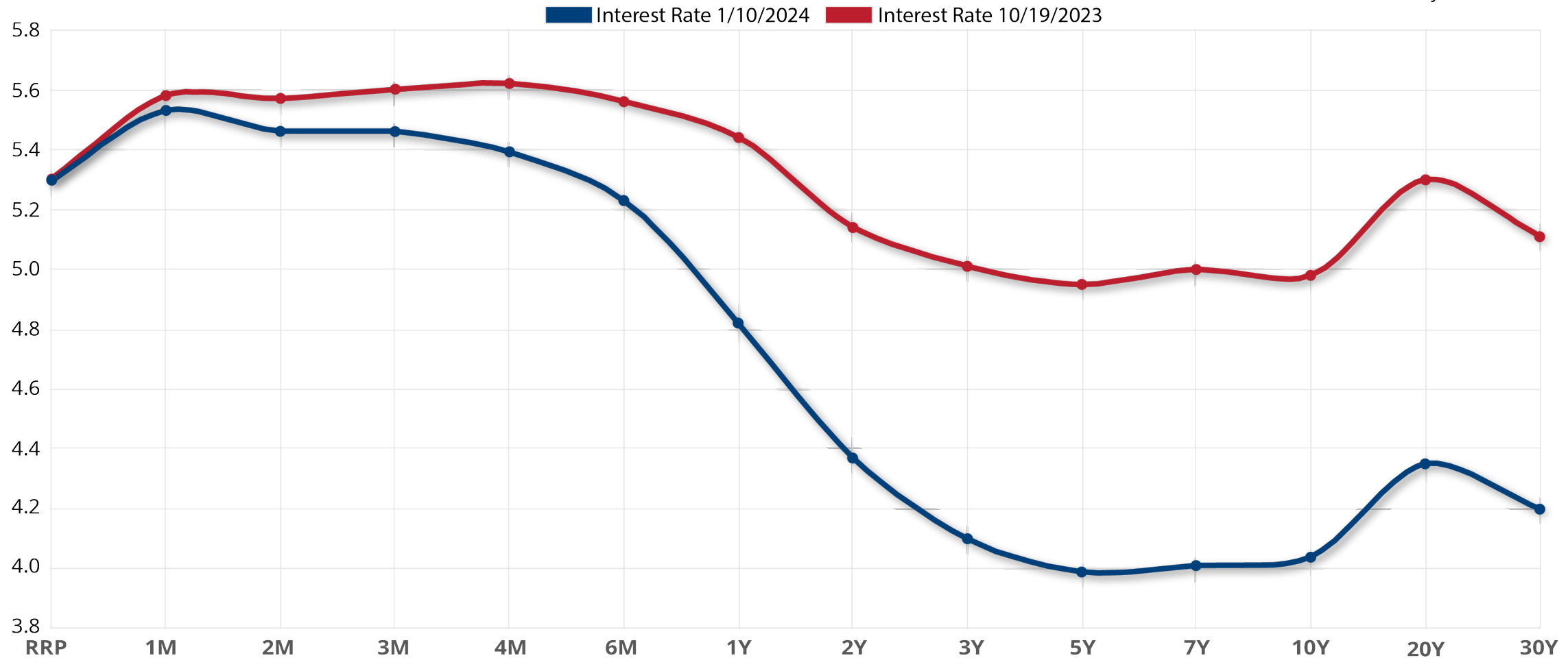
Interest Rates



Intermediate/Long Term Rates Dropped

Assets: Total Assets: Total Assets (Less Eliminations From Consolidation): Wednesday Level

As of 1/10/2024



Source: ustreasuryyieldcurve.com

For illustrative purposes only. Past performance is not indicative of future results.

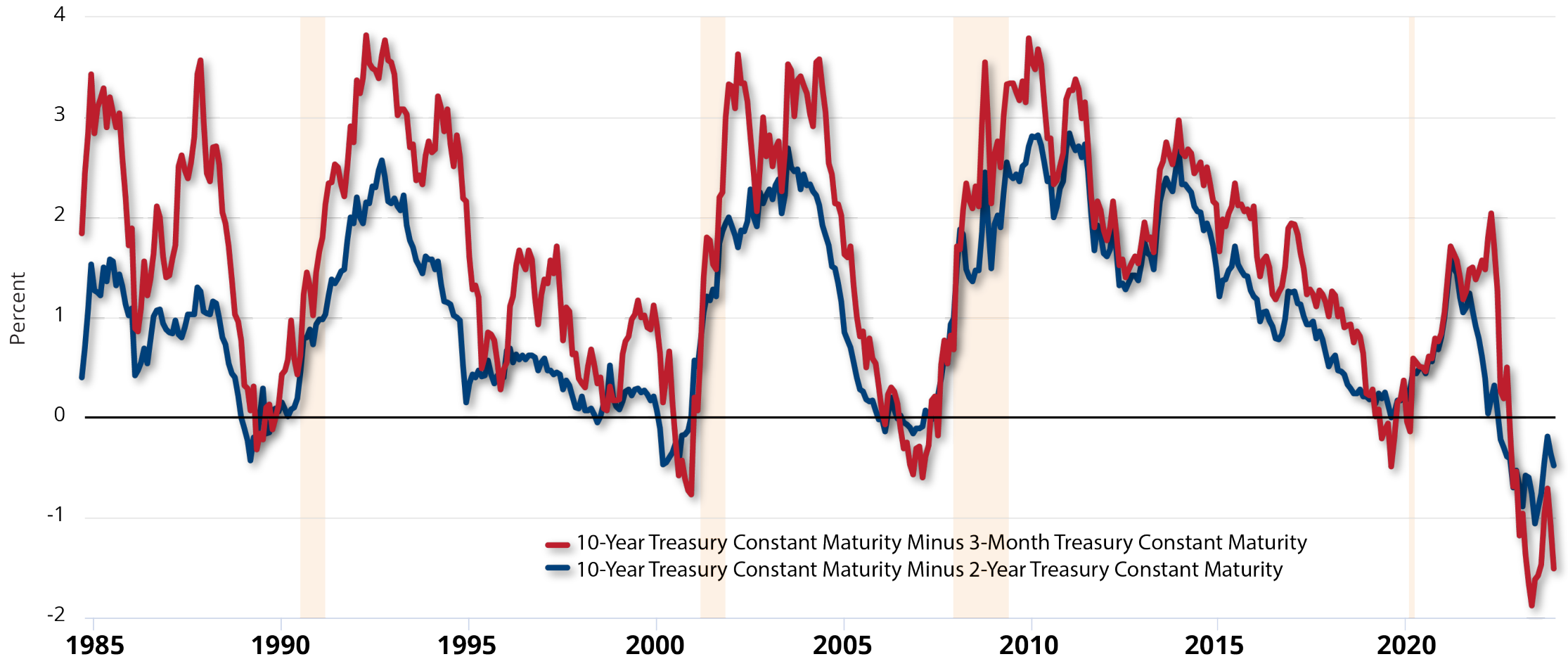
Source: ustreasuryyieldcurve.com



The yield curve remains inverted

10-Year Treasury Constant Maturity Minus 2-Year Treasury Constant Maturity
10-Year Treasury Constant Maturity Minus 3-Month Treasury Constant Maturity

01/01/1983 to 12/18/2023



Source: fred.stlouisfed.org

For illustrative purposes only. Past performance is not indicative of future results.



Special Topics

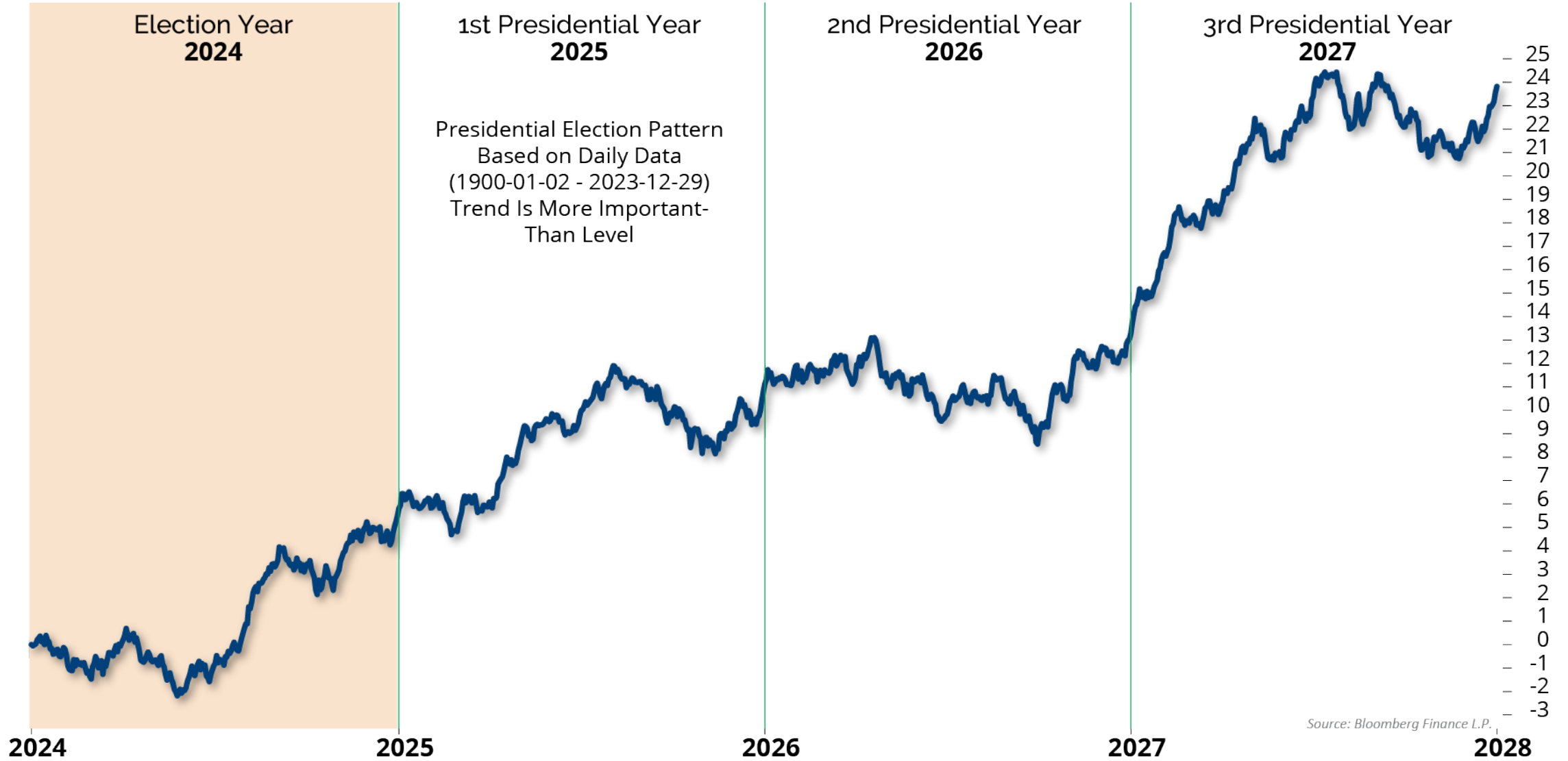
- Election
- Govt Debt



How will the 2024 Election impact the Markets?



Dow Industrials Four-Year Presidential Cycle



Source: Bloomberg Finance L.P.

Source: Ned Davis Research

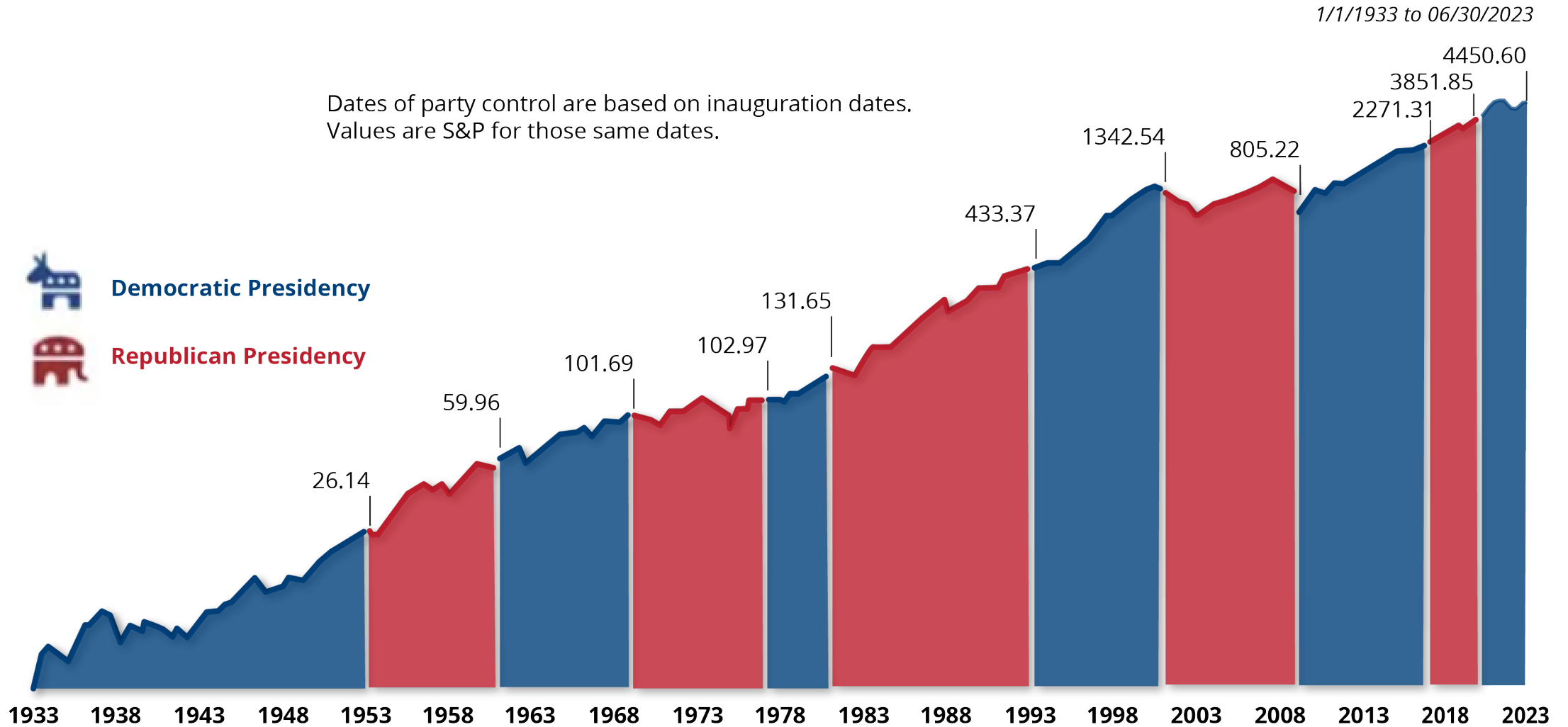
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Source: Ned Davis Research

Over Time Stocks Have Gone Up...Despite Washington!

S&P 500 Index Performance



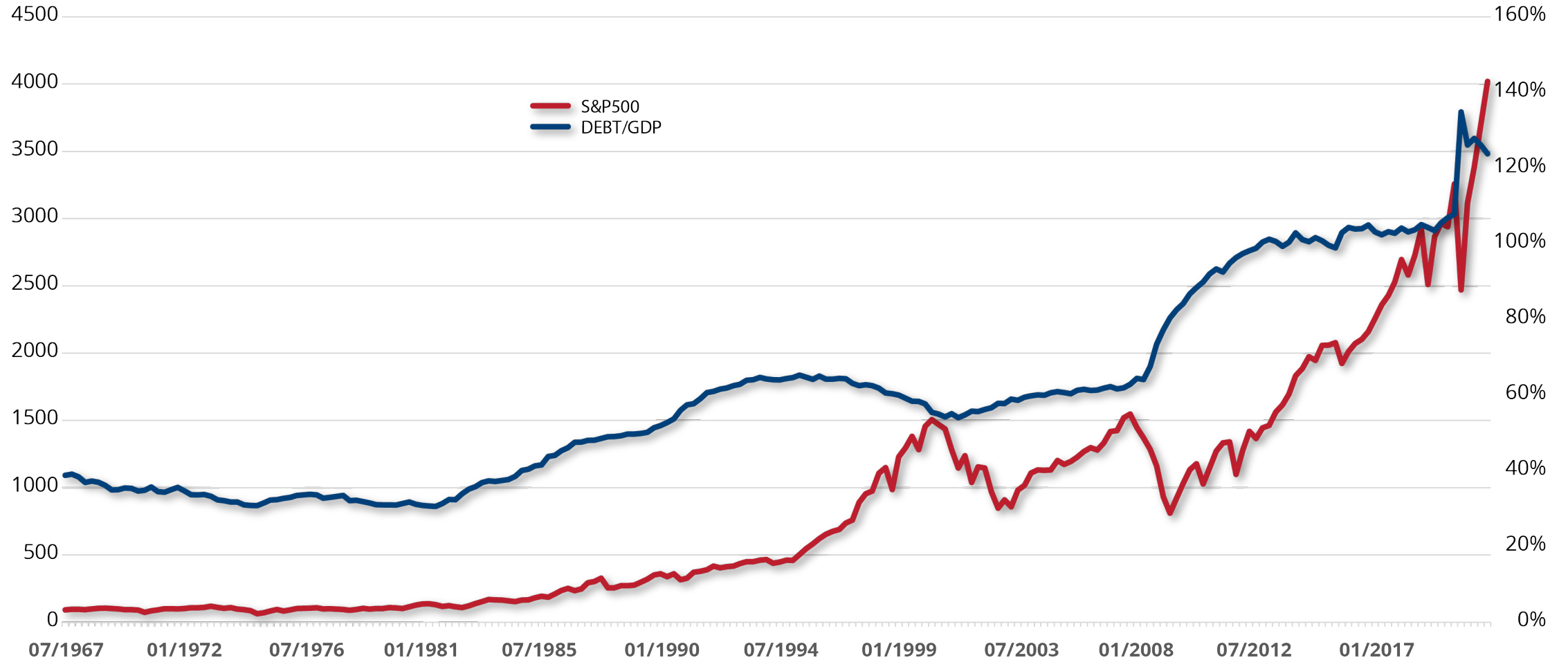
Source: Morningstar, Standard & Poor's, Financialsamurai.com

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Govt Debt Matters.....

U.S. Government Debt & Stocks

01-01-1966 to 07-01-2023



Source: fred.stlouisfed.org, Factset, Clark Capital

For illustrative purposes only. Past performance is not indicative of future results.

Source: fred.stlouisfed.org, Factset, Clark Capital

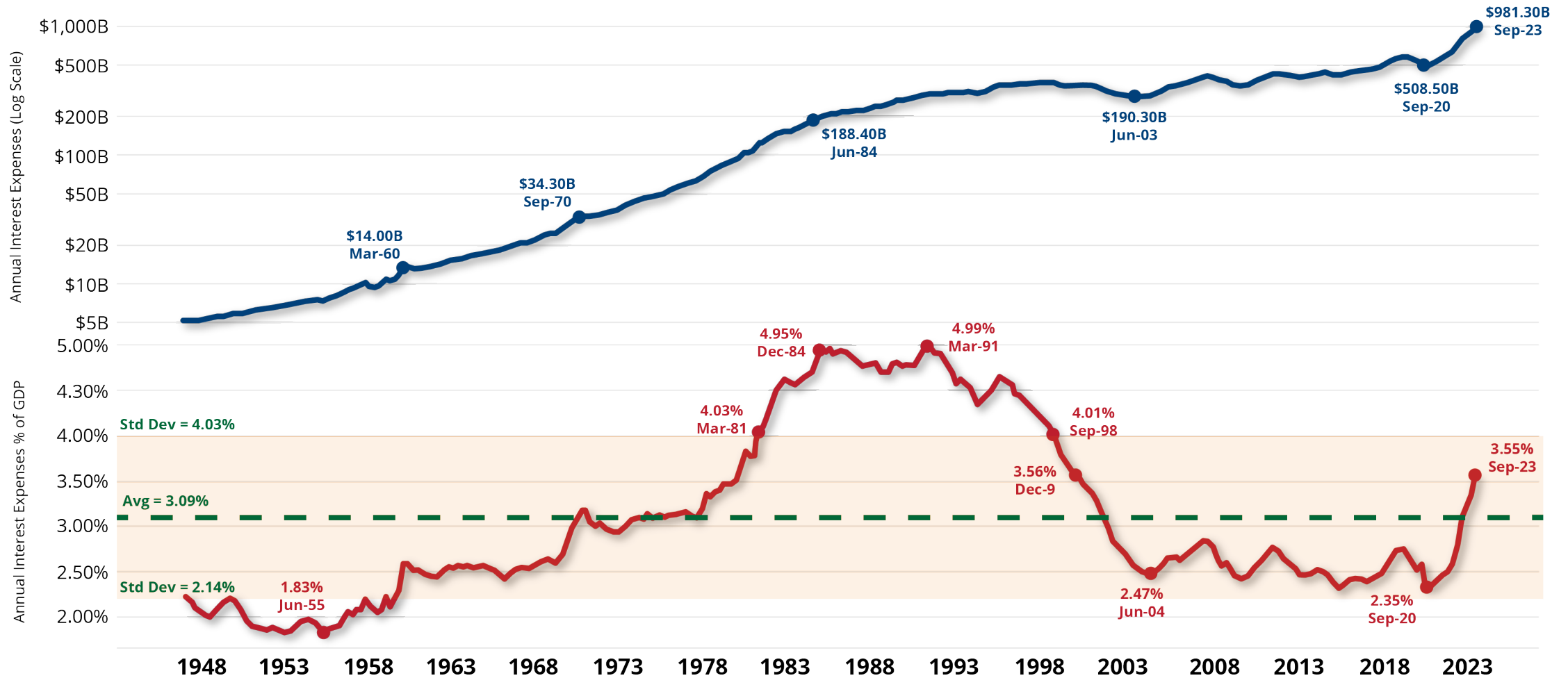


Interest payments/GDP lower now than the 80s and 90s

How Much Interest Does the U.S. Treasury Pay on Its Debt in a Year?

Nominal Dollars and as Percentage GDP

01/01/1948 to 09/30/2023



Source: U.S. Treasury, BEA, Bianco Research

For illustrative purposes. Past performance is not indicative of future results.

Source: U.S. Treasury, BEA, Bianco Research



Q&A



Disclosure

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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.

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.

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

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.

The Russell 1000 Index measures the performance of the large-cap segment of the U.S. equity universe. It is a subset of the Russell 3000® Index and includes approximately 1000 of the largest securities based on a combination of their market cap and current index membership. The Russell 1000 represents approximately 92% of the U.S. market.

The Russell 1000 Growth Index measures the performance of the large-cap growth segment of the U.S. equity universe. It includes those Russell 1000 Index companies with higher price-to-book ratios and higher forecasted growth values.

The Russell 1000 Value Index measures the performance of the large-cap value segment of the U.S. equity universe. It includes those Russell 1000 Index companies with lower price-to-book ratios and lower forecasted growth values.

The Russell 2000 Index measures the performance of the 2000 smallest U.S. companies based on total market capitalization in the Russell 3000, which represents approximately 10% of Russell 3000 total market capitalization.

The Russell 3000 Index measures the performance of the 3000 largest U.S. companies based on total market capitalization, which represents approximately 98% of the investable U.S. equity market.

The MSCI Emerging Markets Index is a free float-adjusted market capitalization index that is designed to measure equity market performance of emerging markets. The MSCI Emerging Markets Index consists of the following 21 emerging market country indices: Brazil, Chile, China, Colombia, Czech Republic, Egypt, Hungary, India, Indonesia, Korea, Malaysia, Mexico, Morocco, Peru, Philippines, Poland, Russia, South Africa, Taiwan, Thailand, and Turkey.

BBgBarc U.S. Aggregate Bond Index covers the U.S. investment-grade fixed-rate bond market, including government and credit securities, agency mortgage pass-through securities, asset-backed securities and commercial mortgage-based securities. To qualify for inclusion, a bond or security must have at least one year to final maturity, and be rated investment grade Baa3 or better, dollar denominated, non-convertible, fixed rate and publicly issued.

The BBgBarc US Corporate Bond Index measures the investment grade, fixed-rate, taxable corporate bond market. It includes USD-denominated securities publicly issued by US and non-US industrial, utility and financial issuers. The US Corporate Index is a component of the US Credit and US Aggregate Indices, and provided the necessary inclusion rules are met, US Corporate Index securities also contribute to the multi-currency Global Aggregate Index.

The BBgBarc U.S. Municipal Index covers the USD-denominated long-term tax-exempt bond market. The index has four main sectors: state and local general obligation bonds, revenue bonds, insured bonds and preredfunded bonds.

The BBgBarc U.S. Corporate High-Yield Index covers the U.S. dollar-denominated, non-investment grade, fixed-rate, taxable corporate bond market. Securities are classified as high-yield if the middle rating of Moody's, Fitch, and S&P is Ba1/BB+/BB+ or below.

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.

