Clark Capital Management Group

Portfolio Commentary

Navigator® High Dividend Equity

Portfolio Manager

Maira Thompson
Co-Head of Equity

Top Contributors as of March 31, 2024

Company Name	Avg. Weight (%)	Contribution to Return (%)
Williams-Sonoma, Inc.	1.29	0.59
JPMorgan Chase & Co.	3.16	0.57
Eli Lilly and Company	1.74	0.55

Top Detractors as of March 31, 2024

Company Name	Avg. Weight (%)	Contribution to Return (%)
Intel Corporation	1.36	-0.24
Apple Inc.	1.31	-0.15
American Tower Corporation	1.40	-0.15

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.

Emerging Strength in Cyclicals

Market Review

The S&P 500 Index was positive for the 5th consecutive month and finished higher for the 10th time in 13 months. Market breadth saw improvement as the equal-weighted S&P 500 Index outpaced the cap-weighted Index, accompanied by broad-based gains across all 9 Russell style boxes. The emergence of cyclical strength could continue to narrow the performance gap between the Russell 1000 Growth, which was up +11.7% versus the Russell 1000 Value, which rose +9.4%.

Small-caps posted gains in four of the past five months with a resurgence in smaller, less profitable companies shifting away from the momentum and secular leaders. The momentum trade could eventually take a backseat to small-cap, mid-cap, and value stocks due to overvaluation; not necessarily because of weak profitability.

The current backdrop of improving PMIs translates into improved earnings estimates revisions, but may cause upward pressure on prices and interest rates in a "higher for longer" scenario. Regardless, the current composition of the momentum trade appears sustainable, driven by highly profitable stocks, in contrast to the situation in 2000 when the concentration was in overvalued companies with negative earnings growth.

Late in the quarter, there was notable relative strength in dividend growth sectors like Energy, Financials, and Basic Materials versus weakness in market leading sectors like Technology and Consumer Discretionary. Corporate earnings remain resilient and consumer spending is robust, driving estimated earnings growth higher for 2024 and 2025. Sectors with the strongest 2024 estimates include Information Technology, Communications, Healthcare and Financials. Sectors with weaker estimates include Real Estate, Consumer Staples, REITs, and Materials. As a result, there is a significant valuation dispersion across sectors and market caps.

Profitable dividend growers continue to outperform high dividend stocks. At month end, the number of S&P 500 Index dividend cutters totaled 15 companies, which was down from 60 in 2021. Year over year, dividend growers rallied 16.7%, in stark contrast to dividend cutter returns of 0.2%. Non-dividend stocks returned 15.6%.

First Quarter Portfolio Highlights

- The Navigator® High Dividend Equity portfolio has approximately 98.3% in developed countries with the remainder in cash. The United States is the largest country weight at 89.9%, followed by Britain at 3.0%, and Ireland at 2.7%. Large-cap stocks represent 91.8% of the portfolio, mid-cap represents 6.5%, and the remainder of the portfolio is positioned in cash.
- Financials represent the largest portfolio sector weight at 22.1%, which is below the benchmark at 22.7%. The next three largest portfolio weights are Industrials, Healthcare, and Information Technology at 14.7%, 13.9%, and 10.1%, respectively.

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

- On a relative basis, positioning in the Consumer Discretionary and Utility sectors contributed to positive performance versus detractors Information Technology and Healthcare. The top three contributors to absolute portfolio return were Valero Energy Corp., Williams-Sonoma Inc., and Exxon Mobil Corp. Detractors were Accenture Plc, Apple Inc., and Abbott Laboratories.

Positioning and Outlook

During the quarter, we initiated a position in Assurant, Inc., which engages in the provision of lifestyle and housing solutions for consumer purchases. We also initiated a position in Arthur J. Gallagher & Co, which specializes in reinsurance brokerage, insurance brokerage, and third-party claims settlement. We view both companies as high quality, with improving business momentum within the Financials sector, which we believe remains undervalued relative to other sectors.

The final purchase during the quarter was General Electric Company, which finalized its historic restructuring, separating into three distinct publicly traded companies. The new core entity, GE Aerospace, remains in the portfolio which specializes in aviation manufacturing. The most recent sale in the portfolio was Caterpillar, Inc., due to valuation.

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.

Sources: Bloomberg and NDR