Clark Capital MANAGEMENT GROUP

Portfolio Commentary

Navigator® All Cap Core U.S. Equity

Portfolio Manager

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Co-Head of Equity

Top Contributors as of June 30, 2024

Company Name	Avg. Weight (%)	Contribution to Return (%)
NVIDIA Corporation	4.40	1.48
Apple Inc.	4.24	0.92
Alphabet Inc. Class A	4.51	0.88

Top Detractors as of June 30, 2024

Company Name	Avg. Weight (%)	Contribution to Return (%)
Atkore Inc	1.07	-0.40
Eagle Materials Inc.	1.79	-0.38
Ulta Beauty Inc.	0.87	-0.36

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.

Balanced Risks

Market Review

Charged with a dual mandate of both full employment and containing inflation, the recent loosening of labor market tightness and slowing inflation statistics begins to solidify a likely change in direction for Fed monetary policy. As economic growth has persisted for years since the beginning of the Fed's 5.5% tightening regime, many assumed that "long and variable lags" meant that monetary policy had no impact on reducing demand. "Rolling recessions," however, have now lifted the U.S. unemployment rate to 4.1% in June, the highest reading since November 2021 and up from its low of 3.4% in April 2023.

Sahm rule devotees may later claim that June 2024 marked the beginning of the U.S. recession. Initial and continuing unemployment claims data corroborate a change in the labor markets. The four-week average of initial claims is the highest since September 2023 and continuing claims at 1.86 million are the highest since November 2021. Most importantly, inflation is slowly declining towards the Fed's 2% objective as both PCE Deflator and Core PCE Deflator reached 2.6% in May. The Cleveland Fed's InflationNOW forecasts that Core CPI is just 3.1% and is likely heading lower.

Deep into bull markets or markets where a concentrated portion of companies outperform the broad swath of equities, our value add as investors feels forgotten. The market-weighted S&P 500 index continues to significantly outpace the equal-weight index by over 10% for each of the last two years.

This extreme performance concentration mirrors the markets of 1970-1971 and 1998-1999 when the market-weight benchmark exceeded the equal-weight benchmark by over 20%. Focused on the winners, clients ask about Nvidia price targets, Apple portfolio weights, and question why we own small-cap, SMID-cap and international stocks at all. We believe the relative value differences are being ignored. Up 17.4% this year (on top of 2023's 26%), the S&P 500's P/E sits more than one standard deviation over its 25-year average of 17.5. As large-cap companies' earnings and earnings estimates have grown faster and their monopoly-like features give them antifragility attributes, it's easy to wonder if other asset classes can compete.

Second Quarter Portfolio Highlights

- Navigator® All Cap is positioned with approximately 77% in large-cap stocks and the remainder in mid-cap/small-cap companies and cash.
- Our current weighting in the big six free cash flow margin monopolies– Amazon, Apple, Google, Microsoft, Meta, and Nvidia – is 25.7% vs approximately 27.2% in the Russell 3000.
- Albeit underweight to the benchmark, Information Technology remains the largest sector weight in the strategy at 26.5%.
- Our positioning in Information Technology and Healthcare helped relative performance while our positioning in Industrials and Consumer Discretionary acted as a drag.

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

- The top three contributors to absolute portfolio return in the quarter were NVIDIA Corp., Apple Inc., and Alphabet Inc. The top three detractors to absolute portfolio return in the quarter were Atkore Inc., Eagle Materials Inc., and Ulta Beauty Inc.
- During the quarter, to benefit from improving business fundamentals, the three most recent additions to the portfolio were Dick's Sporting Goods Inc., ConocoPhillips, and Taylor Morrison Home Corp. The three most recent exits were The Middleby Corp., Ulta Beauty Inc., and Valero Energy Corp.

Positioning and Outlook

Like prior periods, our portfolios seek to follow business momentum, and after long economic periods, tend to get slightly offsides at turning points. To this end, our quality and antifragility focus helped the bottom-up equity portfolios during the recently extended period of rising interest rates and expanding credit spreads through October.

Our lower risk bias, however, provided a performance governor during the November and December period as the positive change in liquidity conditions served more fragile and higher beta companies. As such, we are adjusting our Small and SMID Cap portfolio risk to reflect this change – all within our process of selecting what we believe are undervalued, high-quality companies with improving business momentum. Additionally, we are increasing our exposure to these same companies in our All Cap Core portfolio to offset the overweight position of large-cap growth as they relatively outperformed.