

Benchmark Review & Monthly Recap

Highlights

The three major U.S. stock indices put in new all-time highs during the third quarter with September culminating in broad equity gains. Large-cap growth companies, as measured by the NASDAQ Composite, peaked in July but enjoyed some momentum to close out the quarter.

Bonds had gains for the fifth month in a row as rates continued to move lower during the month and hit the lowest level of 2024. The 10-year U.S. Treasury yield ended August at 3.91% and closed September at 3.81%.

The U.S. economy continued to grow but showed some evidence of slowing economic activity. The ISM manufacturing index remained below 50 in August, but the non-manufacturing index ticked modestly higher to 51.5. Job market activity has slowed, but housing had a bit of a bump higher with the recent decline in rates.

Fed Chairman Powell kicked off the rate-cutting cycle in September with a 50 basis point cut – the first rate cut since 2020. According to the CME FedWatch tool, odds favor 3 more cuts in 2024 with 2 FOMC meetings remaining.

Stocks Rebound from Weak September Start to End Month and Quarter Higher

Equity Markets

The month started off volatile for stocks, but not to the same degree as August. However, as the month progressed, stocks rebounded and turned in solid monthly gains. September closed out a strong quarter and first 9 months of 2024 for stocks. See **Table 1** for equity results for September 2024, Q3 2024, year to date (YTD) and calendar year 2023.

Table 1.

Index	Sept 2024	Q3 2024	YTD	2023
S&P 500	2.14%	5.89%	22.08%	26.29%
S&P 500 Equal Weight	2.34%	9.60%	15.16%	13.87%
DJIA	1.96%	8.72%	13.93%	16.18%
Russell 3000	2.07%	6.23%	20.63%	25.96%
NASDAQ Comp.	2.76%	2.76%	21.84%	44.64%
Russell 2000	0.70%	9.27%	11.17%	16.93%
MSCI ACWI ex U.S.	2.69%	8.06%	14.21%	15.62%
MSCI Emerging Mkts Net	6.68%	8.72%	16.86%	9.83%

Source: Bloomberg. For illustrative purposes only. Indexes are unmanaged and have been provided for comparison purposes only. No fees or expenses are reflected. You cannot invest directly in an index. Past performance is not indicative of future results.

The recent broadening of the market shows up clearly in the quarterly numbers. September had more of the large-cap leadership we have seen so often, but the quarter saw a broadening into small and mid-caps, as well as value and international companies relative to large-cap growth. We have often discussed the difference between the returns of the headline, market-cap-weighted S&P 500 Index compared to the equal-weighted version of the same stocks, which is more reflective of what the “average” stock is doing. The returns of these two measures were relatively in-line with each other in September, but the quarter shows a clear shift to the equal weighted index while YTD performance still shows the market-cap weighted index in the lead. The “average” stock had a better run in Q3, but large-caps still lead year to date.

The NASDAQ stands out with one of the the best domestic index returns in September, but that accounted for all its returns for the quarter. It still shows impressive results YTD, but the gap narrowed considerably with its relative underperformance in Q3. Large-cap value lagged in September compared to growth, with one example being the Russell 1000 Value Index up 1.39% for the month, while the Russell 1000 Growth Index gained 2.83%. For the quarter, however, those returns were 9.43% and 3.19%, respectively, as value outperformed. Year to date, the index returns flipped again with the value version up 16.68% and the growth index gaining 24.55%. So, the market has seen a broadening of late, but large-cap growth still leads so far this year.

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Emerging markets had some of the strongest monthly results, advancing over 6.6%. International stocks in general have also enjoyed the recent broadening in the market with solid quarterly and YTD results that rival some of the U.S. equity indices. The first 9 months of 2024 have been very strong for equity markets following a strong year of returns in 2023.

Fixed Income

After hitting the highest level of the year in April, the 10-year U.S. Treasury yield has declined for the last five months. In September, the 10-year yield hit a new low for 2024. This move lower in rates has helped set up generally positive returns for bonds during the period. Most bond sectors were able to push into positive territory after gains in July and additional gains have been added over the last two months. The 10-year U.S Treasury yield ended July at 4.09%. On August 1, the yield closed below 4% for the first time since February and it ended September at 3.81%. See **Table 2** for fixed income index returns for September 2024, Q3 2024, YTD, and calendar year 2023.

Table 2.

Index	Sep 2024	Q3 2024	YTD	2023
Bloomberg U.S. Agg	1.34%	5.20%	4.45%	5.53%
Bloomberg U.S. Credit	1.71%	5.71%	5.23%	8.18%
Bloomberg U.S. High Yld	1.62%	5.28%	8.00%	13.44%
Bloomberg Muni	0.99%	2.71%	2.30%	6.40%
Bloomberg 30-year U.S. TSY	1.93%	8.12%	1.42%	1.93%
Bloomberg U.S. TSY	1.20%	4.74%	3.84%	4.05%

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It is apparent that, outside of high yield, all of the YTD returns for these major bond indices have occurred in the last three months. This has coincided with the drop in interest rates and those more rate sensitive sectors (like 30-year U.S. Treasuries) have had the strongest recent results. However, they also struggled more at the beginning of the year. High yield bonds have had a steadier run this year as they often follow the stock market, so they have enjoyed gains throughout 2024.

At the start of the year, we said we believed the 10-year U.S. Treasury yield would be in a range between 3.25% and 4.5% in 2024 (acknowledging that we got above that level in April). The trend in rates has been lower since those April highs, and we believe rates will continue to decline as the Fed begins a rate cutting cycle. We also believe Fed action will impact the front end of the yield curve more dramatically, but that the general trend will be for rates to move lower.

We maintain our long-standing position favoring credit versus pure rate exposure in this interest rate environment

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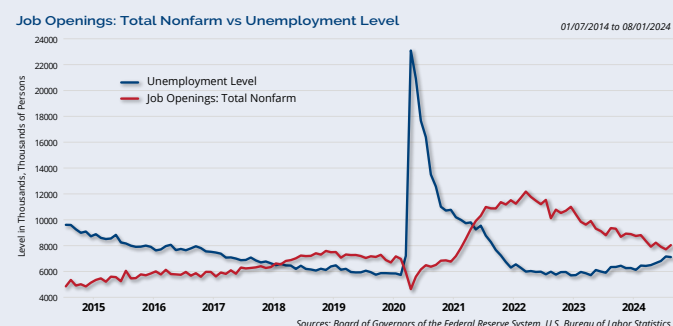
and that has served us well so far in 2024. We also believe the role bonds play in a portfolio, to provide stable cash flow and to help offset the volatility of stocks in the long run, has not changed. Furthermore, we believe that bond yields remain attractive, and we are seeing some of the best bond yields in years. In our opinion, having an active bond management approach makes sense in these volatile times.

Economic Data Highlights and Outlook

The soft-landing scenario seems to be developing in the U.S. economy. Data released in September (largely covering August), continued to point to weaker economic growth, but growth nonetheless. The third reading of Q2 2024 GDP remained at 3.0% annualized growth, slightly better than an expected drop to 2.9%. The Atlanta Fed GDPNow estimate for economic growth (as of September 30) shows the economy running at an estimated 3.1% annualized growth rate for the third quarter. The U.S. economy seems to be running somewhat ahead of our expectation of 2.25% growth for all of 2024.

Job market data continues to largely reflect some modest softening occurring, but it also still reflects a healthy labor market. Non-farm payrolls grew by 142,000 in August, below expectations of 165,000. Additionally, prior month job additions were reduced to a mere 89,000 from the prior estimate of 114,000. However, the unemployment rate remained at 4.2% as expected, a modest improvement from the 4.3% level in July. The 4.3% reading was the highest unemployment rate since October 2021. Moderation in the job market is not unexpected following a rate-tightening cycle and weakness over the last several months was a catalyst for the Fed to cut rates by 50 basis points in September. Job openings still outnumber the unemployed, but that gap has narrowed dramatically. **Chart 1** shows the number of unemployed people in the U.S. compared to job openings.

Chart 1



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

Labor markets are normalizing, and as a result, tighter labor market conditions exist. With the Fed's dual mandate consisting of price stability and full employment, the weaker job market supports the Fed beginning to cut rates. Indeed, we saw the Fed follow through on this in

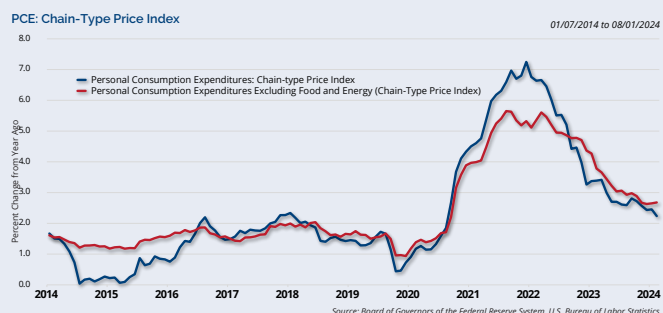


September. Overall, we would still view the job market as healthy and coming more into balance. It seems unlikely that the economy would slow too drastically with the current position of the labor market. We continue to expect that the economy will slow from its pace in 2023, but that it will still grow in 2024 resulting in a “soft landing.” Even if a recession developed, we believe it would be mild due to the strength of the consumer. We believe opportunities exist in the stock and bond markets under either a slow growth or mild recession scenario, but we believe the odds favor a soft landing at this point.

The other side of the Fed’s dual mandate, price stability, continues to improve. The Consumer Price Index (CPI) rose as expected by 0.2% in August, and the annual increase matched expectations at 2.5%. This compares to the prior annual increase in July of 2.9%. The core CPI reading was modestly higher for the month compared to expectations (0.3% vs. 0.2% expected), but the annual increase was in-line at 3.2%. Both headline and core Producer Price Index (PPI) readings were higher than expected for the month, but this followed revisions that were lower for both in the prior month.

The year-over-year increases for headline and core PPI were 1.7% and 2.4%, respectively, were both as expected, with once again the prior month readings being revised lower. Rounding out the inflation readings for August, the preferred inflation measure of the Fed, the Personal Consumption Expenditures (PCE) Price Index largely matched expectations. The headline PCE Index had an annual increase of 2.2% in August (modestly lower than the 2.3% expectation) after an expected 0.1% monthly gain. The core PCE reading (the reading the Fed targets) was in-line with expectations with a 2.7% annual increase after a 0.1% gain for the month (when a monthly gain of 0.2% was expected). **Chart 2** shows the headline and core PCE Price Indices continuing to trend toward lower.

Chart 2



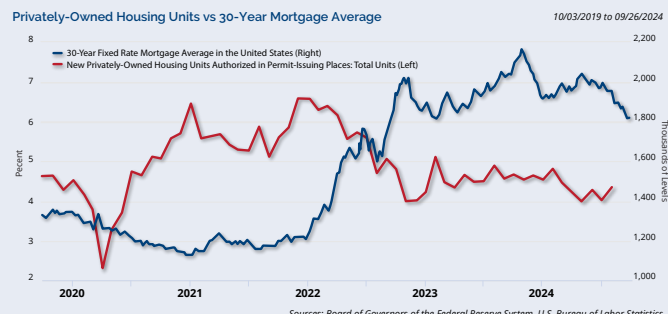
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With inflation improving and the job market showing some recent weakening, the Fed took action and cut the Fed Funds Target Rate by 50 basis points in September. This was the first rate cut by the Fed since the pandemic in 2020. At the end of September, Chairman Powell gave a speech, and the market interpreted his comments as

leaning toward a slower rate cutting cycle. After the speech, the CME FedWatch Tool put the odds of a 25 basis-point cut at about 63% in November when it had favored a 50 basis-point cut previously.

The housing market seems to have gotten a bit of a jolt in August with the recent drop in interest rates. Housing starts and building permits in August both exceeded expectations and improved from the prior month levels. New home sales were better than expected, but below the July mark and existing home sales were modestly below expectations and dropped from the prior month. The S&P CoreLogic 20-City Index of home prices rose by 5.92% for the year through July, ahead of expectations of 5.90% but below the prior month’s annual increase of 6.54%. Mortgage rates tend to follow what is happening with the 10-year U.S Treasury, so the recent decline in Treasury yields should keep the trend moving lower for mortgage rates as well. **Chart 3** shows the average 30-year mortgage rate and building permits. With mortgage rates at about a two-year low, hopefully that will continue to support improvements in the housing market.

Chart 3



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The ISM indices were mixed in July. The ISM Manufacturing Index improved in August to 47.2, but that was below expectations of 47.5. Manufacturing continues to be in contraction mode. (This index had an identical reading in September at 47.2, once again below the expectation of 47.5.) The ISM Non-Manufacturing Index, which covers the much larger service industries in the U.S. economy, had a modest improvement for the month to 51.5 compared to expectations and July’s level of 51.4.

Retail sales (ex. auto and gas) at a 0.2% monthly gain were below expectations of 0.3% growth. The preliminary University of Michigan Sentiment reading for September improved modestly to 69.0 from 67.9 and expectations of 68.5. After breaking a two-year streak of declines in February, the Conference Board’s Leading Index has now declined for 6 straight months. For August, it fell -0.2%, which was modestly less than the -0.3% expectation.

September started out volatile (though not to the same degree of August’s start), but stocks rallied back and posted a positive overall month and quarter. The elevated

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volatility was also likely exacerbated by the shift in market leadership in recent months, which has broadened to value companies, small and mid-caps, and international stocks. After a multi-year stretch when large-cap growth has for the most part dominated the market, the third quarter saw other areas of the market contribute. Generally speaking, we believe more breadth in the market would be a healthy improvement moving forward. Equity market volatility helped bonds rally and yields have dropped sharply in recent months with the 10-year U.S. Treasury hitting its lowest level of the year in September. Economic data so far has not been overly surprising from our perspective with slowing job market activity following the aggressive rate hike cycle by the Fed. We maintain our belief that the economy will grow in 2024, but likely at a more muted pace than last year and that seems to be developing. The good news is that currently, earning expectations for 2024 and 2025 are for double-digit growth, but that is obviously subject to revision. Over the long run, we believe company earnings drive stock prices, so we like that fundamental backdrop.

We know October started with an escalation of the crisis in the Middle East and we are also entering the final countdown to our U.S. election. Although these could spur volatility, we believe the economic and market fundamentals remain solid. As always, we believe it is imperative for investors to stay focused on their long-term goals and not let short-term swings in the market derail them from their longer-term objectives.

Investment Implications

Clark Capital's Top-Down, Quantitative Strategies

It was a positive month for markets across asset classes in what is normally a seasonally weak period ahead of the Presidential Election.

Three rules apply to today's market: don't fight the fed, don't fight the tape, and watch Credit. All three continue to be supportive of risk assets. The Presidential Election is now about a month away. Polling suggests a very tight race that likely will come down to the wire. We expect some level of heightened election volatility. As long as credit trends remain strong and supportive, which they have all year, we would view any volatility and associated market weakness as a buying opportunity and a pause that refreshes.

Clark Capital's Bottom-Up, Fundamental Strategies

A positive inflation trajectory, the Federal Reserve's 50 basis point rate cut, and China stimulus broadened the market rally to include dividend-based strategies and value-oriented sectors. Six of the nine S&P style boxes made all-time highs, and most sectors were positive led by Utilities and Consumer Discretionary. Market leadership reversed from long-term trend leaders Technology and Communications to rate sensitive, small-cap and defensive sectors. After reaching new market highs in September, seasonal trends suggest defensive sectors could continue to perform well leading up to the Presidential Election.

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Economic Data

Event	Period	Estimate	Actual	Prior	Revised
ISM Manufacturing	Aug	47.5	47.2	46.8	—
ISM Services Index	Aug	51.4	51.5	51.4	—
Change in Nonfarm Payrolls	Aug	165k	142k	114k	89k
Unemployment Rate	Aug	4.2%	4.2%	4.3%	—
Average Hourly Earnings YoY	Aug	3.7%	3.8%	3.6%	—
JOLTS Job Openings	Aug	7693k	8040k	7673k	7711k
PPI Final Demand MoM	Aug	0.1%	0.2%	0.1%	0.0%
PPI Final Demand YoY	Aug	1.7%	1.7%	2.2%	2.1%
PPI Ex Food and Energy MoM	Aug	0.2%	0.3%	0.0%	-0.2%
PPI Ex Food and Energy YoY	Aug	2.4%	2.4%	2.4%	2.3%
CPI MoM	Aug	0.2%	0.2%	0.2%	—
CPI YoY	Aug	2.5%	2.5%	2.9%	—
CPI Ex Food and Energy MoM	Aug	0.2%	0.3%	0.2%	—
CPI Ex Food and Energy YoY	Aug	3.2%	3.2%	3.2%	—

Event	Period	Estimate	Actual	Prior	Revised
Retail Sales Ex Auto and Gas	Aug	0.3%	0.2%	0.4%	—
Industrial Production MoM	Aug	0.2%	0.8%	-0.6%	-0.9%
Building Permits	Aug	1410k	1475k	1396k	1406k
Housing Starts	Aug	1318k	1356k	1238k	1237k
New Home Sales	Aug	700k	716k	739k	751k
Existing Home Sales	Aug	3.90m	3.86m	3.95m	3.96m
Leading Index	Aug	-0.3%	-0.2%	-0.6%	—
Durable Goods Orders	Aug P	-2.6%	0.0%	9.8%	9.9%
GDP Annualized QoQ	2Q T	2.9%	3.0%	3.0%	—
U. of Mich. Sentiment	Sept P	68.5	69.0	67.9	—
Personal Income	Aug	0.4%	0.2%	0.3%	—
Personal Spending	Aug	0.3%	0.2%	0.5%	—
S&P CoreLogic CS 20-City YoY NSA	July	5.90%	5.92%	6.47%	6.54%

Source: Bloomberg; P=Preliminary, T=Third Reading

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Benchmark Review & Monthly Recap



Past performance is not indicative of future results. The opinions referenced are as of the date of publication and are subject to change due to changes in the market or economic conditions and may not necessarily come to pass. Material presented has been derived from sources considered to be reliable and has not been independently verified by us or our personnel. Nothing herein should be construed as a solicitation, recommendation or an offer to buy, sell or hold any securities, other investments or to adopt any investment strategy or strategies. Investors must make their own decisions based on their specific investment objectives and financial circumstances. Investing involves risk, including loss of principal.

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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.

Fixed income 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), and extension (principal repayments may not occur as quickly as anticipated, causing the expected maturity of a security to increase).

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 value of investments, and the income from them, can go down as well as up and you may get back less than the amount invested.

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.

JOLTS is a monthly report by the Bureau of Labor Statistics (BLS) of the U.S. Department of Labor counting job vacancies and separations, including the number of workers voluntarily quitting employment.

The Core Consumer Price Index (CPI) is a measure of the average change over time in the prices paid by urban consumers for a market basket of consumer goods and services

The Core 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 PCE price index, released each month in the Personal Income and Outlays report, reflects changes in the prices of goods and services purchased by consumers in the United States.

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 Dow Jones Industrial Average® (The Dow®), is a price-weighted measure of 30 U.S. blue-chip companies. The index covers all industries except transportation and utilities.

The Bloomberg Barclays 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 prerefunded bonds.

The Bloomberg US Treasury Index measures US dollar-denominated, fixed-rate, nominal debt issued by the US Treasury. Treasury bills are excluded by the maturity constraint, but are part of a separate Short Treasury Index.

The NASDAQ Composite is a stock market index of the common stocks and similar securities listed on the NASDAQ stock market.

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.

The S&P 500® Equal Weight Index (EWI) is the equal-weight version of the widely-used S&P 500. The index includes the same constituents as the capitalization weighted S&P 500, but each company in the S&P 500 EWI is allocated a fixed weight or 0.2% of the index total at each quarterly rebalance.

The University of Michigan Consumer Sentiment Index rates the relative level of current and future economic conditions. There are two versions of this data released two weeks apart, preliminary and revised. The preliminary data tends to have a greater impact. The reading is compiled from a survey of around 500 consumers.

The Russell 1000 Index is a stock market index that tracks the highest-ranking 1,000 stocks in the Russell 3000 Index, which represent about 93% of the total market capitalization of that index.

The Russell 2000 Index is a small-cap stock market index that represents the bottom 2,000 stocks in the Russell 3000.

The Russell 3000 Index measures the performance of the 3,000 largest U.S. companies based on total market capitalization, which represents approximately 98% of the investable U.S. equity market.

Nonfarm payrolls (NFPs) are the measure of the number of workers in the United States excluding farm workers and workers in a handful of other job classifications.

A municipal bond, commonly known as a muni, is a bond issued by state or local governments, or entities they create such as authorities and special districts.

The CBOE Volatility Index (VIX) is a real-time index that measures the expected volatility of the S&P 500 over the next 30 days.

The U.S. Treasury index is based on the recent auctions of U.S. Treasury bills. Occasionally it is based on the U.S. Treasury's daily yield curve.

The 30 Year Treasury Rate is the yield received for investing in a US government issued treasury security that has a maturity of 30 years.

The Bloomberg Barclays 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 Bloomberg Barclays U.S. Credit Index measures the investment grade, U.S. dollar denominated, fixed-rate taxable corporate and government related bond markets.

The Bloomberg Aggregate Bond Index or "the Agg" is a broad-based fixed-income index used by bond traders and the managers of mutual funds and exchange-traded funds (ETFs) as a benchmark to measure their relative performance.

The Bloomberg US Trsy Bellwethers 30Y is a U.S. Treasury debt obligation that has a maturity of 30 years.

The ISM Non-Manufacturing Index is an index based on surveys of more than 400 non-manufacturing firms' purchasing and supply executives, within 60 sectors across the nation, by the Institute of Supply Management (ISM). The ISM Non-Manufacturing Index tracks economic data, like the ISM Non-Manufacturing Business Activity Index. A composite diffusion index is created based on the data from these surveys, that monitors economic conditions of the nation.

ISM Manufacturing Index measures manufacturing activity based on a monthly survey, conducted by Institute for Supply Management (ISM), of purchasing managers at more than 300 manufacturing firms.

The MSCI Emerging Markets Index captures large and mid cap representation across 27 Emerging Markets (EM) countries.

The MSCI ACWI ex USA Index captures large and mid cap representation across 22 of 23 Developed Markets (DM) countries (excluding the US) and 27 Emerging Markets (EM) countries*. With 2,359 constituents, the index covers approximately 85% of the global equity opportunity set outside the US

The S&P CoreLogic Case-Shiller 20-City Composite Home Price NSA Index seeks to measure the value of residential real estate in 20 major U.S. metropolitan areas. The U.S. Treasury index is based on the recent auctions of U.S. Treasury bills. Occasionally it is based on the U.S. Treasury's daily yield curve.

The Leading Economic Index provides an early indication of significant turning points in the business cycle and where the economy is heading in the near term.

In the United States, the Core Personal Consumption Expenditure Price (CPE) Index provides a measure of the prices paid by people for domestic purchases of goods and services, excluding the prices of food and energy.

The Conference Board's Leading Indexes are the key elements in an analytic system designed to signal peaks and troughs in the business cycle. The leading, coincident, and lagging economic indexes are essentially composite averages of several individual leading, coincident, or lagging indicators. They are constructed to summarize and reveal common turning point patterns in economic data in a clearer and more convincing manner than any individual component – primarily because they smooth out some of the volatility of individual components.

Gross domestic product (GDP) is the standard measure of the value added created through the production of goods and services in a country during a certain period.

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