Benchmark Review
& Monthly Recap

Highlights

Stocks started the month strongly with the three major U.S. equity indices putting in new all-time highs – a bit of a broken record here. However, stocks paused later in the month, which ultimately led to declines for October.

After a five-month winning streak, bonds fell rather sharply in October and yields surged higher. Year to date returns remained positive for most bond sectors, but October put a dent in those results. The 10-year U.S. Treasury yield ended September at 3.81% but rose to close October at 4.28%. The last 4%+ yield for the 10-year U.S. Treasury prior to October was seen in late July.

The U.S. economy continued to grow with some signs of slowing, but also showed some signs of resiliency. The ISM Manufacturing Index remained below 50 in September, but the Non-Manufacturing Index rose more than expected to 54.9. Job market activity has slowed recently, but September data showed strength with over 100,000 more jobs added than expected and the unemployment rate dropping to 4.1%.

October was the last month of 2024 without an FOMC meeting, and the market is still anticipating additional cuts at the final two meetings of 2024. With recent strength in economic data, the expected pace of rate cuts has slowed modestly with the expected Fed Funds target between 3.50%-3.75% by December 2025. (Per the CME FedWatch tool as of 10/31/24.)

Weak Second Half of the Month Sends Stocks Lower; Bonds Struggle with Rates Moving Higher

Equity Markets

After the major U.S. equity indices posted new all-time highs early in the month, stocks slid lower to close out October in negative territory. Large-cap growth held up the best in what was a challenging month. See **Table 1** for equity results for October 2024, year to date, and calendar year 2023.

Table 1.

Index	Oct 2024	YTD	2023
S&P 500	-0.91%	20.97%	26.29%
S&P 500 Equal Weight	-1.63%	13.29%	13.87%
DJIA	-1.26%	12.50%	16.18%
Russell 3000	-0.73%	19.75%	25.96%
NASDAQ Comp.	-0.49%	21.24%	44.64%
Russell 2000	-1.44%	9.56%	16.93%
MSCI ACWI ex U.S.	-4.91%	8.61%	15.62%
MSCI Emerging Mkts Net	-4.45%	11.66%	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 stock market that occurred in the third quarter paused as large-cap growth had better relative results in October, but those results were still negative. After such a strong run in stocks, seeing a modest pause in gains is not unexpected and year-to-date results are still very strong.

Emerging markets had some of the best monthly results in September, advancing over 6.6%, but posted some of the worst monthly results in October, ending down almost 4.5%. International stocks in general struggled as well in October as the MSCI ACWI ex US lost nearly 5%, which pushed year-to-date returns back to single digits. Small-caps, despite some impressive returns in the third quarter, dropped in October and they too fell back to single-digit returns year to date.

Despite weakness in October, stocks have enjoyed solid gains in 2024 led by large-caps and growth, but with broad participation in U.S. equities. International stocks have lagged the U.S., repeating a pattern of recent years.

Fixed Income

After hitting the highest level of the year in April, the 10-year U.S. Treasury yield declined for five months setting up a better backdrop for bonds. However, in October, the 10-year yield rose to its highest level since the summer. The 10-year U.S. Treasury yield ended September at 3.81%, but rose to close October at 4.28%. This sharp rise in yields put pressure on bond prices during the month and returns struggled. Once again, the area that stood out was high-yield bonds,

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which only fell marginally as they are less interest rate sensitive compared to other areas of the bond market. See **Table 2** for fixed income index returns for October 2024, year to date, and calendar year 2023.

Table 2.

Index	Oct 2024	YTD	2023
Bloomberg U.S. Agg	-2.48%	1.86%	5.53%
Bloomberg U.S. Credit	-2.41%	2.69%	8.18%
Bloomberg U.S. High Yld	-0.54%	7.42%	13.44%
Bloomberg Muni	-1.46%	0.81%	6.40%
Bloomberg 30-year U.S. TSY	-5.42%	-4.07%	1.93%
Bloomberg U.S. TSY	-2.38%	1.36%	4.05%

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Declines in October had a significant impact on the overall year-to-date results for most bond sectors. The more rate sensitive sectors (like 30-year U.S. Treasuries) were hit hardest by this jump in rates. High yield bonds have had a steadier run this year as they often follow what is happening with stocks, and they have been the leaders in 2024 for the bond market.

At the start of the year, we said we thought 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 was lower since those April highs but that reversed in October. We believe Fed rate cuts will impact the front end of the yield curve more dramatically, but that the general trend will be for rates to move lower. We continue to anticipate elevated volatility in bonds as we move through the election and the market adjusts to the pace of the Fed rate cut cycle as it develops.

We maintain our long-standing position favoring credit versus pure rate exposure in this interest rate environment 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 believe we are seeing some of the best bond yields in years. The move higher in rates in October only adds to that thinking. In our opinion, having an active bond management approach makes sense in these volatile times.

Economic Data Highlights and Outlook

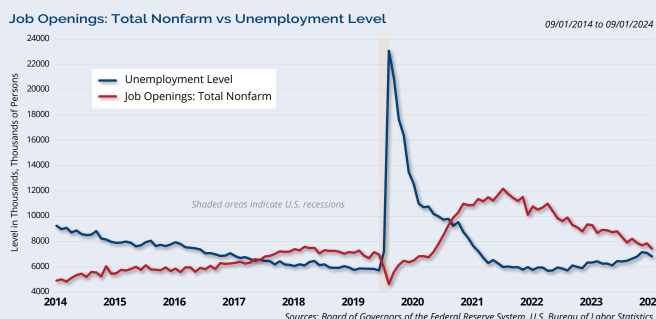
The soft-landing scenario seems to be developing in the U.S. economy, but recent strength in economic data has had some prognosticators calling for "no-landing." Data released in October (largely covering September), continued to point to a growing economy. The first or advanced reading of Q3 2024 GDP came in at 2.8% annualized growth, slightly below expectations of 2.9%, but the personal consumption component surpassed expectations reflecting ongoing spending by U.S. consumers.

The Atlanta Fed GDPNow estimate for economic growth (as of October 31) shows the economy running at an estimated 2.7% annualized growth rate for the fourth 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 was strong for September. Non-farm payrolls grew by 254,000 in September, easily surpassing estimates of 150,000. The unemployment rate unexpectedly fell to 4.1% as well, when it was supposed to remain at 4.2%. (Job additions were weak in October but much of that weakness was attributed to the strike at Boeing and the recent hurricanes. The unemployment rate stayed at 4.1%.) Generally, we have seen some moderation in the job market, which is not unexpected following a rate-tightening cycle, but September reflected some resiliency in the job market as well.

Job openings data has been volatile the last two months. Job openings surged back above 8 million in August, which was well above expectations of just under 7.7 million and the prior reading of just over 7.7 million. However, those openings fell to 7.443 million in September, which was below the 8 million expected and the prior month reading was revised down to 7.861 million. The trend in job openings continues to move lower, but with some volatility. **Chart 1** shows the number of unemployed people in the U.S. compared to job openings and how this gap has narrowed over the last couple of years, but openings still outnumber the unemployed.

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. 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, but that it will still grow in 2024 and

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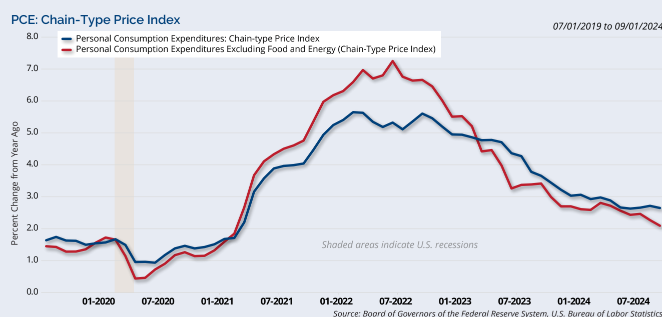
into 2025 resulting in a "soft landing." Even if a recession developed, we believe it would be mild due to the strength of the consumer. We believe opportunities exist in the stock and bond markets under either a slow growth or mild recession scenario, but we believe the odds currently favor a soft landing.

The other side of the Fed's dual mandate, price stability, has improved but the September data was a bit mixed. The Consumer Price Index (CPI) rose by 0.2% in September, modestly higher than the 0.1% expectation and the year-over-year CPI was at 2.4%. This was an improvement (lower) from last month but was 0.1% above expectations. The core CPI reading was modestly higher for the month compared to expectations (0.3% vs.0.2% expected), and the annual increase at 3.3% was 0.1% higher than expectations and the prior month.

The headline Producer Price Index (PPI) was flat for the month, better than the expected 0.1% increase. The core PPI was in-line with expectations for the month. However, the year-over-year increases for headline and core PPI at 1.8% and 2.8%, respectively, were both 0.2% higher than expectations and prior month readings were revised higher as well. 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 2.1% in September after a monthly increase of 0.2% - both matched expectations. The core PCE reading (the reading the Fed targets) was modestly higher than expected at 2.7% compared to estimates of 2.6%, but the monthly increase of 0.3% was as expected.

We do not expect inflation numbers (or other economic data for that matter) to move in just one direction and some volatility along the way is usual. We still contend inflation continues to improve and move lower overall. **Chart 2** shows the headline and core PCE Price Indices continuing to trend lower.

Chart 2



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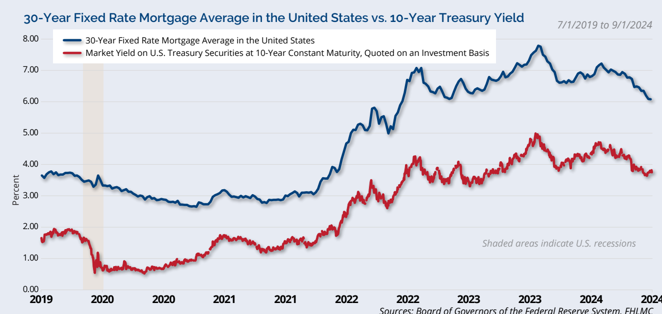
With inflation improving and the job market showing some recent weakening, the Fed took action and cut the Fed Funds Target Rate by 50 basis points in September. This was the first rate cut by the Fed since the pandemic in 2020. As stronger economic data came in during October, the market began to price in a modestly slower rate cutting cycle.

Per the CME FedWatch tool (as of 10/31/24), the market is pricing in a 69.8% chance that the Fed will cut rates twice before the end of the year and by December 2025, the odds favor the Fed Funds Rate to be in the range of 3.5%-3.75%, indicating 5 cuts from now through the end of 2025. While subject to change, this data point gives us an indication of how the market is looking at, and pricing in, Fed rate cuts over the next year or so.

As interest rates have been volatile, so have mortgage rates, and the housing market reflects a mixed environment as well. Housing starts were ahead of expectations in September, but building permits fell short of estimates and both declined from August levels. Existing home sales declined from August and were lower than expected, but new home sales surpassed expectations and improved from last month. The S&P CoreLogic 20-City Index of home prices rose by 5.20% for the year through August, ahead of expectations of 5.10% but below the prior month's annual increase of 5.93%.

With rates moving up sharply in October, it would not be a surprise if this took some wind out of the sails of the housing market over the last month. Mortgage rates tend to follow what is happening with the 10-year U.S. Treasury so that has likely been a recent headwind to the overall housing market. We will have to monitor data released in November to see how housing has reacted to higher recent rates. **Chart 3** shows a measure of 10-year U.S. Treasury yields and the 30-year average fixed rate mortgage.

Chart 3



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The ISM indices were mixed in September. The ISM Manufacturing Index stayed the same at 47.2 compared to the prior month, when it was expected to improve modestly to 47.5. (It disappointed once again in October with a reading of 46.5 compared to expectations of 47.6.) Manufacturing continues to clearly be in contraction mode. The ISM Non-Manufacturing Index, which covers the much larger service industries in the U.S. economy, had a solid

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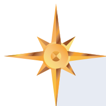

bounce back in September to 54.9. Expectations were calling for a modest improvement to 51.7 from the August level of 51.5, so the reading easily surpassed those data points. Recall for the ISM Indices that readings above 50 indicate expansion and those below 50 signal contraction.

Retail sales (ex. auto and gas) had a 0.7% monthly gain in September and were well ahead of expectations of 0.3% growth, once again indicating that consumers are still spending. The preliminary University of Michigan Sentiment reading for October dropped modestly to 68.9 compared to the prior reading of 70.1 and was below expectations of 71.0. The Conference Board's Leading Index has now declined for 7 straight months. For September, it fell -0.5%, which was more than the -0.3% expectation. Clearly, the Leading Economic Indicators Index has not been a good predictor of the way the U.S. economy has acted as the economy has continued to grow over the last couple of years.

Equity markets continued to make strides during the first part of October reaching new all-time highs, but that gave way to some weakness to close out the month. (Exacerbated by a rather strong sell-off on Halloween.) Interest rates rose steadily throughout the month as economic data was rather strong, resulting in a potentially slower rate cut cycle than some had initially thought.

Overall, for the first time in several months, October was a challenging period for both stocks and bonds. Volatility, as measured by the VIX Index, reflected increased anxiety as we headed toward the election closing the month above 23 – the highest closing level since early August, but not too surprising with the strength stocks have enjoyed this year and an election looming.

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 with earnings expected to grow and an economy expected to grow as well. We noted and acknowledged last month that, "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," which could "spur volatility." That is indeed what we have seen. However, 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

Our primary credit risk management models have remained bullish on the markets and risk-on since 11/6/2023. As a result, our Fixed income Total Return strategy has remained invested in high yield and our Global Tactical strategy has remained invested in global equity. From 11/6/23 to 10/31/24, just shy of one year, the S&P 500 advanced 32.5%, the Russell 2000 Index advanced 28.2%, the MSCI ACWI ex-US Index advanced 18.2%, the Bloomberg US Corporate High Yield Index advanced 13.7%, and the Bloomberg 7-10 Year Treasury Index is up 7.2%. It has been a good period to remain fully invested as our models have done so.

Clark Capital's Bottom-Up, Fundamental Strategies

The first rate cut of the new monetary easing cycle occurred on September 18th, and since then the economy has performed well and contrary to normal behavior, yields have risen reflecting concerns regarding the federal debt and deficit, and concerns that inflation will edge higher. The 10-year U.S. Treasury yield climbed from a low of 3.6% on 9/16 to 4.28%, a rise of 68 basis points in just a month and a half. The Fed is expected to cut interest rates by another 0.25% at their FOMC meeting on 11/7, just two days after the Presidential Election.

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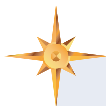

Economic Data

Event	Period	Estimate	Actual	Prior	Revised
ISM Manufacturing	Sept	47.5	47.2	47.2	—
ISM Services Index	Sept	51.7	54.9	51.5	—
Change in Nonfarm Payrolls	Sept	150k	254k	142k	159k
Unemployment Rate	Sept	4.2%	4.1%	4.2%	—
Average Hourly Earnings YoY	Sept	3.8%	4.0%	3.8%	3.9%
JOLTS Job Openings	Sept	8000k	7443k	8040k	7861k
PPI Final Demand MoM	Sept	0.1%	0.0%	0.2%	—
PPI Final Demand YoY	Sept	1.6%	1.8%	1.7%	1.9%
PPI Ex Food and Energy MoM	Sept	0.2%	0.2%	0.3%	—
PPI Ex Food and Energy YoY	Sept	2.6%	2.8%	2.4%	2.6%
CPI MoM	Sept	0.1%	0.2%	0.2%	—
CPI YoY	Sept	2.3%	2.4%	2.5%	—
CPI Ex Food and Energy MoM	Sept	0.2%	0.3%	0.3%	—

Event	Period	Estimate	Actual	Prior	Revised
CPI Ex Food and Energy YoY	Sept	3.2%	3.3%	3.2%	—
Retail Sales Ex Auto and Gas	Sept	0.3%	0.7%	0.2%	0.3%
Industrial Production MoM	Sept	-0.2%	-0.3%	0.8%	0.3%
Building Permits	Sept	1460k	1428k	1475k	1470k
Housing Starts	Sept	1350k	1354k	1356k	1361k
New Home Sales	Sept	720k	738k	716k	709k
Existing Home Sales	Sept	3.88m	3.84m	3.86m	3.88m
Leading Index	Sept	-0.3%	-0.5%	-0.2%	-0.3%
Durable Goods Orders	Sept P	-1.0%	-0.8%	0.0%	-0.8%
GDP Annualized QoQ	3Q A	2.9%	2.8%	3.0%	—
U. of Mich. Sentiment	Oct P	71.0	68.9	70.1	—
Personal Income	Sept	0.3%	0.3%	0.2%	—
Personal Spending	Sept	0.4%	0.5%	0.2%	0.3%
S&P CoreLogic CS 20-City YoY NSA	Aug	5.10%	5.20%	5.92%	5.93%

Source: Bloomberg; A=Advance, P=Preliminary

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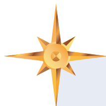

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Clark Capital Management Group is an investment adviser registered with the U.S. Securities and Exchange Commission. Registration does not imply a certain level of skill or training. More information about Clark Capital Management Group's advisory services can be found in its Form ADV which is available upon request.

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 measures 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.

CCM-993