



Relative Strength

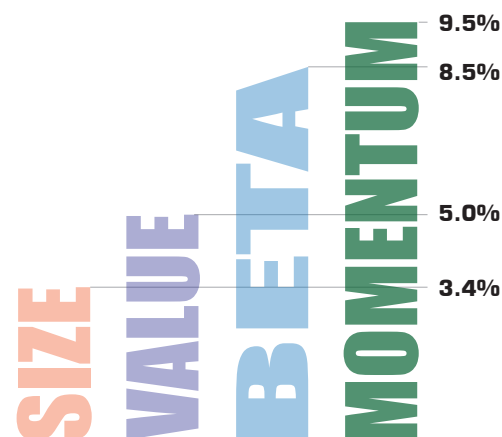
An Influential Factor for Alpha

The Role of Momentum

Numerous studies support the effectiveness of relative strength when used as an investment methodology. Widely recognized and cited are the important research contributions made by Nobel prize winning economist Eugene Fama and Dartmouth professor Kenneth French.

The pair performed a thorough study of investment factors, analyzing investment returns from 1927 through 2014. They found sizable annualized premiums for four different factors: size at 3.4%, value at 5.0%, beta at 8.4%, and momentum, the largest premium, at 9.5%¹.

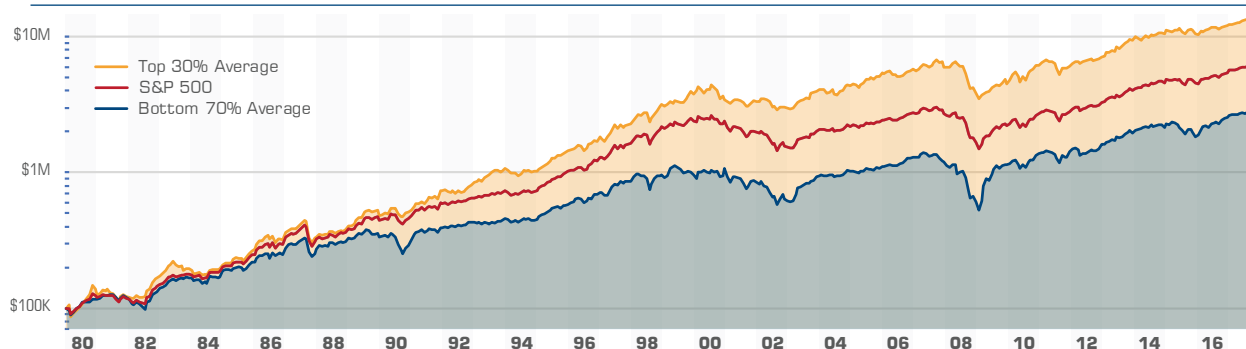
Fama and French stated, “The premier anomaly is momentum: stocks with low returns over the last year tend to have low returns while stocks with high past returns tend to have higher future returns.”²



Of the four investment factors studied, momentum delivered consistent outperformance.

Illustrating this finding, the chart below shows the average monthly return of the bottom 70% of S&P 500 stocks based on momentum from calendar years 1980 through 2017 compared to the average monthly return of the top 30% of stocks during the same time period. The top 30% of stocks consistently exhibited outperformance and a favorable risk return profile compared to the bottom 70%.

Investment Growth (1/1/1980 to 12/31/2017)



	Return	Std Dev	Beta	Sharpe Ratio	R2	Alpha
Fama French Top 30%	14.36	16.63	1.01	0.62	81.55	2.49
Fama French Bottom 70%	9.45	17.89	1.09	0.34	80.96	-2.34
S&P 500	11.8	14.82	1.00	0.53	100.00	0.00

Source: Morningstar Direct

The Anatomy of Relative Strength

Relative strength focuses on the “premier anomaly” of momentum identified by Fama and French. It is a momentum-based, quantitative approach to investing, which compares the price action of a single security or asset class against all other investment vehicles in its category. Over time, it identifies outperforming and underperforming trends and seeks to exploit those trends.

Potential Advantages of a Relative Strength Strategy

- Relative strength has been shown to produce better risk-adjusted returns over time compared to its universe.
- It is a quantitative investment process employing historical data that is not affected by emotion or personal bias.
- It allows price movements of global markets to determine trends, providing definable entry and exit points for trades.
- It is objective and can adapt to new market themes as they emerge.
- When combined with a fundamental approach, relative strength may improve diversification.

Clark Capital utilizes a disciplined relative strength approach across equity, fixed income, and multi-asset strategies. This disciplined process directs us to the areas of the market that are exhibiting positive relative strength rather than trying to predict or forecast those areas.

For more information about incorporating relative strength into your investment offerings, call 800.766.2264 and ask to speak with a Relationship Manager, and download our [Whitepaper, Relative Strength: A Valued Investment Factor](#).

¹Kenneth French Data Library. Available at http://mba.tuck.dartmouth.edu/pages/faculty/ken.french/Data_Library/det_mom_factor.html

²Quoted in Carlson, Ben. "Momentum Investing Has a Place in Portfolios." October 24, 2017. (Retrieve from <https://www.bloomberg.com/view/articles/2017-10-24/momentum-investing-has-a-place-in-portfolios>)

Clark Capital reserves the right to modify its current investment strategies based on changing market dynamics and client needs. This is not a recommendation to buy or sell a security or to adopt a particular investment strategy. There is no assurance that any securities, sectors, or industries discussed herein will be included in or excluded from an account's portfolio at the time you receive this report. It should not be assumed that any of the investment recommendations or decisions we make in the future will be profitable or will equal the investment performance of the securities discussed herein. All recommendations for the last 12 months are available upon request.

The opinions expressed are those of the Clark Capital Management Group Investment Team. 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. There is no guarantee of the future performance of any Clark Capital investment portfolio. Material presented has been derived from sources considered to be reliable, but the accuracy and completeness cannot be guaranteed. 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. For educational use only. This information is not intended to serve as investment advice. This material is not intended to be relied upon as a forecast or research. The investment or strategy discussed may not be suitable for all investors. Investors must make their own decisions based on their specific investment objectives and financial circumstances. Past performance does not guarantee future results.

Clark Capital Management Group, Inc. 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's advisory services can be found in its Form ADV which is available upon request.

The S&P 500 measures the performance of the 500 leading companies in leading industries of the U.S. economy, capturing 75% of U.S. equities. The volatility (beta) of an account may be greater or less than an index. It is not possible to invest directly in an index.

The relative strength measure is based on historical information and should not be considered a guaranteed prediction of market activity. It is one of many indicators that may be used to analyze market data for investing purposes. The relative strength measure has certain limitations such as the calculation results being impacted by an extreme change in a security price.

CCM-1065