November 2024

Benchmark Review
& Monthly Recap

Highlights

After stumbling in October, stocks rallied sharply in November, particularly following the election's clear outcome, which many had feared would not be the case. Record highs were set across the major U.S. equity indices with even the Russell 2000 hitting its first record high since 2021.

Yields had surged higher in October and those increases continued in the first part of November. However, the 10-year U.S. Treasury yield declined to close out the month. After closing October at 4.28%, the 10-year U.S. Treasury ended November at 4.18% — down from a 4.44% close on November 13.

The U.S. economy continued to be resilient. Although the ISM manufacturing index remained below 50 in October, the non-manufacturing index surged to 56, showing ongoing strength in the service sector. The unemployment rate held steady at 4.1%. The U.S. economy continues to expand.

The FOMC met in early November and cut rates by 25 basis points as expected. The expected pace of rate cuts has slowed with the expected Fed Funds target between 3.75%-4.00% by December 2025. (Per the CME FedWatch tool as of 12/2/24.)

Stocks Rally Following Election; Bonds Make Late-Month Gains

Equity Markets

New all-time highs were achieved for the major U.S. equity indices in November. The Russell 2000 Index even participated, passing its prior high from 2021 after market leading monthly gains. See **Table 1** for November 2024, YTD, and calendar year 2023 results.

Table 1.

Index	Nov 2024	YTD	2023
S&P 500	5.87%	28.07%	26.29%
S&P 500 Equal Weight	6.42%	20.56%	13.87%
DJIA	7.74%	21.21%	16.18%
Russell 3000	6.65%	27.71%	25.96%
NASDAQ Comp.	6.29%	28.86%	44.64%
Russell 2000	10.97%	21.58%	16.93%
MSCI ACWI ex U.S.	-0.91%	7.62%	15.62%
MSCI Emerging Mkts Net	-3.59%	7.65%	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 broadening of the stock market gains that occurred in the third quarter resumed in November after a brief pause in October. U.S. stocks rallied sharply following the election after a definitive win by President-Elect Trump when many feared the outcome would be much less clear. Small caps, as measured by the Russell 2000 Index, led the charge boosted to a degree by the potential for less regulation and higher tariff expectations, which can benefit smaller, domestic-focused companies. However, the rally was broad-based with all major U.S. equity indices achieving new all-time highs and showing strong year-to-date returns (all U.S. indices tracked on Table 1 are up over 20% so far this year).

International stocks did not fare as well (likely due to the same tariff talk and the strengthening dollar) as both developed and emerging market equities declined. International stocks have clearly underperformed U.S. stocks, but, with some perspective, both of those indices still show gains of around 7.6% year to date, not a disaster by any measure.

Fixed Income

A late-month decline in rates helped push most bond indices into positive territory for the month. After dropping steadily through the third quarter, rates moved up rather sharply in anticipation of the election and continued to move higher through the first part of November. However, the 10-year U.S Treasury yield slid lower late in the month to end November at a lower level (4.18%) than October's close (4.28%).

This is not a recommendation to buy or sell a particular security. Please see attached disclosures.

Rates and bonds have been volatile over the last couple of months digesting a presidential election, a Fed that will likely slow the pace of rate cuts, and rather strong economic data. See **Table 2** for fixed income index returns for November 2024, YTD, and calendar year 2023.

Table 2.

Index	Nov 2024	YTD	2023
Bloomberg U.S. Agg	1.06%	2.93%	5.53%
Bloomberg U.S. Credit	1.27%	3.99%	8.18%
Bloomberg U.S. High Yld	1.15%	8.66%	13.44%
Bloomberg Muni	1.73%	2.55%	6.40%
Bloomberg 30-year U.S. TSY	2.01%	-2.14%	1.93%
Bloomberg U.S. TSY	0.78%	2.15%	4.05%

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Although the rise in rates in October still had a significant negative impact on year-to-date results for most bond sectors, some of that reversed in November. The more rate sensitive sectors (like 30-year U.S. Treasuries) bounced back the strongest, but still had the worst results year to date. High-yield bonds have been steadier this year as they often follow what is happening with stocks, and they have clearly been the leaders in 2024 for the bond market. (Our tactical fixed income strategy just passed the one-year anniversary of allocating to high-yield, a position we entered in early November 2023 and we continue to maintain that exposure as of this writing.)

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 as rates shot higher, only to decline once again in late November. We believe Fed rate cuts will push interest rates lower, with the most dramatic move being in shorter maturities.

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, despite recent elevated volatility. Furthermore, we believe that bond yields remain attractive, and we are seeing some of the best bond yields in years, especially with the recent increase in rates. In our opinion, having an active bond management approach makes sense in these volatile times.

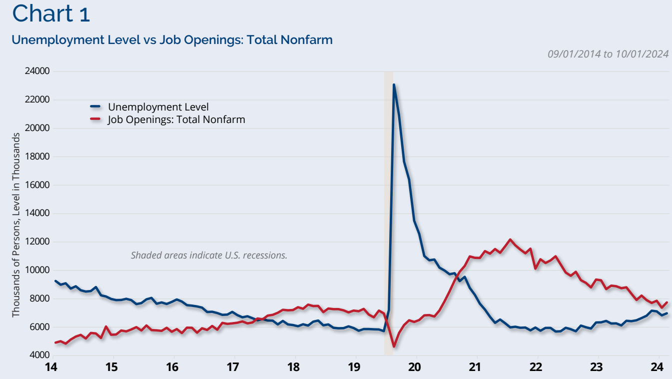
Economic Data Highlights and Outlook

The U.S. economy has remained resilient, and some prognosticators are now calling for "no-landing" versus a soft-landing scenario. Economic data continues to point to growth and an economy that is on solid footing – we believe a recession is a low probability event at this point. Data released in November (largely covering October), continued to point to a growing economy. The second reading of Q3 2024 GDP came in at 2.8% annualized growth, which was as expected and matched the initial Q3 GDP report. The Atlanta Fed GDPNow estimate for economic growth (as of 12/2/24) shows the economy running at a 3.2% estimated 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 mixed in October, but it was a rather "noisy" employment situation report. Non-farm payrolls grew by a mere 12,000, well below estimates of 100,000; however much of that weakness was attributed to the strike at Boeing and the impact of hurricanes in October. The unemployment rate remained at 4.1% as expected. Generally, we have seen some moderation in the job market, which is not unexpected following a rate-tightening cycle. 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 lower. (October is yet to be released.) 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 continues to narrow.

Chart 1



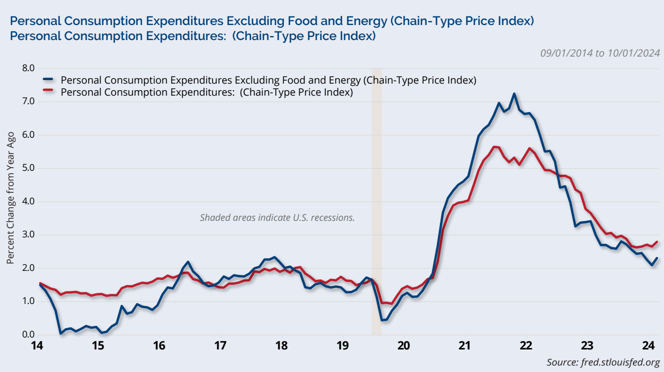
For illustrative purposes only. Past performance is not indicative of future results.

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 cutting 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 into 2025, resulting in the U.S. avoiding a recession. Even if a recession developed (a low probability event in our opinion), 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, was largely in line with expectations in October. The primary measure of consumer prices, the consumer price index (CPI) and the personal consumption expenditures (PCE) price index matched expectations across the board. Month-over-month and year-over-year changes on both a headline and core basis were in-line with estimates for both readings, however both indices did show a higher year-over-year change compared to the prior month. (One exception was the core CPI yearly increase, which was 3.3% and matched the prior month's annual gain).

The headline producer price index (PPI) matched expectations for the month, but the annual increase of 2.4% was above the expected 2.3% reading. The core PPI increased 0.3% for the month and 3.1% for the year in October and both of those readings were 0.1% above expectations. Both readings were also higher than last month's on an annual basis. On a month-to-month basis, there can be some volatility with inflation readings, especially as it pertains to what month has now dropped off the 12-month readings, but we continue to believe inflation data is trending lower and continues to improve. **Chart 2** shows the headline and core PCE Price Indices trending lower.

Chart 2



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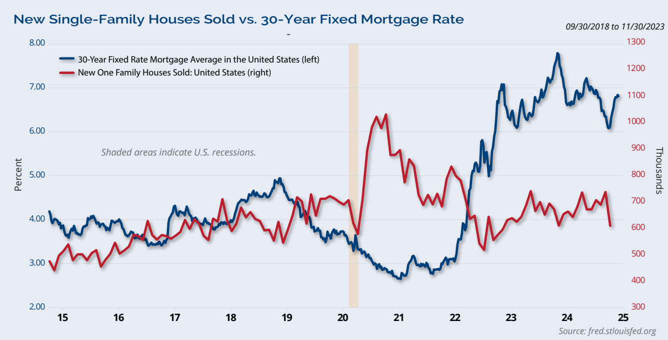
With inflation improving and the job market showing some weakening, the Fed has begun a rate-cutting cycle. Per the CME FedWatch tool (as of 12/2/24), the market is pricing in about a 64% chance that the Fed will cut rates at the final December FOMC meeting. However, the odds favor the Fed Funds Rate to be in the range of 3.75%-4.00% by December 2025, indicating only three more cuts from now through the end of 2025 and only two cuts in 2025 should they cut rates next month. While subject to change, this data point gives us an indication of how the market is looking at, and pricing in, Fed rate cuts through next year.

As interest rates have been volatile, so have mortgage rates, and the housing market reflects a mixed environment as well. Housing starts and building permits both missed estimates in October and declined from September levels. New home sales dropped sharply to a 610,000 annual pace compared to expectations of 725,000 and the prior month of 738,000. Existing home sales slightly beat expectations and improved from the prior month. The S&P CoreLogic 20-City Index of home prices rose by 4.57% for the year through September, missing estimates of 4.70% and lower than the prior month's annual increase of 5.21%.

With rates moving up sharply in October and early November, it is not a surprise that this took some of the 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, but with some late-month improvement. **Chart 3** shows the 30-year average fixed rate mortgage and new home sales — as rates spiked higher in October, new home sales slumped.

Chart 3



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The ISM indices were mixed in October. The ISM Manufacturing Index disappointed once again with a reading of 46.5 compared to expectations of 47.6. Manufacturing continues to clearly be in contraction mode. However, the ISM Non-Manufacturing Index, which covers the much larger service industries in the U.S. economy, continued to bounce back and it rose to 56.0, compared to expectations of 53.8 and the prior month's reading of 54.9. Recall for the ISM Indices that readings above 50 indicate expansion and those below 50 signal contraction. Service activity has improved in recent months, while manufacturing continues to flounder.

Retail sales (ex. auto and gas) at a 0.1% monthly gain in October were behind expectations of 0.3% growth, but the prior month's original reading of a solid 0.7% gain was increased to a strong 1.2% improvement. The preliminary University of Michigan Sentiment reading for November improved to 73.0 compared to the prior reading of 70.5 and expectations of 71.0. The Conference Board's Leading Index has now declined for 8 straight months. For October, it fell -0.4%, 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.

The U.S. presidential election, which had been a central concern for much of the year, passed without much anxiety for the capital markets. The clear election outcome allowed markets to refocus on an expanding U.S. economy, corporate earnings growth, inflation that is improving, and a Fed that is cutting rates. That fundamental backdrop for stocks is solid and markets reflected that by rallying after the unknown of the presidential election was over. President-Elect Trump has clearly talked about higher tariffs, which has had some impact in the market with rates moving higher with an expectation that tariffs might be inflationary. However, we believe it is too early to tell what the ultimate tariffs will be and their potential impact, although we are watching those developments closely. Interest rates paused their recent move higher late in November as the market might be recalibrating a more appropriate level for rates.

As markets are hitting all-time highs, we know historically that the first part of December can be a bit bumpy for stocks prior to the historical late-December "Santa Claus Rally." We know history does not need to repeat itself, but seeing some volatility come back into the market would not be a surprise given how strong a year it has been for stocks, especially following the post-election rally. The good news is that currently, earnings expectations for 2024 and 2025 are for double-digit growth, but that is subject to revision. Over the long run, we believe company earnings drive stock prices, so we like that fundamental backdrop. 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.

Clark Capital's Top-Down, Quantitative Strategies

Eleven months down, one to go... The market is trading at new all-time highs. High-yield indices are also at new all-time highs, credit conditions are firm, the economy is robust, unemployment is low, and inflation continues to moderate.

As we look toward year-end, the market typically pauses slightly in the first half of December before advancing in the latter half of the month—a pattern known as the "Santa Claus Rally." The Federal Reserve meets on December 18th, and the market is currently pricing in a 65% chance of another rate cut. If they cut again, it would mark the equivalent of a fourth 25-basis-point cut this year, aligning with our expectations entering 2023.

Clark Capital's Bottom-Up, Fundamental Strategies

Post the U.S. presidential election, U.S. equities experienced their best month of the year and are on track to deliver the best annual performance for the S&P 500 in 25 years, with investor sentiment at the upper end of the historical range. Momentum continues to lead across market caps as investors focus on quality companies with strong margins and profitability.

In third-quarter S&P 500 Index earnings, with 97% of companies reporting, 77% have beaten estimates by a median of 6%. The bifurcation of earnings across large and small companies remains evident, with the largest dispersion of earnings in small caps.

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Economic Data

Event	Period	Estimate	Actual	Prior	Revised
ISM Manufacturing	Oct	47.6	46.5	47.2	—
ISM Services Index	Oct	53.8	56.0	54.9	—
Change in Nonfarm Payrolls	Oct	100k	12k	254k	223k
Unemployment Rate	Oct	4.1%	4.1%	4.1%	—
Average Hourly Earnings YoY	Oct	4.0%	4.0%	4.0%	3.9%
JOLTS Job Openings	Sept	8000k	7443k	8040k	7861k
PPI Final Demand MoM	Oct	0.2%	0.2%	0.0%	0.1%
PPI Final Demand YoY	Oct	2.3%	2.4%	1.8%	1.9%
PPI Ex Food and Energy MoM	Oct	0.2%	0.3%	0.2%	—
PPI Ex Food and Energy YoY	Oct	3.0%	3.1%	2.8%	2.9%
CPI MoM	Oct	0.2%	0.2%	0.2%	—
CPI YoY	Oct	2.6%	2.6%	2.4%	—
CPI Ex Food and Energy MoM	Oct	0.3%	0.3%	0.3%	—

Event	Period	Estimate	Actual	Prior	Revised
CPI Ex Food and Energy YoY	Oct	3.3%	3.3%	3.3%	—
Retail Sales Ex Auto and Gas	Oct	0.3%	0.1%	0.7%	1.2%
Industrial Production MoM	Oct	-0.4%	-0.3%	-0.3%	-0.5%
Building Permits	Oct	1435k	1416k	1428k	1425k
Housing Starts	Oct	1334k	1311k	1354k	1353k
New Home Sales	Oct	725k	610k	738k	—
Existing Home Sales	Oct	3.95m	3.96m	3.84m	3.83m
Leading Index	Oct	-0.3%	-0.4%	-0.5%	-0.3%
Durable Goods Orders	Oct P	0.5%	0.2%	-0.7%	-0.4%
GDP Annualized QoQ	3Q S	2.8%	2.8%	2.8%	—
U. of Mich. Sentiment	Nov P	71.0	73.0	70.5	—
Personal Income	Oct	0.3%	0.6%	0.3%	—
Personal Spending	Oct	0.4%	0.4%	0.5%	0.6%
S&P CoreLogic CS 20-City YoY NSA	Sept	4.7%	4.57%	5.20%	5.21%

Source: Bloomberg; S=Secondary, P=Preliminary

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 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.