Clark Capital Management Group

Benchmark Review
& Monthly Recap

Highlights

Stocks: It was a weak close in December to end the year, but overall, 2024 was a great year for stock market returns. Small caps and value stocks in particular struggled in December in what turned out to be another year when large-cap growth dominated.

Bonds: Yields were volatile in 2024, and that theme continued in December. The 10-year U.S. Treasury yield ended November at 4.18% and it rose to 4.58% by year's end. Overall, it was a rather muted and volatile year for bond returns.

U.S. Economy: The U.S. saw stronger growth than anticipated in 2024. The final reading of Q4 GDP jumped to 3.1%. The labor market was solid at a 4.2% unemployment rate and consumers remained resilient.

Federal Reserve: The Fed cut rates in December bringing the Fed Funds target rate down a full 1.0% since September. However, 2025 looks to be a much slower rate cut environment with only 2 quarter-point cuts expected by December 2025. (Per CME FedWatch tool as of 12/30/24.)

Post-Election Stock Rally Fades and Bond Yields Rise to End 2024

Equity Markets

The "Santa Claus" rally failed to materialize this year, and stocks slumped to close out 2024. Large-cap growth was a bright spot with modest gains for the month, and they showed clear leadership (once again) for the entire year. Overall, it was a year of solid returns and new all-time highs for the major stock market indices in 2024 following a year of strong returns in 2023. See **Table 1** for December 2024, Q4 2024, and calendar year 2024 results.

Table 1.

Index	Dec 2024	Q4 2024	2024
S&P 500	-2.38%	2.41%	25.02%
S&P 500 Equal Weight	-6.26%	-1.87%	13.01%
DJIA	-5.13%	0.93%	14.99%
Russell 3000	-3.06%	2.63%	23.81%
NASDAQ Comp.	0.55%	6.35%	29.57%
Russell 2000	-8.26%	0.33%	11.54%
MSCI ACWI ex U.S.	-1.94%	-7.60%	5.53%
MSCI Emerging Mkts Net	-0.14%	-8.01%	7.50%

Source: Morningstar. 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 stock market rally paused in December to close out a strong year. Furthermore, the broadening of the market, which was seen in the third quarter, faded to end the year as well. Small caps had led the post-election charge, boosted to a degree by the potential for less regulation and higher tariff expectations, which may benefit smaller, domestic-focused companies. Much of those gains were given back in December as that rally faded and large-cap growth resumed its market leadership. The difference in returns between the market-cap and equal-weighted S&P 500 indices exemplifies this return to large-cap growth leadership. International stocks continued to slump post-election (likely due in part to the same tariff talk and the strengthening dollar) as both developed and emerging market equities declined. International stocks underperformed U.S. stocks in 2024.

Fixed Income

The rise in rates that started in the fourth quarter continued in December with a final and sharp move higher. The 10-year U.S. Treasury yield rose 50 basis points from 4.18% at the end of November to 4.58%

by the end of the year. This increase in rates put pressure on bond returns in what was a tough final month and quarter for bonds. For the full year, the 10-year U.S. Treasury yield increased 70 basis points from 3.88%. See Table 2 for fixed income index returns for December 2024, Q4 2024, and calendar year 2024.

Table 2.

Index	Dec 2024	Q4 2024	2024
Bloomberg U.S. Agg	-1.64%	-3.06%	1.25%
Bloomberg U.S. Credit	-1.89%	-3.04%	2.03%
Bloomberg U.S. High Yld	-0.43%	0.17%	8.19%
Bloomberg Muni	-1.46%	-1.22%	1.05%
Bloomberg 30-year U.S. TSY	-6.08%	-9.38%	-8.09%
Bloomberg U.S. TSY	-1.54%	-3.14%	0.58%

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

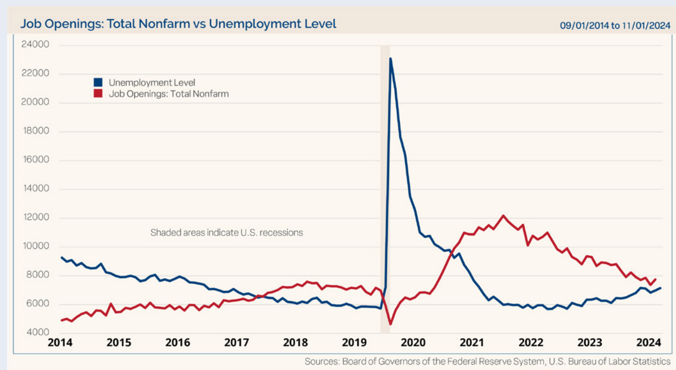
Modest and volatile returns were the themes for the bond market in 2024 outside of high-yield bonds. The more rate sensitive sectors (like 30-year U.S. Treasuries) struggled the most in a month, quarter and year when rates increased. High-yield bonds have been steadier this year as they often follow what is happening with stocks, and they have clearly been the leaders in 2024 for the bond market. (Our tactical fixed income strategy has been allocated to high-yield bonds since 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 and we closed the year just above the top end of that range. We believe Fed rate cuts will push interest rates lower, with the most dramatic move being in shorter maturities and longer-term bonds might be more range-bound and volatile moving into 2025.

We maintain our long-standing position favoring credit versus pure rate exposure in this interest rate environment and that served us well 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 strongest 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

Jobs: The U.S. economy showed ongoing strength to close out 2024 based on data released in December. The always important job market report for November showed a solid bounce back in payroll gains compared to the strike and hurricane interrupted additions in October. In November, payrolls increased by 227,000, ahead of the expected 220,000 reading. However, the unemployment rate did tick higher to 4.2% from the expected and prior month's level of 4.1%. Overall, the job market remains healthy with a low unemployment rate and plentiful job openings. Consumer spending accounts for about 70% of the U.S. economy, so monitoring job market data is critical as it has a direct impact on consumer spending activity. One data point we are monitoring is job openings compared to the unemployment level – there are still more jobs available than people seeking jobs, but this ratio has narrowed over the last couple of years. **Chart 1** shows the number of unemployed compared to the number of job openings in the U.S.

Chart 1

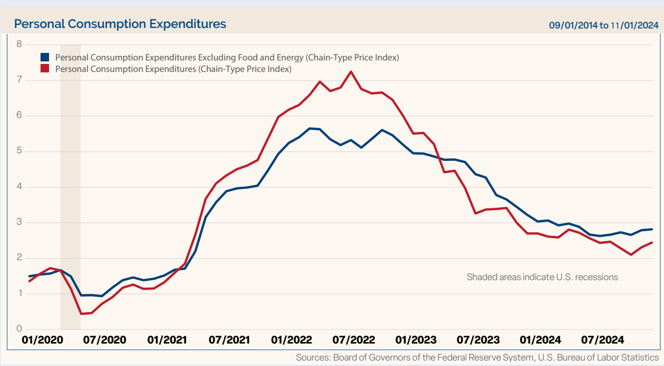


For illustrative purposes only. Past performance is not indicative of future results.

Inflation: Inflation data was mixed in November. The producer price index (PPI) showed a higher annual increase on a headline and core basis than expected. The headline reading was higher than the prior month's annual increase and the core reading matched the prior month's annual gain. The consumer price index (CPI) was in line with expectations on a headline and core basis with the headline reading modestly higher with its annual gain in November compared to October. Finally, the annual gains for the personal consumption expenditures (PCE) price index, both headline and core (the preferred inflation measure of the Fed), showed lower annual gains in November than expected. The core reading matched the prior month's annual gain while the headline reading was modestly higher for the year through November than it was through October. (For specific data, please refer to the end of this report.)

Overall, we believe inflation continues to make progress toward the Fed's ultimate stated goal of 2% for the core PCE price index reading. We expect this path to be bumpy, but believe the trend continues to show progress being made on the inflation front. Fed Chairman Powell has said he will continue to lead the Fed until his term expires in May 2026, so he will continue to be in charge of monetary policy decisions at the Fed over the next year and a half. Currently, the market is pricing in only 2 rate cuts in 2025. While some inflation concerns linger as we change to a new administration, slower and fewer rate cuts should ease some of that fear. **Chart 2** shows the core and headline PCE price index readings. Remember, the core PCE price reading is the inflation rate that the Fed targets.

Chart 2



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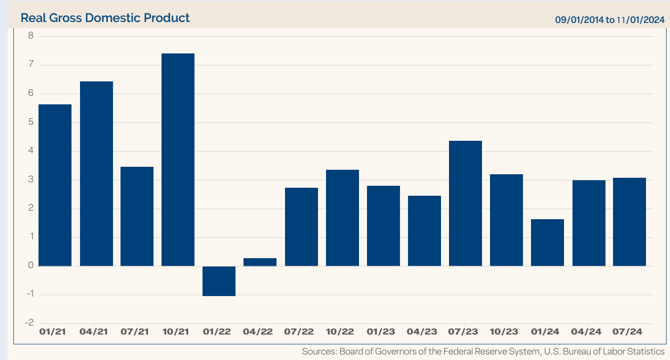
GDP: Although backward-looking, there was a nice surprise on the GDP growth front with the final reading of Q3 GDP released in December. Expectations were calling for the same reading of 2.8% annualized GDP growth for the third and final reading as the second reading had reported. However, there was a solid increase in the final reading to a 3.1% annualized growth rate during the third quarter. Overall, GDP growth has been somewhat stronger than we expected in 2024 with the last 2 quarters right around the 3% annualized growth level. The Atlanta Fed GDP Now estimate for fourth quarter growth stands at 3.1% (as of 12/24/24), indicating a potentially solid end to the year. We continue to believe that the U.S. economy will move toward its long-term growth potential of just above 2% as we move forward, but 2024 GDP growth looks like it might be slightly better than this expectation.

Chart 3 shows GDP readings since the first quarter of 2021.

Chart 3



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

Other Economic Data Points: The ISM indices were mixed in November. The ISM Manufacturing Index was better than expected at 48.4 compared to expectations of 47.5, but it remains below the expansion/contraction line of 50. The ISM Non-Manufacturing Index, which covers the much larger service industries in the U.S. economy, dropped to 52.1 compared to expectations of 55.7. Clearly, this was a disappointing reading, but it still remains in the growth zone above 50.

Housing continues to face the headwind of higher mortgage rates. For November, it was a bit of a mixed bag for housing data. Housing starts and new home sales were both lower than expected, but preliminary building permits and existing home sales were both stronger than anticipated. There is still a lack of inventory in the U.S. when it comes to housing, but higher mortgage rates will likely be a negative headwind for most home purchasers as it adds to their housing costs moving into 2025.

Retail sales (ex. auto and gas) at a 0.2% monthly gain in November were behind expectations of 0.4% growth. The preliminary University of Michigan Sentiment reading for December improved to 74.0 compared to the prior reading of 71.8 and expectations of 73.2. In a nice surprise, the Conference Board's Leading Index broke an 8-month losing streak by increasing 0.3% when it was expected to decline by -0.1%. Clearly, one month is not a trend, but it was good to see this reading show a positive monthly gain even though it has not been a good predictor of the U.S. economy in recent years.

The stock market came back down to earth in December after a strong rally following the definitive election results in early November. From a market perspective, there is an overall sense of a more business- and regulation-friendly environment coming with the new administration, but there is also some concern on inflation progress if labor costs go higher due to deportations and prices in general rise if tariffs are enacted. This might help explain a bit of the dichotomy in the market over the last two months with stocks rallying following the election, but bonds struggling as rates moved higher as investors brace for what could be elevated rates for longer. We will monitor what policies are implemented and how the market and economy react to those policies in 2025.

Focusing on the market fundamentals, we are seeing an economy that is growing somewhat stronger than expected, a Fed that is cutting interest rates (albeit likely more slowly than previously thought), a fairly reasonably valued stock market and S&P 500 companies that are expected to grow their earnings by approximately the mid-teens in 2025. We like that fundamental backdrop as we move into 2025. 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

As we head into the New Year, the market is oversold and credit has remained firm, even during the recent selloff in risk assets. Our credit-based risk management models have remained fully risk-on now for over a year.

Clark Capital's Bottom-Up, Fundamental Strategies

As strong long-term returns are typically derived from low valuation starting points and vice versa, we will continue to seek out what we believe to be undervalued, antifragile companies with improving business momentum while maintaining a core position in what we think are the highest quality, structurally superior companies until their business models are materially threatened.

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

Economic Data

Event	Period	Estimate	Actual	Prior	Revised
ISM Manufacturing	Nov	47.5	48.4	46.5	—
ISM Services Index	Nov	55.7	52.1	56.0	—
Change in Nonfarm Payrolls	Nov	220k	227k	12k	36k
Unemployment Rate	Nov	4.1%	4.2%	4.1%	—
Average Hourly Earnings YoY	Nov	3.9%	4.0%	4.0%	—
JOLTS Job Openings	Oct	7519k	7744k	7443k	7372k
PPI Final Demand MoM	Nov	0.2%	0.4%	0.2%	0.3%
PPI Final Demand YoY	Nov	2.6%	3.0%	2.4%	2.6%
PPI Ex Food and Energy MoM	Nov	0.2%	0.2%	0.3%	—
PPI Ex Food and Energy YoY	Nov	3.2%	3.4%	3.1%	3.4%
CPI MoM	Nov	0.3%	0.3%	0.2%	—
CPI YoY	Nov	2.7%	2.7%	2.6%	—
CPI Ex Food and Energy MoM	Nov	0.3%	0.3%	0.3%	—
CPI Ex Food and Energy YoY	Nov	3.3%	3.3%	3.3%	—

Event	Period	Estimate	Actual	Prior	Revised
Retail Sales Ex Auto and Gas	Nov	0.4%	0.2%	0.1%	0.2%
Industrial Production MoM	Nov	0.3%	-0.1%	-0.3%	-0.4%
Building Permits	Nov P	1430k	1505k	1416k	1419k
Housing Starts	Nov	1345k	1289k	1311k	1312k
New Home Sales	Nov	669k	664k	610k	627k
Existing Home Sales	Nov	4.09m	4.15m	3.96m	—
Leading Index	Nov	-0.1%	0.3%	-0.4%	—
Durable Goods Orders	Nov P	-0.3%	-1.10%	0.3%	0.8%
GDP Annualized QoQ	3Q T	2.8%	3.1%	2.8%	—
U. of Mich. Sentiment	Dec P	73.2	74.0	71.8	—
Personal Income	Nov	0.4%	0.3%	0.6%	0.7%
Personal Spending	Nov	0.5%	0.4%	0.4%	0.3%
S&P CoreLogic CS 20-City YoY NSA	Sept	4.7%	4.57%	5.20%	5.21%

Source: Bloomberg; T=Third, P=Preliminary

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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.