Market Commentary | July 2025

Benchmark Review & Monthly Recap

Momentum Continued as Stocks Post New Highs in July; Bond Results Were Mixed

Equity Markets

See Table 1 for July 2025 and YTD results.

Table 1 | Equity Markets

Index	July 2025	YTD
S&P 500	2.24%	8.59%
S&P 500 Equal Weight	0.97%	5.84%
DJIA	0.16%	4.72%
Russell 3000	2.20%	8.08%
NASDAQ Comp.	3.72%	9.79%
Russell 2000	1.73%	-0.08%
MSCI ACWI ex U.S.	-0.29%	17.56%
MSCI Emerging Mkts Net	1.95%	17.51%

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.

Stocks continued higher in July led by the large-cap growth space, which is reflected by the S&P 500 and Nasdaq Composite leading index returns. Value stocks had led early in the year, but growth has bounced back from the April lows and now shows better results year to date. International stocks paused their torrid pace in July with a modest decline, but international stock leadership remains clear so far in 2025. Small caps had a solid month of gains, but they could not keep up with large caps. The Russell 2000 Index, a measure of small caps, remains modestly in the red year to date.

Highlights

- **Stocks:** Stocks continued to move higher in July, and the S&P 500 and Nasdaq Indices achieved new highs.
- **Bonds:** Yields were volatile once again in July, but overall, the 10-year U.S. Treasury rose to 4.37% from 4.24%. Bond markets were broadly mixed in July with rather muted results.
- **U.S. Economy:** GDP rose by a better-than-expected rate of 3.0% in Q2. This advanced reading of GDP saw a skew in the other direction regarding imports, which fell dramatically from the spike in Q1. This contributed to the GDP growth rate in the second quarter.
- **Federal Reserve:** The Fed kept rates unchanged at its late-July FOMC meeting. However, there were two dissenting votes – the first time there were multiple dissenting votes since 1993. Powell's post meeting news conference was seen as rather hawkish and dampened imminent rate cut expectations.

Fixed Income

Bond results were mixed and rather muted in July. Generally, rates moved higher during the month, which led to challenging results for Treasury and municipal securities. Conversely, corporate bonds eked out positive results for the month. See Table 2 for bond index returns for July 2025 and YTD.

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Table 2 | Fixed Income Markets

Index	July 2025	YTD
Bloomberg U.S. Agg	-0.26%	3.75%
Bloomberg U.S. Credit	0.05%	4.28%
Bloomberg U.S. High Yld	0.45%	5.04%
Bloomberg Muni	-0.20%	-0.55%
Bloomberg 30-year U.S. TSY	-1.26%	0.83%
Bloomberg U.S. TSY	-0.39%	3.39%

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 10-year U.S. Treasury yield moved higher in early July — closing at 4.5% on July 15 — but rates trended lower from that point. However, the 10-year yield did end the month at 4.37%, higher than the June close of 4.24%, which put general pressure on bond returns. The 30-year U.S. Treasury made news once again by going above 5% in mid-July as it had in May. While the 5% level on the 30-year U.S. Treasury was seen briefly in 2023, it has not stayed above that level for an extended period of time since before the credit crisis. With rates moving higher, these bonds delivered the weakest returns in July, as well. As we anticipated, the rate environment has proven volatile so far in 2025. In a month when stocks generally rose, high-yield bonds led fixed income. Munis have been the laggard so far this year and are the only category of bonds with negative results so far in 2025. However, outside of munis, bonds have done their job with solid gains through July and have helped offset some of the equity market volatility that has occurred at times this year.

We maintain our long-standing position favoring credit versus pure rate exposure in this interest rate environment. 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. Bond volatility provides opportunities for active fixed income managers, and in our opinion, having an active bond management approach makes sense in this environment. Furthermore, rates remain elevated and provide attractive opportunities for bond investors.

Economic Data Highlights and Outlook

Jobs: June job market data remained strong. Non-farm payrolls increased by 147,000 in June, once again surpassing expectations of 106,000. The unemployment rate had not budged in recent months, but June saw its level tick modestly lower to 4.1% when it was expected to rise to 4.3% from the prior month's level of 4.2%. July payroll data was more sobering with a miss in expectations on job additions, the unemployment rate moving up to 4.2%, and revisions to the two prior month payrolls showing 258,000 fewer jobs created than previously reported. Job openings moved lower in June after jumping higher in May. The JOLTS reading was expected to show 7.5 million openings, when a reading of 7.437 million was reported. May job openings stood at 7.712 million. Business caution facing tariff uncertainties is understandable, but the slowing that has occurred in hiring has been modest so far and has allowed the economic engine of consumer spending to keep running. Due to the central role of consumers in the U.S. economy, we will continue to monitor job market data, particularly with the release of the weak July Employment Situation Report. Chart 1 shows the unemployment level and the number of job openings. Clearly, these readings have converged in the last couple of years, but openings are still modestly more abundant than the number of unemployed which will likely be a good thing for a consumer spending driven economy.

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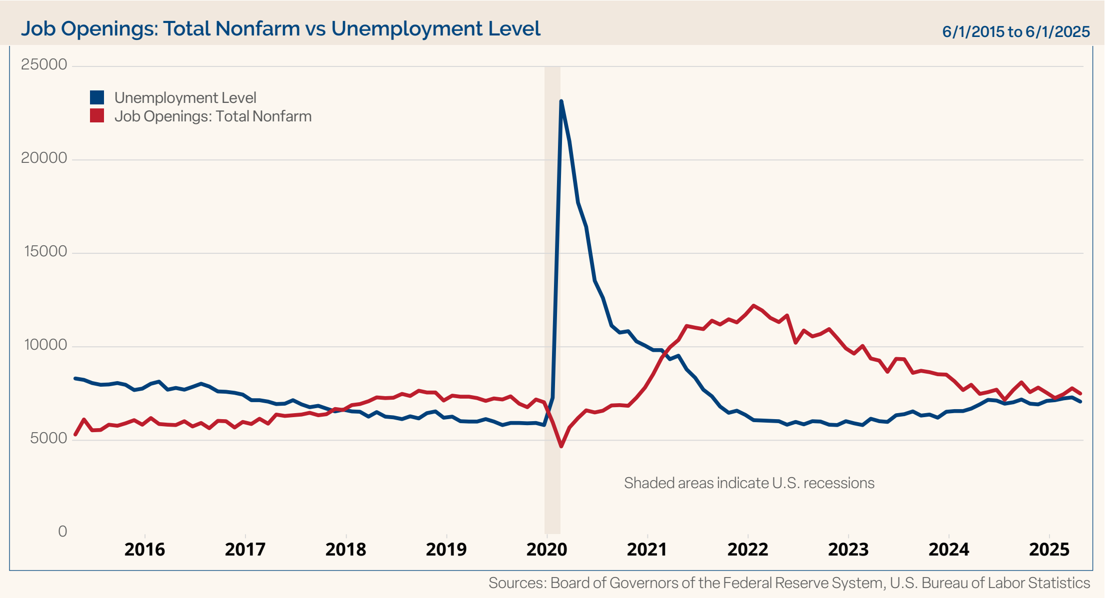
Chart 1

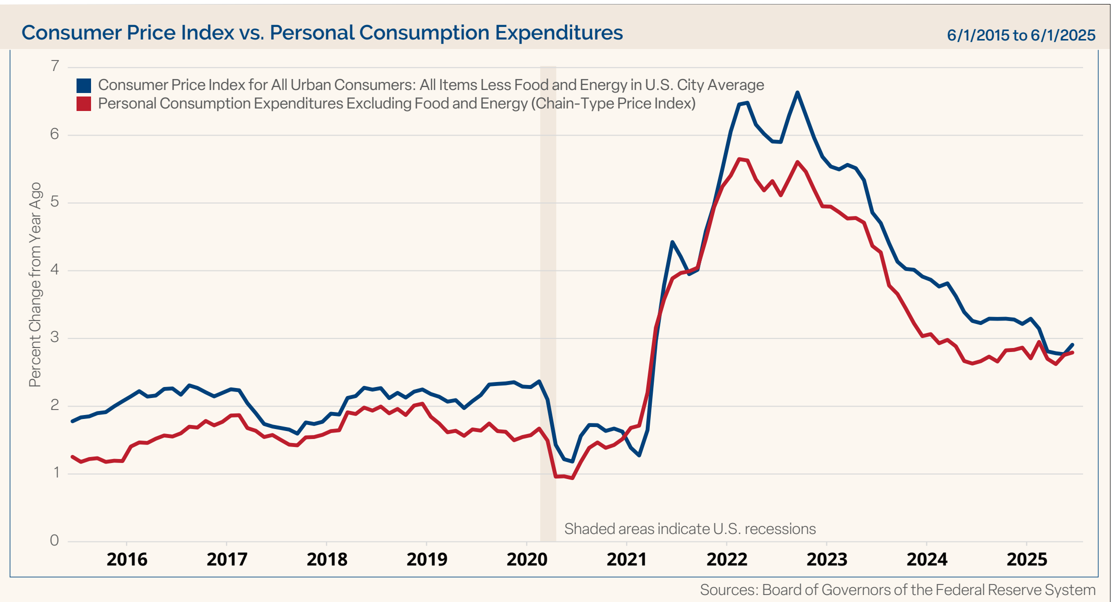


For illustrative purposes only. Past performance is not indicative of future results.

Inflation: Inflation has been trending lower in recent quarters. However, there is concern that as inventories decline and new "tariffed" imports start to arrive in the U.S., price levels might move higher. We have not seen higher prices in the data so far, and the first Trump administration saw generally slow price gains, although items with tariffs rose as would be expected. For June, the monthly reading of the Producer Price Index (PPI) was flat, and better than expected, on both a headline and core (excluding food and energy prices) basis. Annual increases were lower than expectations for the PPI indices, however prior month data was revised higher. The Consumer Price Index (CPI) rose by 0.3% in June on a headline basis and 0.2% on a core basis. The year-over-year reading was above expectations on a headline basis, but the core annual gain of 2.9% was as expected, although higher than last month. Even though monthly 0.3% gains in the Personal Consumption Expenditures (PCE) Price Indices (both headline and core) were in line with expectations, the annual increases were higher than expected. Prior month data was revised higher as well. The core PCE, the Fed's preferred measure of inflation, was higher than expected with a 2.8% annual increase in June. The PCE data came out the day after the hawkish press conference by Fed Chair Powell, and market expectations for a rate cut dropped to only one before year end. (Based on the CME FedWatch tool on 7/31/25. For more specific inflation data, please refer to the end of this report.)

Overall, we believe inflation continues to progress toward the Fed's stated goal of around 2% for the core PCE price index reading. However, tariff concerns have increased inflation fears, and we will wait to see if a real change develops regarding pricing data. With new tariff rates kicking in for most countries in August, prices level data will be important to monitor. Chart 2 shows the core CPI and core PCE price indices.

Chart 2



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.

GDP: The economy bounced back in the second quarter after the – 0.5% annualized decline in the first quarter. The advanced reading of Q2 GDP showed a 3.0% annualized gain, exceeding expectations of 2.6%. The personal consumption expenditure component was better at a 1.4% annualized rate in Q2 compared to a rather weak 0.5% reading from the first quarter. Even with the improvement to 1.4%, apart from the Q1 number, one must go back to the second quarter of 2023 when personal consumption was this weak. We will monitor consumer spending data in the months ahead to stay on top of consumer health and see if weaker spending continues. Historically, it takes a lot to knock down U.S. consumers and spending tends to be resilient. As we previously acknowledged, the spike in imports ahead of tariff concerns in April heavily impacted Q1 GDP and distorted the overall GDP reading. Likewise, the sharp drop in imports in Q2 distorted the strong Q2 GDP number and contributed to GDP growth. Imports heavily impacted both readings, and true economic growth was likely somewhere in the middle. The Atlanta Fed GDP Now estimate shows expected Q3 2025 figures to come in at a 2.3% annualized pace (as of 7/31/25). Although we at Clark Capital lowered our GDP expectation for 2025 to 1.5%, we still stand firmly in the camp of expecting economic growth this year and believe a recession is a lower probability event. Chart 3 shows GDP readings in recent quarters and the negative impact of net exports. The improvement in the Q3 net export number was the largest contributor to GDP growth during the quarter, just as the multi-quarter low, negative net exports number hurt Q1 results.

Consumer Confidence: Not surprisingly, consumer confidence readings have improved as the stock market has moved higher, the job market has remained strong, and tariff concerns seem to be moderating. The University of Michigan consumer sentiment reading had fallen dramatically in recent months hitting a level of 52.2 in April and May – a level rarely seen by this measure in its history and only seen lower in recent years during the pandemic. It bounced back nicely to 60.7 in its final reading for June, and it rose again to 61.8 in the July preliminary reading. It is important to watch what consumers “say,” like in confidence surveys, however, we are more concerned with what consumers “do,” which can be found in spending data.

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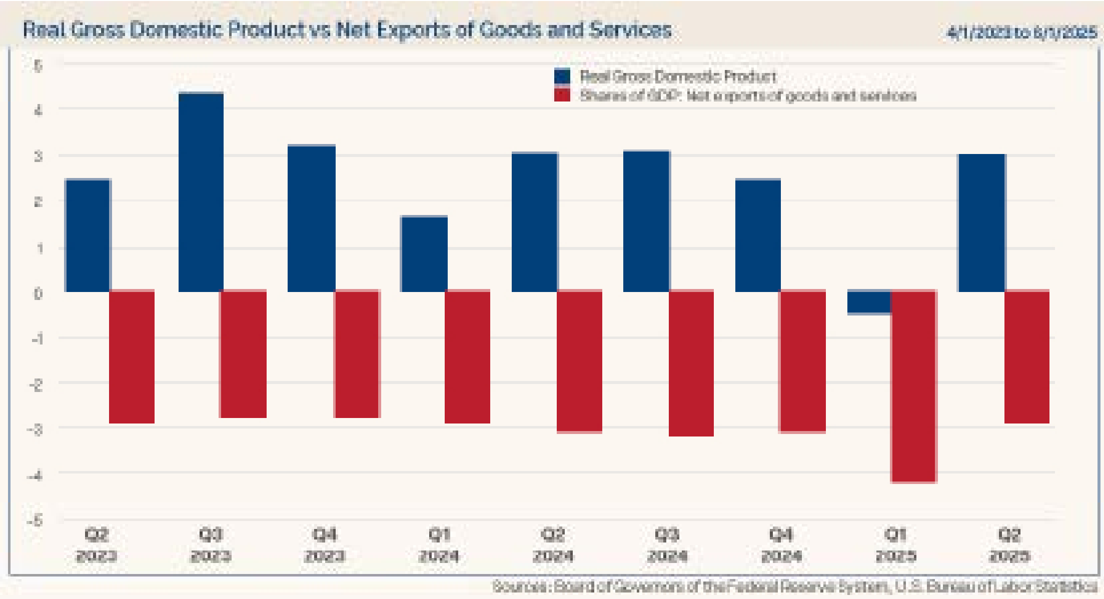
Chart 3



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Other Economic Data Points: The ISM Manufacturing Index for June improved modestly to 49.0, which was better than expectations of 48.8, and it broke the streak of declining readings experienced this year. It did, however, remain below 50. For July, this index fell unexpectedly to 48.0 compared to expectations of 49.5. The ISM Non-Manufacturing Index, which covers the much larger service industries in the U.S. economy, moved back above 50 to 50.8 in June from the unexpected drop in May to 49.9. This reading was modestly above expectations of 50.5. The slowing manufacturing and non-manufacturing activity that has developed recently is another likely side effect of tariff uncertainty. Recall, ISM readings above 50 reflect expansion and those below 50 indicate contraction.

Housing data for June was mixed. Housing starts and preliminary building permits both exceeded expectations, while new home and existing home sales both missed estimates. The leading economic indicators index fell by – 0.3% in June as expected, but the reading for April was revised to show no change from the prior – 0.1% drop. Retail sales (ex auto and gas) grew by 0.6% in June, doubling expectations of 0.3% growth. Retail sales data are not inflation adjusted, so that needs to be understood when reviewing this data.

Markets have proved resilient since the tariff selloff lows. Clarity around a few more trade framework agreements (like the EU and Japan), seems to be calming the markets, but many actual tariffs are set to go into effect in August. The first half of 2025 was certainly choppy, but we sit here at the end of July with the S&P 500 and Nasdaq Composite at new all-time highs and positive stock market gains so far this year. Volatility came back in the first part of 2025 and while not welcome, it was understandable following two years of solid stock market returns and a new administration getting up and running. Volatility is a normal part of participating in the equity markets. Bonds, for the most part, have done their job in 2025 by helping to offset a choppy stock market and providing solid gains (outside of munis) year to date. We believe the economy will grow in 2025, but at a more subdued pace than we thought to begin the year. The Fed looks poised to resume rate cuts later this year, although the timing, number, and size of cuts is still up for debate. The weak job market report released on August 1 could help push the Fed closer to a rate cut should job market weakness persist. Stock valuations have crept higher but not to an alarming level, in our opinion. Importantly, earnings estimates have started to turn up in reaction to strong second quarter earnings. We still see opportunities in the stock market during the second half of 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.

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Economic Data

Event	Period	Estimate	Actual	Prior	Revised
ISM Manufacturing	June	48.8	49.0	48.5	—
ISM Services Index	June	50.5	50.8	49.9	—
Change in Nonfarm Payrolls	June	106k	147k	139k	144k
Unemployment Rate	June	4.3%	4.1%	4.2%	—
Average Hourly Earnings YoY	June	3.8%	3.7%	3.9%	3.8%
JOLTS Job Openings	June	7500k	7437k	7769k	7712k
PPI Final Demand MoM	June	0.2%	0.0%	0.1%	0.3%
PPI Final Demand YoY	June	2.5%	2.3%	2.6%	2.7%
PPI Ex Food and Energy MoM	June	0.2%	0.0%	0.1%	0.4%
PPI Ex Food and Energy YoY	June	2.7%	2.6%	3.0%	3.2%
CPI MoM	June	0.3%	0.3%	0.1%	—
CPI YoY	June	2.6%	2.7%	2.4%	—
CPI Ex Food and Energy MoM	June	0.3%	0.2%	0.1%	—
CPI Ex Food and Energy YoY	June	2.9%	2.9%	2.8%	—
Retail Sales Ex Auto and Gas	June	0.3%	0.6%	-0.1%	0.0%
Industrial Production MoM	June	0.1%	0.3%	-0.2%	0.0%
Building Permits	June P	1387k	1397k	1394k	--
Housing Starts	June	1300k	1321k	1256k	1263k
New Home Sales	June	650k	627k	623k	--
Existing Home Sales	June	4.00m	3.93m	4.03m	4.04m
Leading Index	June	-0.3%	-0.3%	-0.1%	0.0%
Durable Goods Orders	June P	-10.70%	-9.30%	16.40%	16.50%
GDP Annualized QoQ	2Q A	2.6%	3.0%	-0.5%	—
U. of Mich. Sentiment	July P	61.5	61.8	60.7	—
Personal Income	June	0.2%	0.3%	-0.4%	--
Personal Spending	June	0.4%	0.3%	-0.1%	0.0%
S&P CoreLogic CS 20-City YoY NSA	May	2.91%	2.79%	3.42%	3.44%

Source: Bloomberg; P=Preliminary, T=Thirdly

For illustrative purposes only. Past performance is not indicative of future results. Neither past actual, projections, nor other forward looking statements regarding future financial performance of markets are only projections and actual events or results may differ materially.

Disclosures

Forward looking statements cannot be guaranteed. 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.

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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.

Russell 1000 Growth Index tracks companies with higher price-to-book ratios, higher sales per share growth, and higher I/B/E/S forecast growth.

Russell 1000 Value Index tracks companies with lower price-to-book ratios and lower expected and historical growth rates. Russell's value indexes focus more on dividend yield.

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-

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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.