

Monthly Portfolio Commentary | August 2025

# Charting Our Strategies

## Monthly Moves

Please note this commentary reflects portfolio moves through August 31, 2025.  
Any subsequent portfolio changes are not reflected.

## Clark Capital's Bottom-Up, Fundamental Strategies

Broad measures of U.S. and international equities surged to record highs in August, driven by robust earnings that helped offset the drag from rising foreign long-term interest rates. The small-cap Russell 2000 Index led the charge with a 7.1% gain, the S&P 500 advanced 2.0%, and the MSCI All Country World Index ex-U.S. rose 3.5%.

Despite ongoing inflation concerns, Chair Powell's speech at the Jackson Hole conference was more dovish than expected, increasing the odds of a September rate cut. Since April, the markets have surged higher with rising asset values around the world. Many equity indices are trading at or near all-time highs, credit spreads are near cycle lows driven by strong corporate earnings, and the 10-year Treasury note yield has slipped as the bond market has not reacted to the modest evidence of tariff-induced inflation. In the second quarter, over three-quarters of S&P 500 companies exceeded profit expectations, a strong margin of outperformance. So far, companies are absorbing most tariff costs although pricing pressure increased in large household appliances and tools, while hotels and airlines experienced less demand.

**Below are strategy updates from August:**

### Navigator® All Cap Core U.S. Equity

- The portfolio is fully invested with over 75% in large-cap stocks and the remainder in mid-cap stocks, small-cap stocks, and cash.
- We believe the portfolio continues to balance holdings between dominant large-cap growth companies and those anti-fragile large-, small- and mid-cap companies that continue to see strong business momentum.
- The three largest portfolio sectors at the end of the period were Information Technology, Financials, and Industrials.
- Our current weighting in the big six free cash flow margin monopolies is 27.2% vs. approximately 27.8% in the Russell 3000. Albeit underweight to the benchmark, Information Technology remains the largest sector weight in the strategy at 28.3%.
- To benefit from improving business fundamentals during the month, the two most recent additions to the portfolio were a grocery chain for natural and organic foods and a supplier of automotive replacement parts.
- The two most recent exits were a commercial and military vehicle transmission maker and a drug discovery and development services provider.

## Economic Gauges



Economy



Monetary Policy



Valuations



Investor Sentiment



Interest Rates

## Charting Our Strategies

### Navigator® High Dividend Equity

- The portfolio is positioned with approximately 98% in developed countries with the remainder in cash. The United States is the largest country weight at 91.4%, followed by the United Kingdom at 3.7%, and Switzerland at 1.5%.
- Over 96% of the portfolio is large cap, approximately 2% of the portfolio is mid cap, and the remainder is in cash.
- Financials represent the largest sector weight at 23.4%, approximately in line with the benchmark weight. The next three largest portfolio weights are Industrials, Health Care, and Information Technology at 15.9%, 11.6% and 10.8%, respectively.
- To benefit from improving business fundamentals during the month, recent additions to the portfolio were a major U.S. home improvement retailer, which benefitted from lower rates and a potential pickup in housing into year-end, and a leading North American chocolate manufacturer, which has an improving earnings profile due to lower cocoa prices, product price increases, and volume recovery.
- Recent exits were a diversified healthcare and insurance company, a real estate investment trust (REIT) specializing in office properties, and a diversified industrial technology company.

### Navigator® Large Cap Growth

- The portfolio is fully invested with over 92% in large-cap stocks.
- Approximately 99% of total holdings are in developed countries with approximately 92% based in the United States.
- Over 70% of portfolio holdings are derived from the 100 largest cash flow producing companies with high and growing cash flows, high cash flow margins, and increasing sales.
- The three largest portfolio sectors at the end of the period were Information Technology, Communication Services, and Industrials.
- Our current weighting in the big six free cash flow margin monopolies is 53.8% vs. approximately 50.6% in the Russell 1000 Growth. Albeit underweight to the benchmark, Information Technology remains the largest sector weight in the strategy at 46.9%.
- To benefit from improving business fundamentals during the month, the three most recent additions to the portfolio were a footwear and apparel company, an online grocery delivery and technology platform, and a consumer appliance maker.
- The three most recent exits were a diversified industrial technology company, a Dutch e-commerce payments platform, and a consumer products company.

### Navigator® International Equity ADR

- The portfolio is positioned with ~15% in emerging markets with the balance in developed economies and cash.

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- Britain, Canada, Ireland, Japan, Spain, and Switzerland are the strategy's largest country weights, all ranging between 6% and 16%.
- The three largest portfolio sectors at the end of the period were Financials, Information Technology, and Industrials.
- To benefit from improving business fundamentals during the month, the three most recent additions to the portfolio were a Japanese maker of semiconductor testing equipment, a German multinational insurance company and asset manager, and a global tobacco and consumer products company.
- The three most recent exits were a Chinese electric vehicle and battery producer, a Japanese residential homebuilder, and a French tire manufacturer.

### Navigator® Taxable Fixed Income

- Within the portfolio, the focus remained on keeping the duration slightly longer than the index.
- We continued to execute swaps to increase the overall yield and duration. The majority of these occurred in the banking sector.
- The portfolio sold shorter three-year bonds to extend approximately three years into slightly longer bonds. These trades increased the yield by 14 basis points (bps) and 27 bps, respectively.
- The portfolio will continue to take advantage of the steepening yield curve and execute trades to increase the overall yield of the portfolio. This thesis of maximizing yield while also positioning to maximize total return will continue to be the near-term focus.

### Navigator® Tax-Free Fixed Income

- Supply remains the market's main driver. The shape of the muni curve was also in play this month.
- We will continue to look for opportunistic investment opportunities slightly longer than those of our five-year index while being vigilant about introducing any extension risk.
- We will also continue to pursue opportunities in AA, A and BBB bonds as long as spreads remain supportive.

## Clark Capital's Top-Down, Quantitative Strategies

The S&P 500 has posted gains in each of the past four months, and the major equity indices have been hitting new all-time highs. The S&P 500 has gained 30.31% from its April, tariff-induced low through the end of August. Large-cap growth and momentum have retained leadership roles, although we are seeing market participation broaden with recent outperformance in small cap and value. Credit remains well supported with high yield spreads near cycle lows, high yield bond indices trading at or near record highs, and CCC-rated debt leading credit to the upside. Interest rates continue to be under control with the 10-Year Treasury note yield probing the 4.20% level. The market is pricing in a 98% chance of a rate cut at the FOMC meeting on September 17, and five total rate cuts are priced into markets through the end of next year.

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Our credit-based risk management models are bullish, and strategies are fully invested in their respective risk-on asset classes. September is the weakest seasonal month of the year so a choppy period could be expected. However, sentiment is at best neutral and could help to keep any pullback in check. Any correction during the next few weeks should be viewed as a buying opportunity.

### Below are strategy updates from August:

#### Navigator® Alternative

- Long/short commodity and event driven were laggards within the portfolio's core, while Multi-Strategy and managed futures were leaders.
- We have slowly been reducing equity exposure and recently added a market neutral ETF to the mix.
- We have sold out of crypto due to recent weakness.

#### Navigator® Fixed Income Total Return (MultiStrategy Fixed Income)

- We have remained fully invested in high yield since April, and our models persist in their positive stance.
- Credit spreads remain close to historical lows and simply vacillate within a narrow range.
- Interest rates continue to be under control, with five rate cuts now priced into markets through the end of 2026.

#### Navigator® Global Risk Management

- Markets have now priced in five rate cuts into the end of this year and 2026, creating what we believe is a more favorable environment for risk assets.
- Our models continue to be positive, as credit spreads linger near historical lows and do not react to inflation or earnings misses.
- Treasuries would be our defensive vehicle of choice, but a move to defensive is not on the intermediate-term horizon.

#### Navigator® Global Tactical

- Our risk-facing position in equities continues to be solid, and our models indicate that fundamentals are supportive.
- What we consider to be strong performance by small caps and emerging markets furthers the case for risk assets.

#### Navigator® U.S. Sector Opportunity

- Technology, Aerospace and Defense, Metals & Mining, and Financials rank highest in our matrix and in the portfolio.
- Pharmaceuticals within Health Care have risen, becoming our only genuine value holding.
- Staples, Energy, and Real Estate rank lowest, and in our opinion, are to be avoided.

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### Navigator® U.S. Style Opportunity (MultiStrategy Equity)

- Large-cap growth and momentum continue to top our relative rankings and the portfolio's holdings.
- Growth's relative strength has stalled recently, and as a result, we have reduced our two growth ETFs and now 59% of the portfolio is indexed.
- Small caps are rising in our rankings and could soon become part of the mix if they can gain a bit more traction.

### Navigator® U.S. Strategic Beta

- We made no changes to the portfolio in August.
- We continue to modestly favor growth stocks, and we expect to maintain that position through any expected modest fall correction.
- Over the longer term, valuations across the board are becoming richer, which means that our next strategic portfolio move should be to reduce risk and beta — but such a move is not imminent.

#### Author



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## Disclosures

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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 of an investment), credit, payment, 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).

Foreign securities are more volatile, harder to price and less liquid than U.S. securities. They are subject to different accounting and regulatory standards and political and economic risks. These risks are enhanced in emerging market countries.

The "Economic Gauges" represent the firm's expectations for the market, and how changes in the market will affect the strategy, but are only projections which assume certain economic conditions and industry developments and are subject to change without notice. For educational use only.

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.

A 10-year Treasury note is a debt obligation issued by the U.S. Treasury Department that has a maturity of 10 years.

Treasury yield is the return on investment, expressed as a percentage, on the U.S. government's debt obligations. Looked at another way, the Treasury yield is the effective interest rate that the U.S. government pays to borrow money for different lengths of time.

An AA bond rating signifies very high credit quality and a very low risk of default for a bond issued by a government or corporation, indicating a very strong ability to meet financial commitments that is not significantly vulnerable to foreseeable events. While not as

exceptional as the highest AAA rating, an AA rating still provides strong reassurance to investors that their investment is secure.

An A rated bond signifies "high credit quality," indicating a low risk of default, though it is more vulnerable to adverse economic conditions than higher-rated bonds. These ratings are issued by agencies like Fitch, S&P, and Moody's, reflecting the issuer's strong capacity to meet financial commitments, but with a greater potential risk than AA or AAA bonds.

A BBB-rated bond is an investment-grade bond that signifies an adequate, though not strong, capacity to meet financial commitments, carrying a low risk of default under normal conditions but a greater susceptibility to adverse economic or business factors compared to higher-rated bonds. In essence, these are considered the lowest tier of "safe" bonds before moving into the more speculative "junk" bond category.

The chartered financial analyst (CFA) charter is a globally-recognized professional designation offered by the CFA Institute, an organization that measures and certifies the competence and integrity of financial analysts.

Non-investment-grade debt securities (high-yield/junk bonds) may be subject to greater market fluctuations, risk of default or loss of income.

The 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.

The Russell 2000 Index measures the performance of the 2000 smallest U.S. companies based on total market capitalization in the Russell 3000, which represents approximately 10% of Russell 3000 total market capitalization.

The Bloomberg 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 S&P 500 and the Barclays U.S. Aggregate Bond Index are used as supplemental benchmarks.

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. STRIPS are excluded from the index because their inclusion would result in double-counting. The US Treasury Index is a component of the US Aggregate, US Universal, Global Aggregate and Global Treasury Indices.

The MSCI All Country World ex USA Total Return (MSCI ACWI) is a market capitalization weighted index designed to provide a broad measure of equity-market performance throughout the world. The MSCI ACWI is maintained by Morgan Stanley Capital International and is comprised of stocks from both developed and emerging markets.

ICE BofA US Corporate C Index, a subset of the ICE BofA US High Yield Master II Index, tracks the performance of US dollar denominated below investment grade rated corporate debt publicly issued in the US domestic market. This subset includes all securities with a given investment grade rating CCC or below.