Clark Capital Management Group

Market Commentary | September 2025

Benchmark Review & Monthly Recap

Stocks Achieved New All-Time Highs in September; Bonds Moved Higher as Yields Edged Lower

Equity Markets

Equities continued to rally broadly in September with strong monthly, quarterly and year-to-date results. See **Table 1** for September 2025, Q3, and YTD returns.

Table 1 | Equity Markets

Index	September	Q3	YTD
S&P 500	3.65%	8.12%	14.83%
S&P 500 Equal Weight	1.11%	4.84%	9.90%
DJIA	2.00%	5.67%	10.47%
Russell 3000	3.45%	8.18%	14.40%
NASDAQ Comp.	5.68%	11.41%	17.93%
Russell 2000	3.11%	12.39%	10.39%
MSCI ACWI ex U.S.	3.60%	6.89%	26.02%
MSCI Emerging Mkts Net	7.15%	10.64%	27.53%

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 equity rally continued in September, and the new all-time high index club got a new member as small caps rallied. The Russell 2000 Index, a measure of small-cap stocks, reached a new high for the first time since 2021. From a domestic perspective, large-cap growth stocks continued to show leadership with the strongest monthly and year-to-date results, as measured by the NASDAQ Composite. Magnifying the strength of large caps, the performance difference between the market-cap weighted S&P 500 Index and its equal-weighted counterpart increased during the month, quarter, and year to date. However, small caps have improved materially in recent months with the Russell 2000 Index recording the best U.S. results for the quarter. This strong quarter pushed year-to-date results into positive territory. International stocks have not relented on their broader global leadership in 2025, and strength in recent months was more pronounced with emerging market equities. Both measures of international stocks are ahead of their U.S. counterparts after underperforming for much of the last 15 years.

Highlights

- **Stocks:** The major U.S. stock indices posted new all-time highs in September with a new index joining this club—the Russell 2000. After almost four years, this small-cap index joined its large-cap counterparts with a new high.
- **Bonds:** The 10-year U.S. Treasury, which closed August at 4.23%, slid lower to end September at 4.16%. Declining yields provided a positive backdrop for bonds to end the month and third quarter.
- **U.S. Economy:** Second quarter GDP was revised higher again to 3.8% from the previously reported 3.3%. This was the third and final reading of Q2 GDP. Job additions for August remained anemic following significant negative revisions to prior payroll announcements. However, we enter October with a shutdown government, and economic data will be delayed during that time.
- **Federal Reserve:** The Fed cut rates for the first time in 2025 in September. A weaker job market than previously thought compelled Chair Powell to restart the rate cut cycle after a nine-month pause. The market is pricing in over a 75% probability of two additional rate cuts at the final two FOMC meetings in 2025 per the CME FedWatch Tool as of 9/30/25.

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Fixed Income

Bonds continued their solid year with another month and quarter of good returns. Generally, rates moved lower during the month and quarter, which led to a positive backdrop for most bond sectors. See **Table 2** for bond index returns for September 2025, Q3, and YTD.

Table 2 | Fixed Income Markets

Index	September	Q3	YTD
Bloomberg U.S. Agg	1.09%	2.03%	6.13%
Bloomberg U.S. Credit	1.44%	2.57%	6.90%
Bloomberg U.S. High Yld	0.82%	2.54%	7.22%
Bloomberg Muni	2.32%	3.00%	2.64%
Bloomberg 30-year U.S. TSY	3.50%	2.10%	4.26%
Bloomberg U.S. TSY	0.85%	1.51%	5.36%

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.

Rates began to move lower in recent months as the market became more convinced the Fed would resume its rate-cut cycle that began in 2024. This belief strengthened as job data revisions revealed a weaker job market over the previous year than initially thought. The 10-year U.S. Treasury yield closed July at 4.37%, August at 4.23%, and September at 4.16%. Declining rates have provided a tailwind for bond returns. Munis, one sector of the bond market that struggled during the first half of the year, had market-leading results for the quarter. Although muni results are still modest for the year-to-date, other bond sectors have turned in strong returns over the nine-month period. In general, bonds have done their job in 2025 with solid gains through three quarters of the year helping offset some of the equity market volatility from the early part of the 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. As the Fed has resumed its rate-cutting cycle, we believe having an active bond management approach makes sense in this environment. Furthermore, rates remain elevated and provide potential opportunities for bond investors.

Economic Data Highlights and Outlook

Jobs: Job market data continued to disappoint with a weaker than expected payroll gain in August. Only 22,000 non-farm payroll additions were reported when a gain of 75,000 was anticipated. The unemployment rate moved up to 4.3% as expected in August. Adding this report with revisions in recent months and job data reflects a weaker job market over the last year or so than previously thought. This data helped push Chair Powell to resume rate cuts in September to try to serve the "full employment" side of his mandate. With the role of consumer spending critical to the U.S. economy (roughly 65%-70% of the economy), monitoring job market data will be key in the months ahead to see if this recent weakness is deepening. **Chart 1** shows that after the significant rebound in job additions following the pandemic, payroll gains have slowed in recent months and years. The last few months have seen anemic job market gains and this trend is worth watching moving forward. However, the Employment Situation Report from the Bureau of Labor Statistics, with September data scheduled for release on Friday, October 3, will not be released during the government shutdown.

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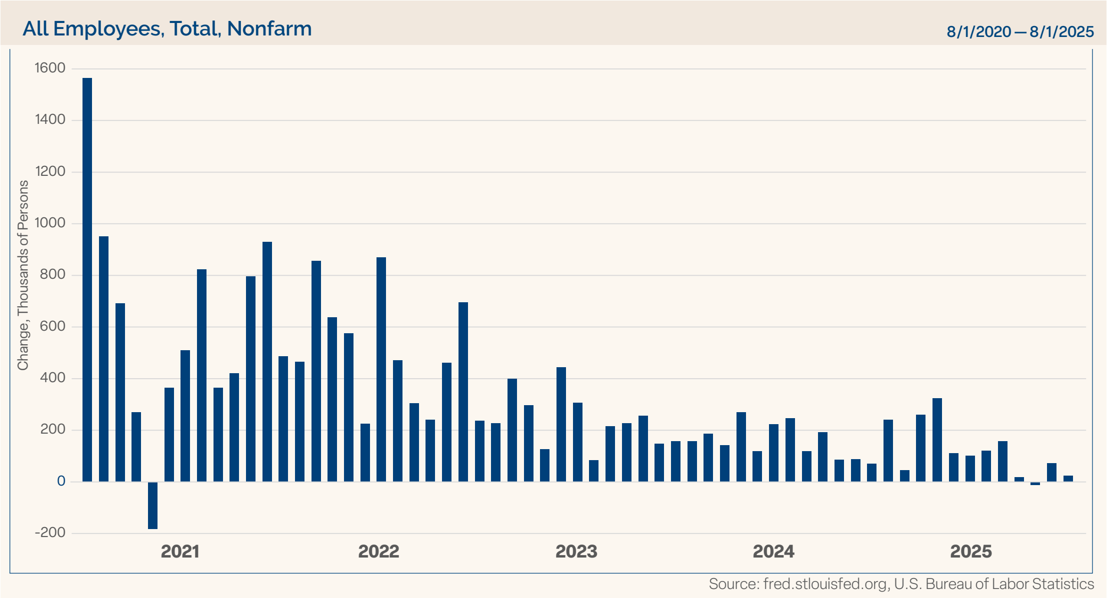
Chart 1

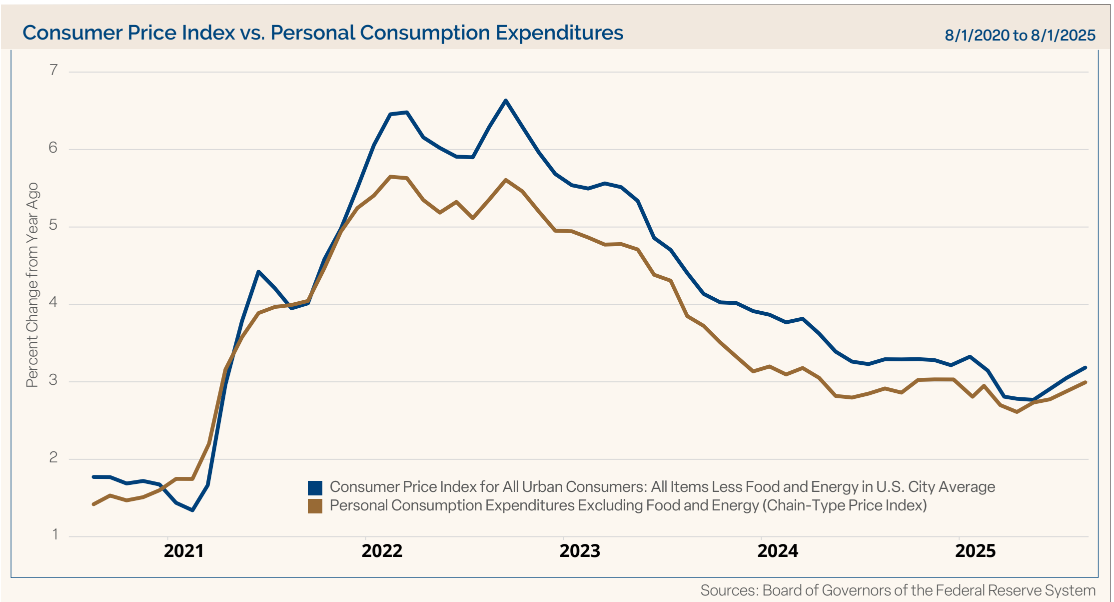


For illustrative purposes only. Past performance is not indicative of future results.

Inflation: Inflation readings were mixed in September, but we have seen no significant increase after higher tariffs have started to be collected. Inflation remains elevated compared to the Fed's goal of 2% but also rather contained, and it has remained calm enough to lead Chair Powell to focus on the job side of his mandate and not the inflation side at this point. The headline and core Consumer Price Indices (CPI) were in line with expectations on a year-over-year basis in August at 2.9% and 3.1%, respectively. The Producer Price index (PPI), after a "hotter" than expected number in July, was "cooler" than expected in August. (This is why we do not read too much into a single month's number and look instead at trends.) Instead of the headline and core PPI increasing by 0.3% as expected, the month showed a decline of -0.1% for both measures. The annual increases in August were 2.6% and 2.8%, respectively, when expectations were 3.3% and 3.5%, respectively. The headline and core Personal Consumption Expenditures (PCE) price indices came in as expected for August. However, the core PCE price index, the Fed's preferred measure of inflation, remained at 2.9%, well above the Fed's target inflation rate of 2%. (For more specific inflation data, please refer to the end of this report.)

Tariff concerns have increased inflation fears, but we have not yet seen sustained evidence that prices are moving higher. With higher tariff rates kicking in for many countries in August, price-level data will be important to monitor in coming months. **Chart 2** shows the core CPI and core PCE price indices. Inflation levels are clearly off their highs from a few years ago, but the progress towards 2% has stalled in recent months as well. Inflation and job market data are giving conflicting signals to the Fed, but sharp negative revisions for the labor market seem to be the primary concern of the Fed these days and has led to a resumption of the rate cut cycle.

Chart 2



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GDP: The economy bounced back in the second quarter after the -0.5% annualized decline in the first quarter. The recovery in Q2 proved to be stronger after the release of the third and final GDP report. The U.S. economy rose at a 3.8% annualized pace in the second quarter, besting expectations and the second reading of 3.3%. The improvement from the second reading was driven in large part by stronger personal consumption at a 2.5% annualized pace compared to the prior estimate of 1.6%. Historically, it takes a lot to knock down U.S. consumers and spending tends to be resilient. The U.S. economy is driven heavily by consumer spending. As we acknowledged with Q1 GDP, it was a GDP number that was heavily impacted by the spike in imports ahead of tariff concerns in April, which distorted the overall Q1 GDP reading. Likewise, the strong Q2 GDP number was distorted by the sharp drop in imports in Q2 compared to Q1, which was additive to GDP. However, stronger consumer spending contributed to the positive revision to the final Q2 GDP.

The Atlanta Fed GDP Now estimate shows expected Q3 2025 GDP to come in at a 3.8% annualized pace (as of 10/1/25), which would match the strong growth in the second quarter. **Chart 3** shows recent GDP readings and the whipsaw in GDP during the first half of this year. After starting the year with the first negative GDP reading since Q1 2022, the rebound in the second quarter was the strongest growth since Q3 2023. Keep in mind these readings were distorted by swings in imports.

Consumer Confidence: Although spending money, consumers, based on confidence surveys, are still reflecting some concerns. Going briefly through prior months, the University of Michigan consumer sentiment reading fell dramatically during the height of the tariff concerns hitting a level of 52.2 in April and May – a level rarely seen by this measure in its history. It did bounce back nicely to 60.7 in its final reading for June and it rose again to 61.7 in July. However, in August, it stalled and moved down to a reading of 58.2, and September showed a further decline to 55.4, which missed expectations of 58.0. It will be important to monitor if slipping consumer confidence leads to less spending activity. Remember, this is all despite stocks hitting new record highs.

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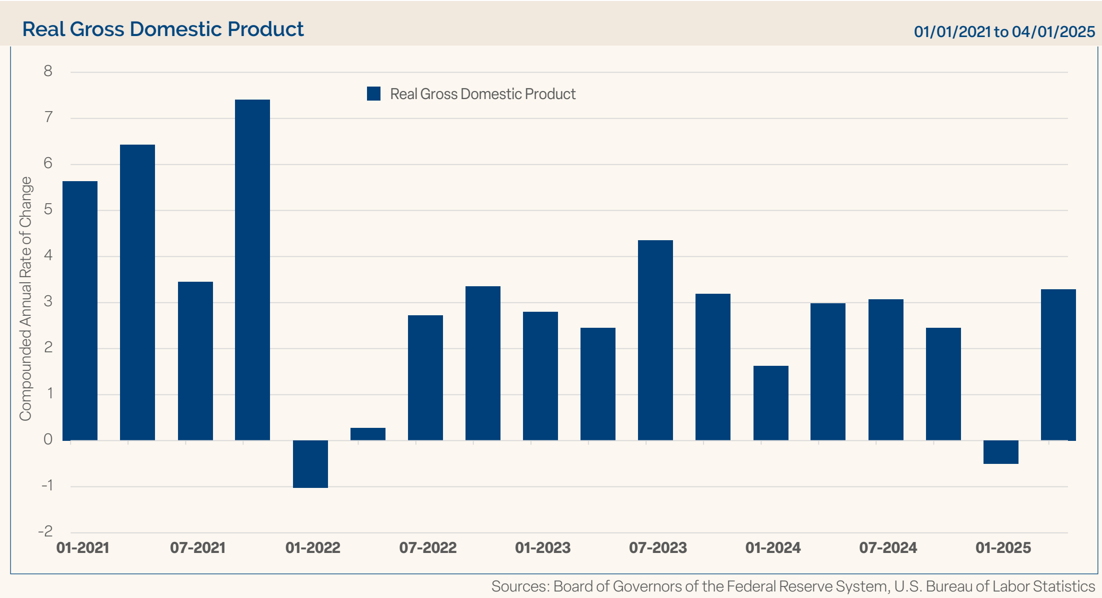
Chart 3



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Other Economic Data Points: The ISM Manufacturing Index for August improved from its weak July level, but not to the degree expected. The reading came in at 48.7, below expectations of 49.0, but modestly better than July's mark of 48.0. The ISM Non-Manufacturing Index, which covers the much larger service industries in the U.S. economy, improved to 52.0 from the 50.1 reading in July, and this reading was better than expectations of 51.0. Manufacturing has languished below 50 for some time while non-manufacturing activity has largely reflected ongoing, modest growth. It also points to the important role consumer spending has played in our economy as manufacturing has languished in recent years and the services sector has been leading economic growth.

Housing data for August was mixed, but lower interest rates have helped bring mortgage rates down, which has been more supportive for housing of late. The 10-year U.S. Treasury yield moved lower over the third quarter. Housing starts and building permits both missed estimates in August and were lower than July data. However, new home sales were much stronger than expected for the month, and existing home sales exceeded expectations as well. The leading economic indicators index fell by -0.5% in August, worse than the expected -0.2% decline. However, the prior month was revised to a modestly positive number, 0.1% from the previously reported decline of -0.1%. Retail sales (ex-auto and gas) were solid, increasing 0.7% in August, which exceeded the 0.4% estimate. Retail sales data is not inflation adjusted, which is important to keep in mind when reviewing this reading.

Markets have proven to be resilient since the tariff selloff lows. In what has been a rather unloved rally, stocks have been able to successfully climb the "wall of worry" as major equity indices—including the Russell 2000—have made new highs. Tariff negotiations seem to have moved more to the background, which has calmed the markets, but many actual tariffs are now in effect, and their impact will be felt in the months ahead. (The Supreme Court will likely rule in the near term on the legality of the Administration's tariffs.) 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 has calmed of late as stocks have rallied. Bonds, for the most part, have done their job in 2025 by helping to offset volatile stocks at times and providing solid gains year to date. Even munis, the laggard in bonds, showed solid progress in the third quarter. We believe the economy will grow in 2025, but at a more subdued pace than we thought to begin the year. Prompted by weaker job market data, the Fed resumed rate cuts in September, and the market is expecting cuts to continue at the final two meetings of 2025. Stock valuations have crept higher but not to an alarming level, in our opinion, as earnings expectations have picked up and are now at record highs. We still see opportunities in the stock market as we close out 2025, and elevated bond yields provide potential opportunities in fixed income as well despite yields recently moving lower. 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.

Economic Data

Event	Period	Estimate	Actual	Prior	Revised
ISM Manufacturing	Aug	49	48.7	48	—
ISM Services Index	Aug	51	52	50.1	—
Change in Nonfarm Payrolls	Aug	75k	22k	73k	79k
Unemployment Rate	Aug	4.30%	4.30%	4.20%	—
Average Hourly Earnings YoY	Aug	3.80%	3.70%	3.90%	--
JOLTS Job Openings	Aug	7200k	7227k	7181k	7208k
PPI Final Demand MoM	Aug	0.30%	-0.10%	0.90%	0.70%
PPI Final Demand YoY	Aug	3.30%	2.60%	3.30%	3.10%
PPI Ex Food and Energy MoM	Aug	0.30%	-0.10%	0.90%	0.70%
PPI Ex Food and Energy YoY	Aug	3.50%	2.80%	3.70%	3.40%
CPI MoM	Aug	0.30%	0.40%	0.20%	—
CPI YoY	Aug	2.90%	2.90%	2.70%	—
CPI Ex Food and Energy MoM	Aug	0.30%	0.30%	0.30%	—
CPI Ex Food and Energy YoY	Aug	3.10%	3.10%	3.10%	—
Retail Sales Ex Auto and Gas	Aug	0.40%	0.70%	0.20%	0.30%
Industrial Production MoM	Aug	-0.10%	0.10%	-0.10%	-0.40%
Building Permits	Aug P	1370k	1312k	1362k	--
Housing Starts	Aug	1365k	1307k	1428k	1429k
New Home Sales	Aug	650k	800k	652k	664k
Existing Home Sales	Aug	3.95m	4.00m	4.01m	—
Leading Index	Aug	-0.20%	-0.50%	-0.10%	0.10%
Durable Goods Orders	Aug P	-0.30%	2.90%	-2.80%	-2.70%
GDP Annualized QoQ	2Q T	3.30%	3.80%	3.30%	—
U. of Mich. Sentiment	Sept P	58	55.4	58.2	—
Personal Income	Aug	0.30%	0.40%	0.40%	--
Personal Spending	Aug	0.50%	0.60%	0.50%	--
S&P Cotality CS 20-City YoY NSA	July	1.55%	1.82%	2.14%	2.16%

Source: Bloomberg; P=Preliminary, S=Secondary Reading

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 Bellwether 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.