4th Quarter 2025

Guide to the Gauges

Quarterly Economic and Capital Market Review

Navigate Your Future. Enjoy the Journey.

ClarkCapital
MANAGEMENT GROUP

Economy

Monetary Policy

Valuations

Investor Sentiment

Interest Rates

Guide to the Gauges

Our Latest Assessment of Key Economic Indicators

We believe that over the long term, stock prices are driven by two things: earnings, and what people are willing to pay for those earnings. These five gauges reflect our outlook for the factors that we believe drive stock prices.

Each gauge comprises of a number of individual indicators, which the Investment Team evaluates on an ongoing basis to determine if the gauge is neutral, positive, or negative.

Fourth Quarter Summary

We moved the Economy gauge to the Half Forward position. We are describing the economy as being in a "jobless expansion," where the labor market has slowed at the same time that GDP growth is above trend. We acknowledge there are still risks to the economic outlook due to tariffs and other factors, but a recession occurring in 2026 is not our base case.

We held the Monetary Policy in the Half Forward position. In 2025, the Federal Reserve lowered the fed funds rate by a total of 75 basis points (bps) to a range of 3.5%-3.75%. Market expectations are for two rate cuts in 2026, while the Fed's Summary of Economic Projections (Dot Plot) indicates only one. Fed Chair Jerome Powell's term is scheduled to end in May 2026, and a successor has yet to be named creating some uncertainty around the direction of future interest rate policy.

We held the Valuations gauge in the Slow Reverse position to reflect our view that after a historic move to new highs in 2025, U.S. large-cap stock valuations appear to be a bit stretched though not excessively valued, in our opinion. Other parts of the equity market such as small caps, mid caps, and international are trading at a discount to the S&P 500.

We moved the Investor Sentiment gauge to the Slow Reverse position as bullish investors outnumbered bearish investors at the end of the year, though we are not observing an excessive level of investor optimism. Volatility as measured by the CBOE Volatility Index (VIX) remains subdued.

We held the Interest Rate gauge in the Slow Forward position as we saw a move lower across most of the yield curve in 2025, and we expect the Fed to continue lowering rates in 2026.

The gauges reflect the firm's market expectations and anticipated strategy impacts based on certain economic conditions and industry trends. These projections are subject to change without notice.

Economy

Moved one notch to the right

This quarter, we moved the Economy gauge to Half Forward. We are describing the economy as being in a "jobless expansion," where the labor market has slowed during a period in which GDP growth is above trend. We acknowledge there are still risks to the economic outlook due to tariffs and other factors, but a recession occurring in 2026 is not our base case.

KEY TAKEAWAYS

GDP — The initial estimate of Q3 GDP came in at 4.3%, up from Q2 GDP of 3.8% and well ahead of the expected 3.3%. The Atlanta Fed's GDPNow is forecasting 2.7% for Q4 GDP.

Labor Market — The unemployment rate increased to 4.6% in November despite a better than expected 64,000 jobs being created. Job openings increased to 7.67M in October, well above the 7.12M estimate. The ratio of job openings to unemployed people has fallen to 0.98 from its March 2022 peak of 2.0.

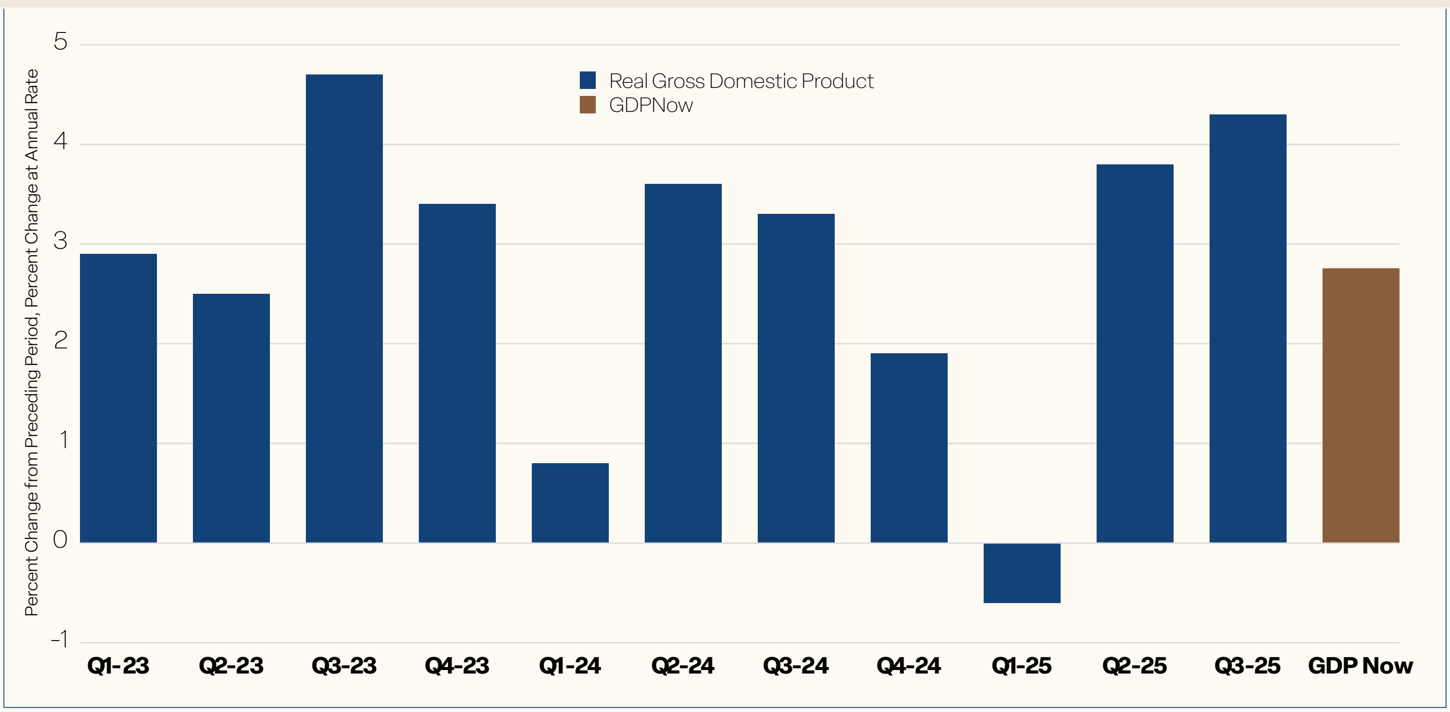
Inflation — Headline CPI for November came in at 2.7%, well under the estimate of 3.1%. PPI for September came in at 2.7%, slightly above the estimate of 2.6%. The Fed's preferred measure of inflation, Core PCE, for September came in at 2.8% matching the estimate.

ISM Manufacturing

After posting a negative reading in the first quarter of 2025 due to a surge in imports, GDP rebounded in the second and third quarters.

Real Gross Domestic Product vs. GDPNow

As of 12/31/2025



Sources: BEA; Atlanta Fed; fred.stlouisfed.org

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

Monetary Policy

No change in position

This quarter, we held the Monetary Policy gauge in Half Forward as the Federal Reserve lowered the fed funds rate in 2025 by 75 basis points (bps) and ended Quantitative Tightening in December. Fed Chair Jerome Powell's term is scheduled to end in May 2026, and a successor has yet to be named creating some uncertainty around the direction of future interest rate policy.

KEY TAKEAWAYS

Interest Rate Policy — At the December FOMC meeting, the Federal Reserve lowered the fed funds rate by 25 bps to a range of 3.50%-3.75%. This marked the third meeting in 2025 with a rate cut.

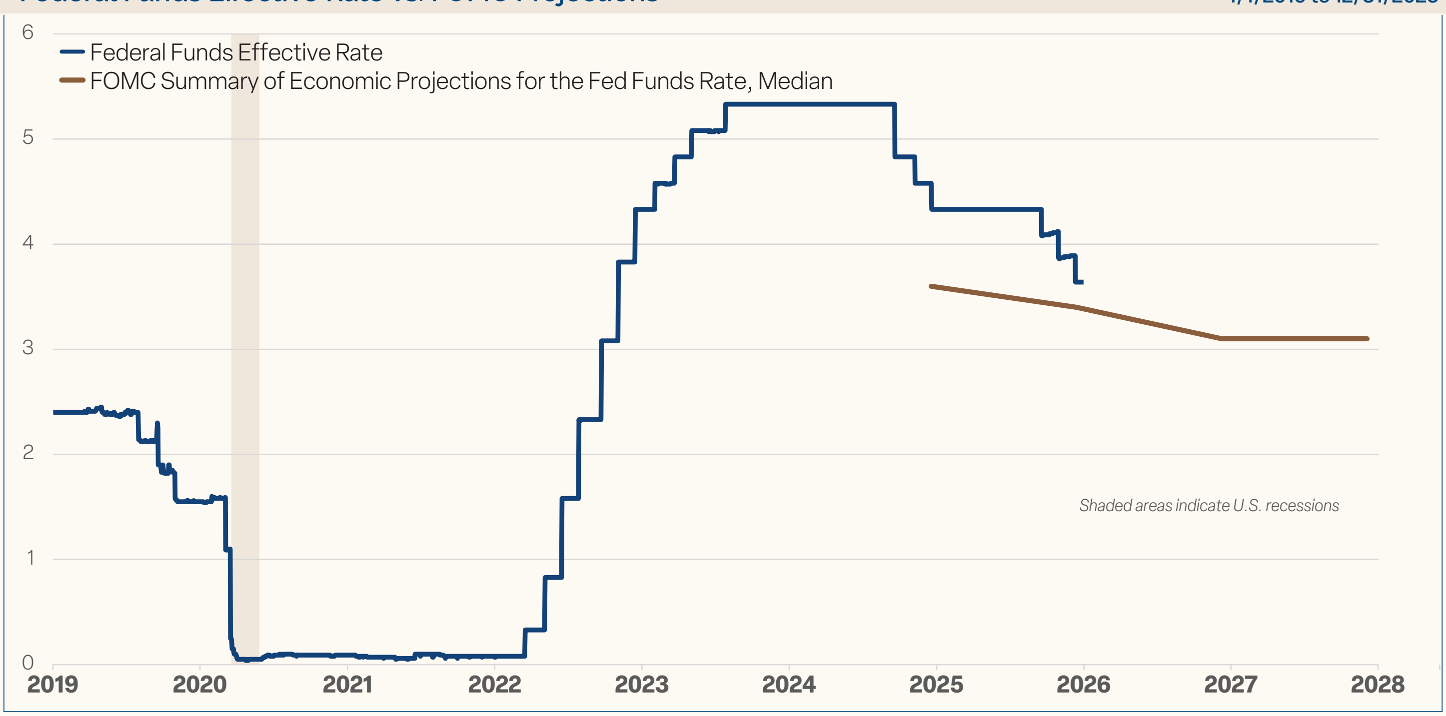
Fed Funds Futures — Fed funds futures are pricing in two additional cuts in 2026, while the Fed's Summary of Economic Projections (Dot Plot) shows only one.

Balance Sheet — The Federal Reserve officially ended Quantitative Tightening (QT) on December 1. In December, Fed Chair Jerome Powell also announced that the Fed's purchase of T-bills "may remain elevated for a few months."

Fed Cutting Rates

After a period of being on hold, the Federal Reserve resumed lowering the fed funds rate in the back half of 2025.

Federal Funds Effective Rate vs. FOMC Projections 1/1/2019 to 12/31/2025



Sources: Board of Governors of the Federal Reserve System; U.S. Federal Open Market Committee via FRED

For illustrative purposes only. Projections or other forward looking statements regarding future financial performance of markets are only predictions and actual events or results may differ materially.

Valuations

No change in position

This quarter, we held the Valuations gauge in Slow Reverse to reflect our view that U.S. large-cap stocks are trading above their historical multiples, but do not appear to be excessively valued.

KEY TAKEAWAYS

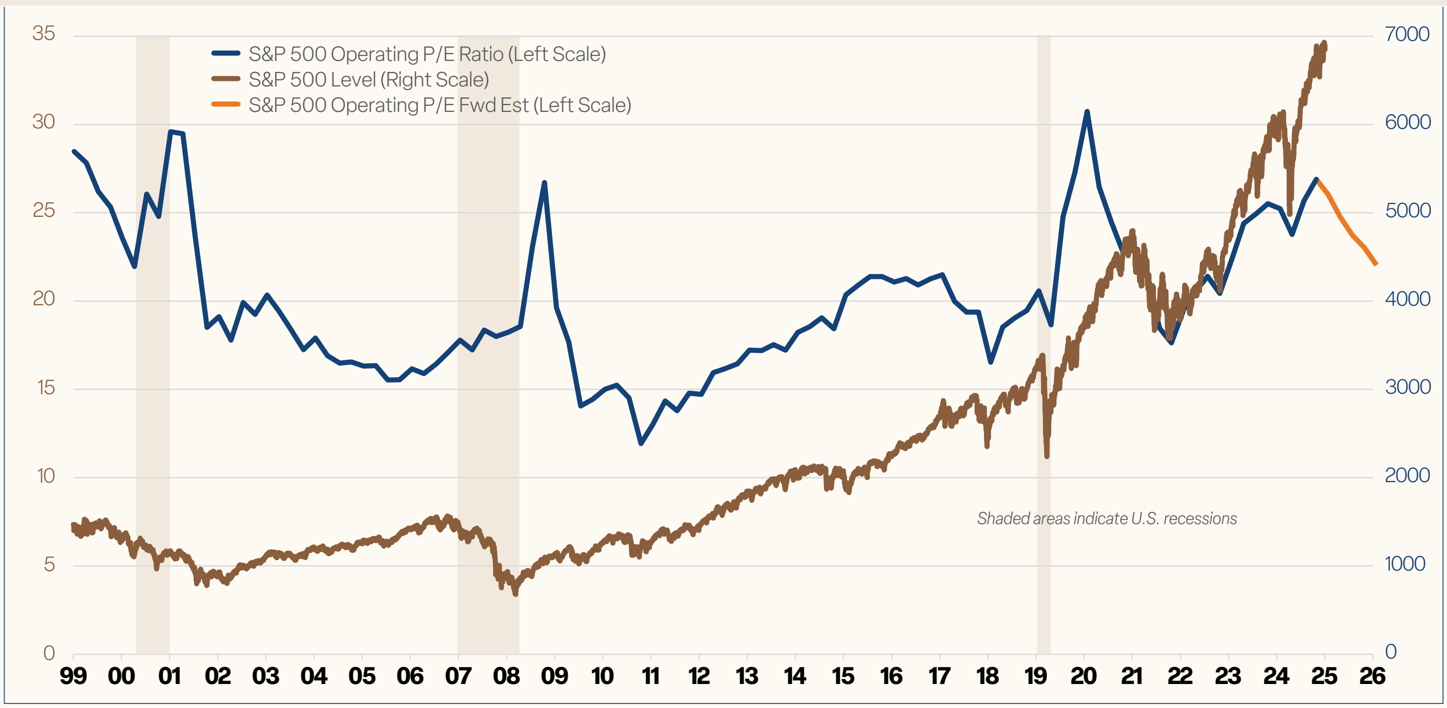
P/E Multiples — While the S&P 500 reached multiple new highs in 2025, earnings estimates have also been rising in recent months keeping valuations for U.S. large-cap stocks elevated but not excessive in our opinion.

Earnings — Analysts are currently forecasting ~13% operating earnings growth in 2025 and ~18% growth in 2026. Both would represent record S&P operating earnings. We acknowledge that tariffs and other factors could potentially impact these estimates.

S&P 500 Calendar Year Operating Earning per Share Actuals & Estimates

For Q3 2025, with 99% of S&P 500 companies having reported, 86% have reported EPS either in line with or above analyst estimates.

S&P 500 Level and Operating P/E Ratio 12/31/1999 to 12/31/2026



Source: CBOE, YCharts

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Investor Sentiment

Moved one notch to the Left

This quarter, we moved the Investor Sentiment gauge to Slow Reverse as bullish investors outnumbered bearish investors at the end of the year, though we are not observing an excessive level of investor optimism. The more fear and pessimism among investors, the more positive for stocks, and vice versa. This is a sensitive gauge and can change quickly.

KEY TAKEAWAYS

AAII Survey — During the month of December, AAII Investor Sentiment became more bullish and less bearish compared to November. While bullish sentiment is above bearish sentiment, it is far from extreme levels.

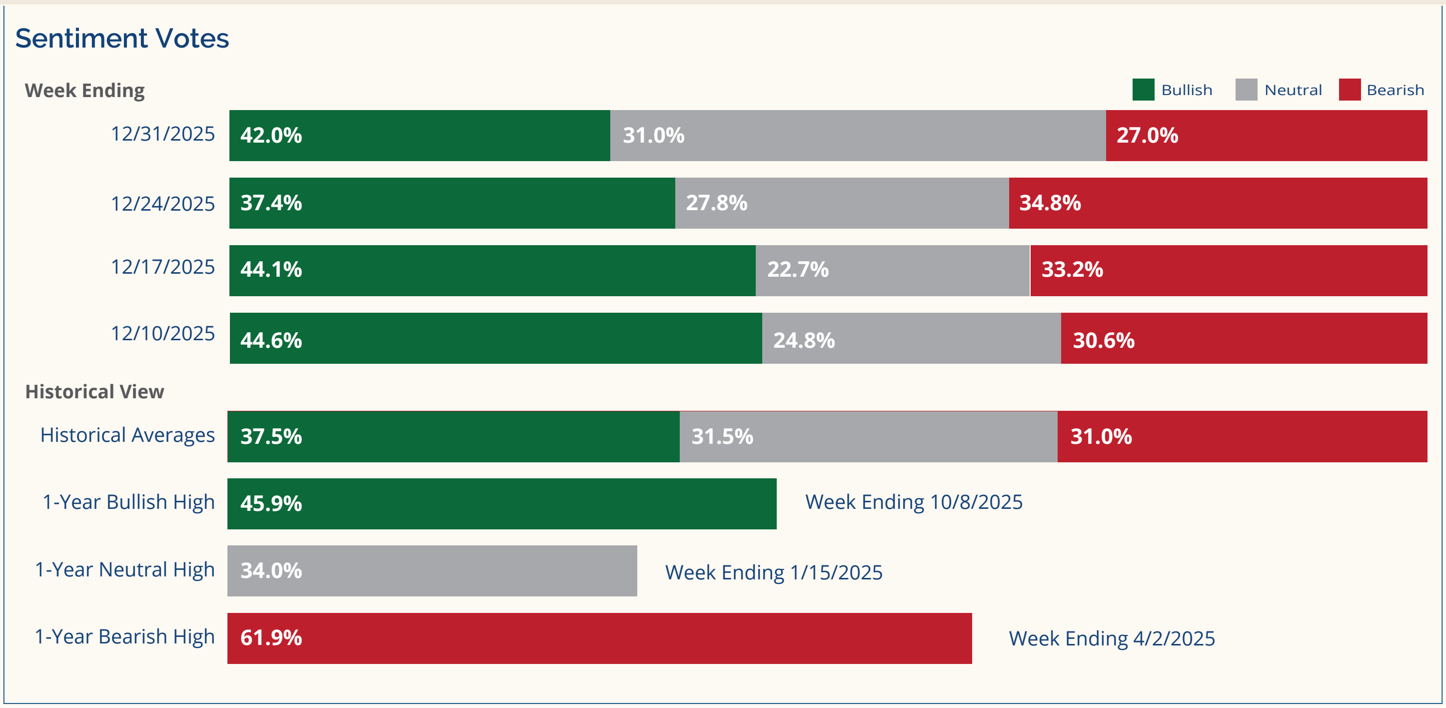
VIX Index — The CBOE Volatility Index (VIX) hit 60.13 on April 7, its highest level since the spike back on August 5, 2024. By the end of June, the VIX retreated to 16.73 as stocks recovered their losses sustained in April. In November, the VIX spiked to 28.27 but closed the year out at 14.95.

What Does the AAII Survey Indicate About Bullish and Bearish Sentiment?

Since its inception in 1987, the AAII Survey has been a useful contrarian indicator. In the past when the survey reaches extreme levels of bullishness or bearishness, a change in direction for the market often follows.

What Direction Do AAII Members Feel The Stock Market Will Be in the Next 6 Months?

As of 12/31/2025



Source: American Association of Individual Investors

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Interest Rates

No change in position

This quarter, we held the Interest Rates gauge in Slow Forward position as we saw a move lower across most of the yield curve in 2025, and we expect the Fed to continue lowering rates in 2026.

KEY TAKEAWAYS

Change in Yields — Interest rates have moved lower across most of the yield curve since the start of the 2025 as the Federal Reserve has lowered the fed funds rate by a total of 75 bps, and intermediate rates have also declined.

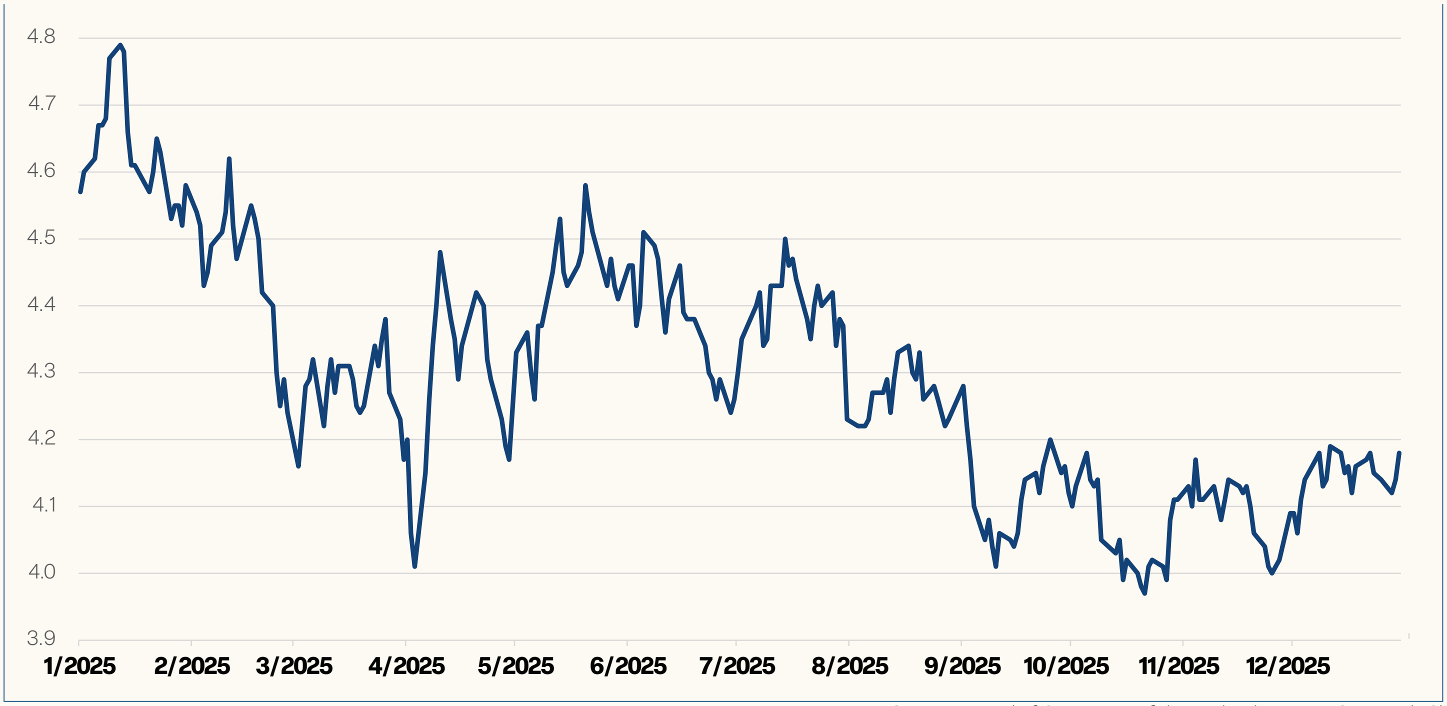
Yield Curve — The 3m/10yr spread moved in and out of inversion last year but is currently positively sloped. An inverted yield curve has preceded recessions in the past. Our base case is that the U.S. economy will avoid a recession in 2026, although the possibility of one can not be completely ruled out.

Interest Rate Volatility — Interest rate volatility, as measured by the BofA MOVE Index, hit the highest level of 2025 on April 8 at 139.88 as a wave of volatility hit the treasury market. In December, the MOVE Index fell to the lowest level in the past four years and ended the year at 63.96 as volatility in the Treasury bond market has eased.

Yield Moving Higher

The 10-year Treasury yield was on a bit of a rollercoaster ride in 2025 but has been trending lower in recent months.

Market Yield on U.S. Treasury Securities at 10-Year Constant Maturity 1/2/2025 to 12/31/2025



Quoted on an Investment Basis

Source: Board of Governors of the Federal Reserve System (US)

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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. There is no guarantee of the future performance of any Clark Capital investments portfolio. Material presented has been derived from sources considered to be reliable, but the accuracy and completeness cannot be guaranteed. 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. For educational use only. This information is not intended to serve as investment advice. This material is not intended to be relied upon as a forecast or research. Investors must make their own decisions based on their specific investment objectives and financial circumstances. Past performance does not guarantee future results.

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.

The Standard and Poor's 500, or simply the S&P 500, is a stock market index tracking the stock performance of 500 large companies listed on stock exchanges in the United States.

The 3 Month Treasury Bill Rate is the yield received for investing in a government issued treasury security that has a maturity of 3 months.

The 10 Month Treasury Bill Rate is the yield received for investing in a government issued treasury security that has a maturity of 10 months.

The MOVE Index measures U.S. interest rate volatility. The index tracks the movement in U.S. Treasury yield volatility implied by current prices of 1-month OTC options.

Equity stocks of small and mid-cap companies carry greater risk, and more volatility than equity stocks of larger, more established companies.

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 Consumer Price Index (CPI) is a measure that examines the weighted average of prices of a basket of consumer goods and services, such as transportation, food, and medical care. It is calculated by taking price changes for each item in the predetermined basket of goods and averaging them. Changes in the CPI are used to assess price changes associated with the cost of living. The price-to-earnings (P/E) ratio relates a company's share price to its earnings per share.

The Producer Price Index (PPI) is a family of indexes that measures the average change over time in selling prices received by domestic producers of goods and services.

VIX of VIX (or VVIX) is a measure of the volatility of the Chicago Board Options Exchange (CBOE) Volatility Index (VIX). The CBOE's VIX measures the short-term volatility of the S&P 500 indexes, and the VVIX measures the volatility of the price of the VIX. In other words, VVIX is a measure of the volatility of the S&P 500 index and alludes to how quickly market sentiment changes.

Gross domestic product (GDP) is a monetary measure of the market value of all the final goods and services produced and sold in a specific time period by countries.

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).

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

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