2nd Quarter 2026

Guide to the Gauges

Quarterly Economic and Capital Market Review

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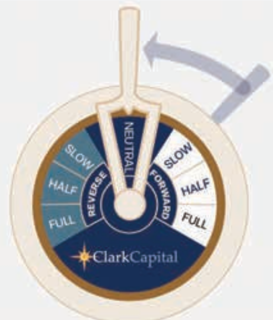
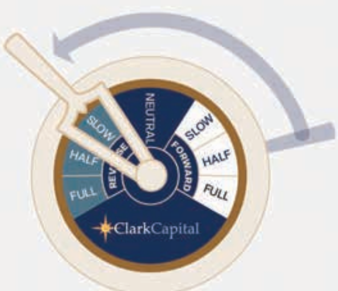
Clark Capital Management Group

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

Second Quarter Summary

This quarter, we held the Economy gauge in the Slow Forward position. Despite headwinds from higher energy prices due to the conflict with Iran, the economy grew at a pace of 2.1% in Q1. The unemployment rate fell slightly in June to 4.2%, and job openings held steady at 7.59M. U.S. manufacturing has turned a corner with the ISM Manufacturing PMI posting six straight monthly readings above 50.

This quarter, we moved the Monetary Policy to the Neutral position. June marked the fourth FOMC meeting in a row with no change in the fed funds rate. At his first FOMC meeting as Fed Chair, Kevin Warsh reiterated the Fed's commitment to 2% inflation. Fed funds futures are pricing in rate hikes as being more likely than rate cuts for this year and next.

This quarter, we held the Valuations gauge in the Neutral position. While the S&P 500 and other indexes set new highs in June, earnings estimates for this year and 2027 were also raised to new highs keeping valuations reasonable, in our view. Valuations for small-cap, mid-cap, and international stocks remain at a discount to the S&P 500.

This quarter, we moved the Investor Sentiment gauge to the Slow Reverse position. During the final week of June, the AAII Investor Sentiment survey moved back to a bearish bias despite most major indexes trading near records. Enthusiasm around initial public offerings (IPOs) has increased and margin debt has reached a record $1.42T, further signs that investor sentiment has shifted.

We held the Interest Rate gauge in the Slow Forward position. Interest rates have moved higher across most of the yield curve since the start of 2026, as the Federal Reserve appears to be on hold, and inflation expectations have increased due to rising energy prices. High yield and investment grade credit spreads are historically tight, a signal that there is currently no stress in the fixed income market.

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

No change in position

This quarter, we held the Economy gauge in the Slow Forward position. After a weaker quarter of growth in Q4, the economy bounced back in Q1 posting growth of 2.1%. We acknowledge that there are risks to the economic outlook due to the ongoing conflict in Iran, but a recession occurring in 2026 is not our base case.

KEY TAKEAWAYS

GDP — The third estimate of Q1 GDP came in at 2.1%, up from the second estimate of 1.6%. The Atlanta Fed's GDPNow is forecasting 1.2% for Q2 GDP. Our forecast for GDP in 2026 is 2.5%, down from 3.0%.

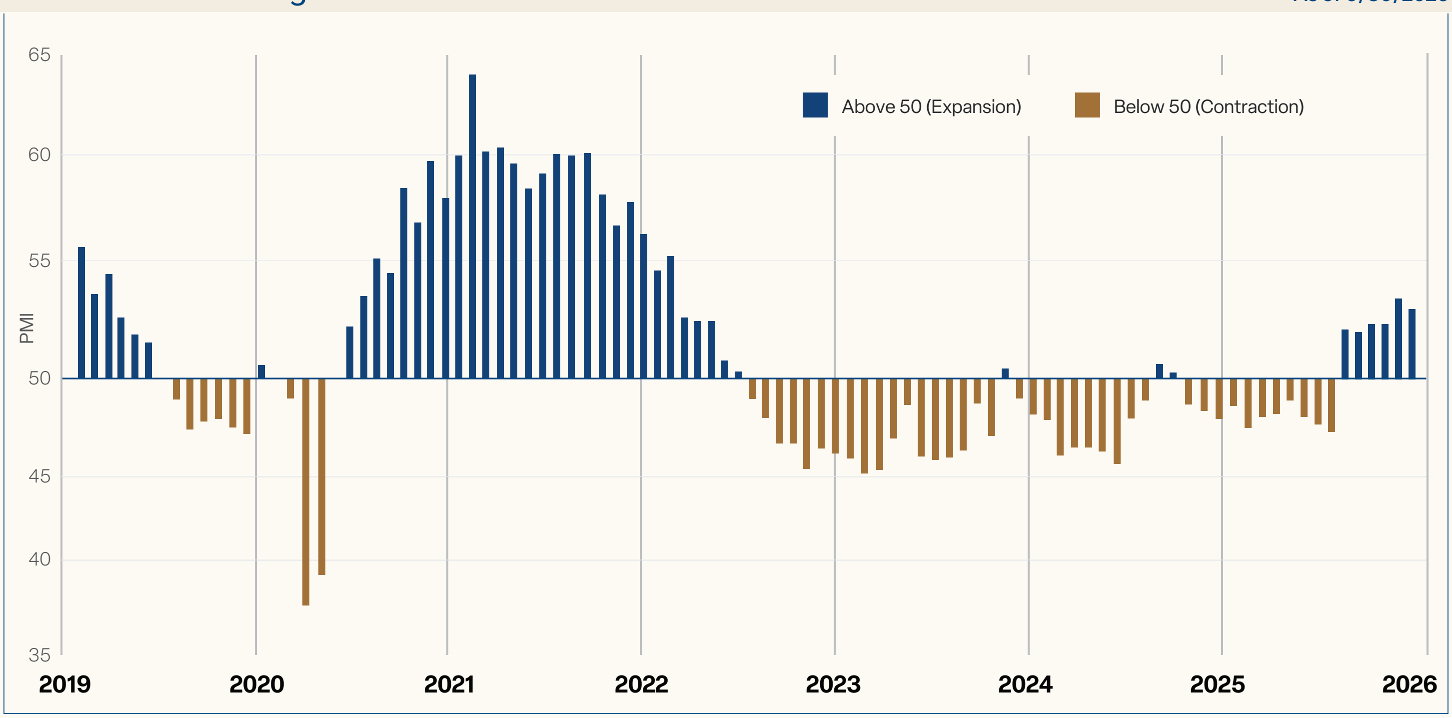
Labor Market — The unemployment rate fell 0.1% to 4.2% in June. Nonfarm payrolls increased by 57K, well below the estimate of 115K. Job openings held steady in May at 7.59M compared to the previous reading of 7.585M. The number of layoffs and discharges were unchanged at 1.7M.

Inflation — Headline CPI for May came in at 4.2%, up from April's reading of 3.8%. Headline PPI for May rose to 6.5%, continuing its acceleration from April's reading of 5.7%. The Fed's preferred measure of inflation, Core PCE, came in at 3.4% for May, edging up from April's 3.3%.

ISM Manufacturing

In June, the ISM Manufacturing PMI posted its sixth straight month above 50, an occurrence that has not happened since 2022.

US ISM Manufacturing PMI As of 6/30/2026



Source: Ycharts

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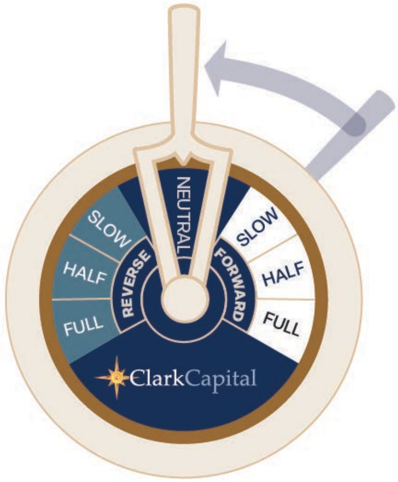


Monetary Policy

Moved one notch to the left

This quarter, we moved the Monetary Policy gauge to the Neutral position. Given the potential inflationary impacts from a surge in energy prices, some uncertainty exists around the timing of future interest rate changes.

KEY TAKEAWAYS

Interest Rate Policy — At the June FOMC meeting, the Federal Reserve held the federal funds rate in a range of 3.50%–3.75%, the fourth consecutive meeting with no change in rates. The decision was unanimous, and the Committee removed its easing bias while emphasizing a data-dependent approach.

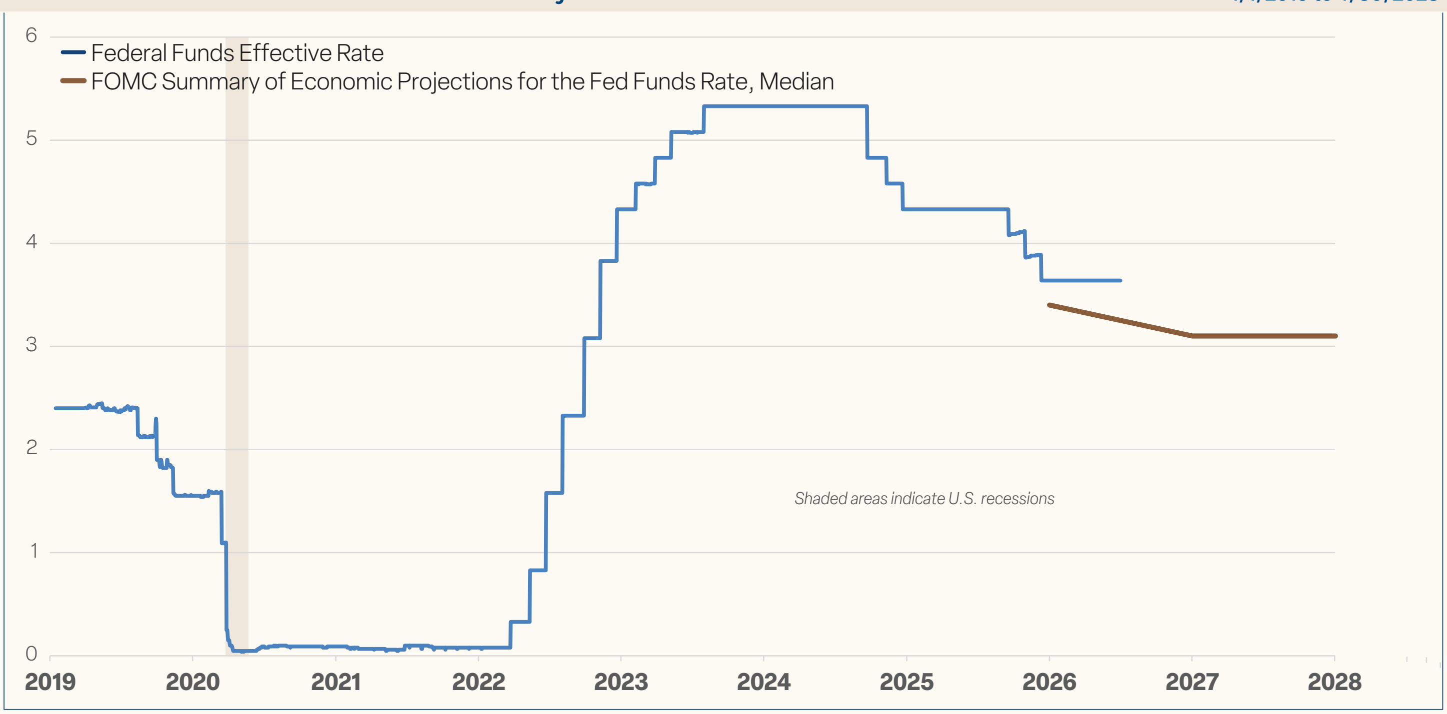
Fed Funds Futures — Fed funds futures are pricing in no change in rates at the July FOMC meeting, with a rate hike at the September meeting as the most likely outcome. These expectations remain subject to change as economic data, Federal Reserve communications, and other market developments evolve.

New Fed Chair — At the June FOMC meeting, new Fed Chair Kevin Warsh announced a review of the Fed's balance sheet and operating framework, though no changes were made to the current pace of quantitative tightening. He also emphasized the Fed's commitment to 2% inflation.

Fed Cutting Rates

After a series of rate cuts, the Federal Reserve appears to be on hold again.

Federal Funds Effective Rate vs. FOMC Projections 1/1/2019 to 4/30/2028



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

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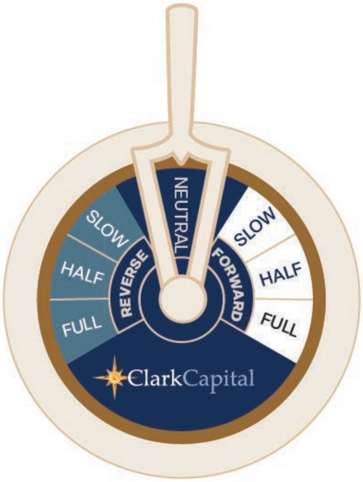


Valuations

No change in position

This quarter, we held the Valuations gauge in the Neutral position. While most major indexes ended the quarter near record levels, earnings growth has outpaced market gains keeping valuations reasonable, in our opinion.

KEY TAKEAWAYS

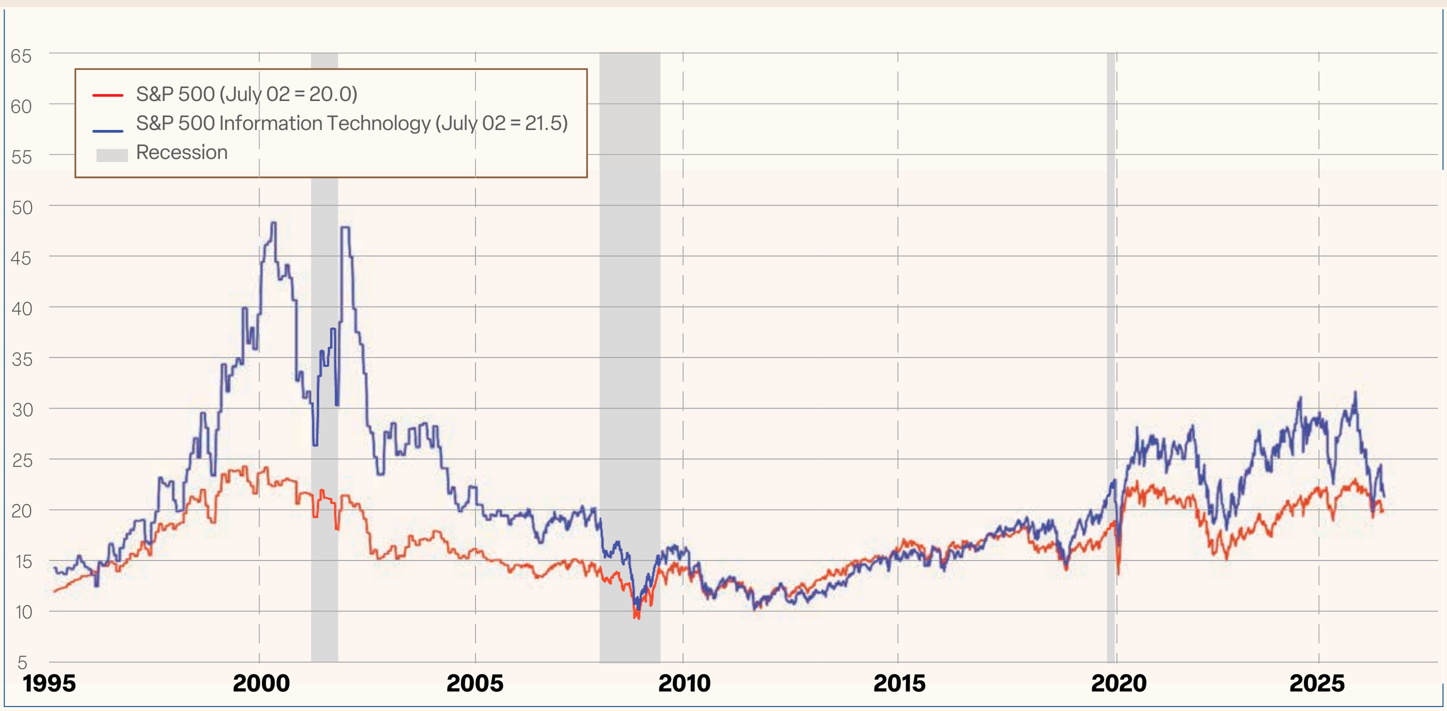
P/E Multiples — While the S&P 500 and other indexes set new highs in June, earnings estimates for this year and 2027 were also raised to new highs keeping valuations reasonable, in our view. In fact, earnings have risen faster than stock prices, which has led the P/E ratio to contract.

Earnings — Analysts are currently forecasting ~24% EPS growth in 2026 and ~17% growth in 2027. Both would represent record S&P 500 earnings. We acknowledge that these estimates could potentially be impacted by the conflict in Iran, tariffs, and other factors.

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

While there have been many comparisons to today's market to that of the late 1990s, valuations for the technology sector (and broader market) do not appear to be excessive, in our view.

Forward P/E Ratios: S&P 500 VS S&P 500 Information Technology* (weekly) Weekly Data 1/1/1995 to 7/2/2026



*Stock price index divided by forward consensus expected operating earnings per share. Monthly through December 2005, then weekly.

Source: LSEG Datastream and Yardeni Research

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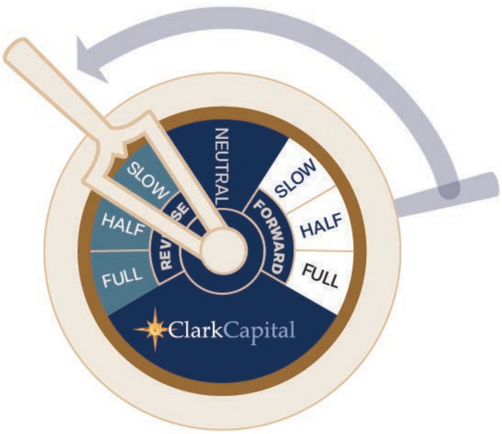


Investor Sentiment

Moved three notches to the left

This quarter, we moved the Investor Sentiment gauge to the Slow Reverse position. 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

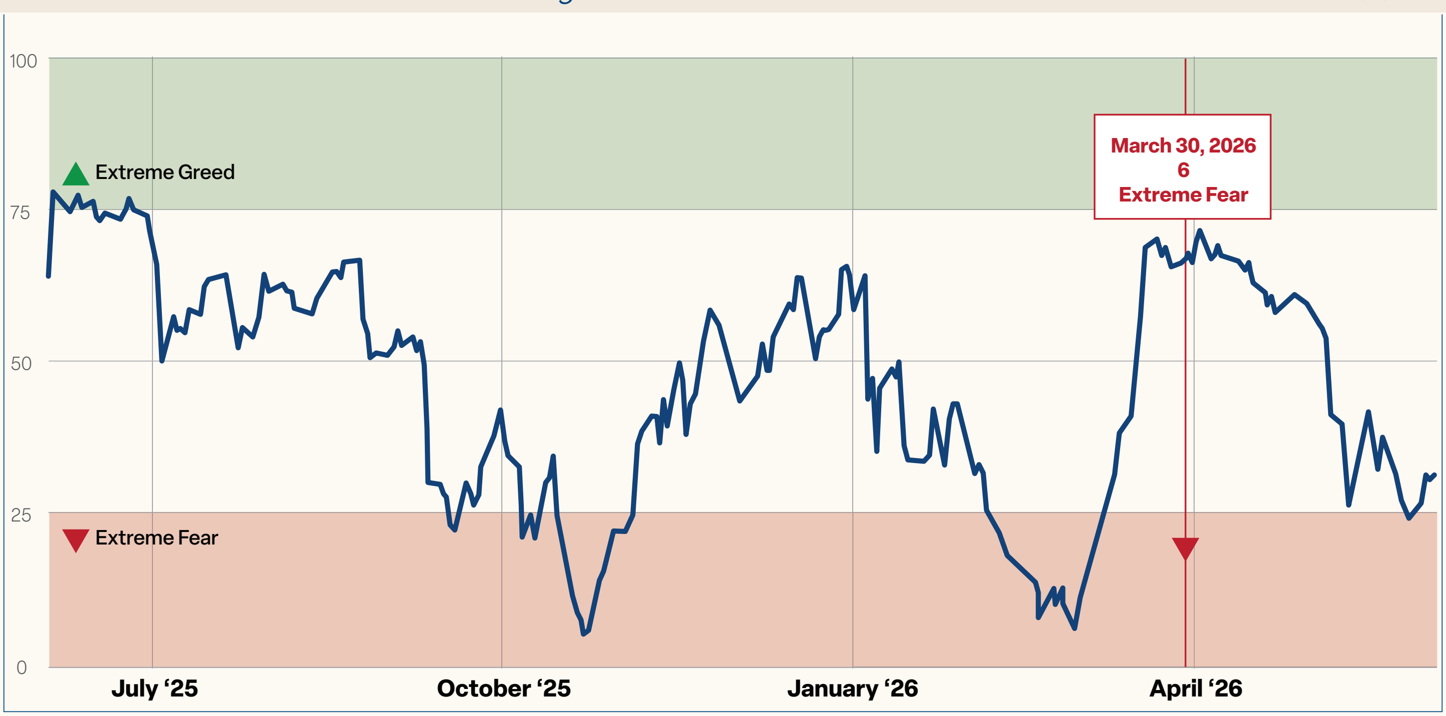
AAII Survey — During the final week of June, the AAII Investor Sentiment survey moved back to a bearish bias despite most major indexes trading near records. Since its inception in 1987, the AAII Survey has been a useful contrarian indicator. In the past when the survey reached extreme levels of bullishness or bearishness, a change in direction for the market often followed.

VIX Index — Enthusiasm around IPOs has increased and margin debt has reached a record $1.42T, further signs that investor sentiment has shifted. This is a sensitive gauge and can change quickly.

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

Other sentiment indicators, such as CNN's Fear & Greed Index, are pointing to Fear but not Extreme Fear.

Fear & Greed Index - *What emotion is driving the market now?* As of 6/3/2026



Source: CNN

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Interest Rates

No change in position

This quarter, we held the Interest Rates gauge in Slow Forward position. While rates have risen since the beginning of the year, they have not presented a headwind to equity markets.

KEY TAKEAWAYS

Change in Yields — Interest rates have moved higher across most of the yield curve since the start of 2026, as the Federal Reserve appears to be on hold, and inflation expectations have increased due to rising energy prices.

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 cannot be completely ruled out.

Interest Rate Volatility —In December, the BofAML 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 eased. The MOVE Index hit 115.02 on March 26, as the bond market reacted to the ongoing conflict in Iran. The MOVE Index was little changed in May, ending the month at 71.96.

Yield Moving Higher

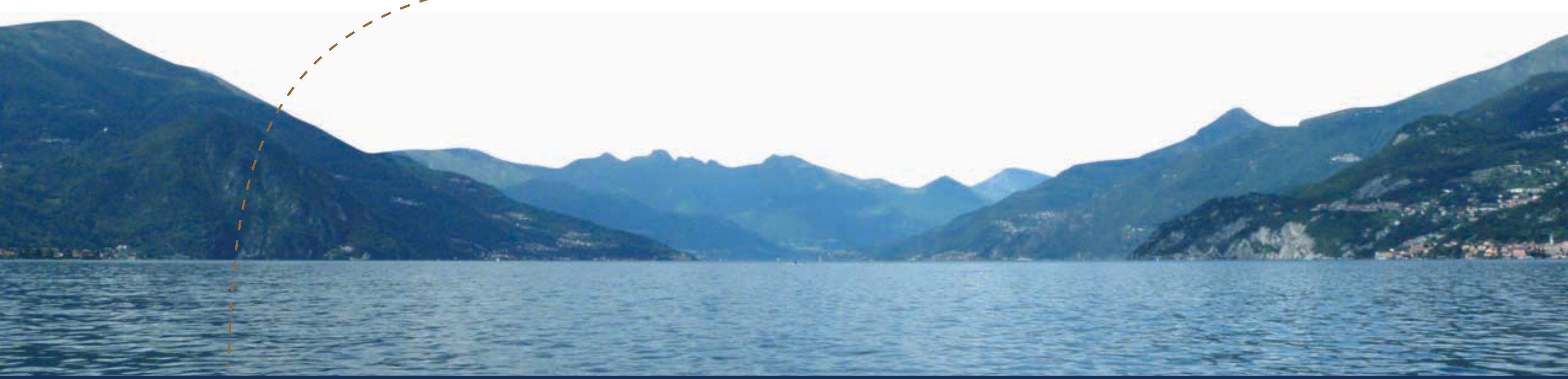
High Yield and Investment Grade credit spreads are historically tight, a signal that there is currently no stress in the fixed income market.

US High Yield BB Option-Adjusted Spread (I:USHYBBOA) 1/1/2007 to 6/30/2026

Option-adjusted spread of the Bloomberg US Corporate High Yield BB Index.

Sources: Ycharts

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



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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).

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