



Benchmark Review & Monthly Recap

Highlights

Stocks took a pause in August. After two months of market breadth improvement and a solid summer rally, equities slid lower for the month.

The VIX Index, a measure of stock market volatility, rose to its highest level since late May as stocks struggled during August.

Bond yields rose to their highest level in years in August, surpassing the recent highs from last October. The 10-year U.S. Treasury closed at a high of 4.34% during August – its highest level since 2007. However, the yield slid lower to close the month at 4.09%.

The increase in yields during the month put pressure on bonds and fixed income returns were broadly lower in August outside of high yield.

The economy remains resilient, but signs of slowing seem to be developing on the job front. The unemployment rate remains low, but job growth has slowed, and job openings have declined in recent months. This development is not that unexpected at the end of this aggressive rate-hike cycle.

Corporate earnings are improving.

Stocks End Summer on a Volatile Note; Bond Yields Surge Higher

Equity Markets

Equities moved lower in August after what had been a very solid run for stocks in recent months. The not-too-unexpected decline hit those areas of recent strength particularly hard – small caps and value stocks. Large-cap growth, which has been the clear leader so far this year, saw more modest declines. International stocks also struggled in August. See **Table 1** for equity results for August and year to date.

Table 1.

Index	August 2023	YTD
S&P 500	-1.59%	18.73%
S&P 500 Equal Weight	-3.16%	7.24%
DJIA	-2.01%	6.37%
Russell 3000	-1.93%	18.01%
NASDAQ Comp.	-2.05%	34.88%
Russell 2000	-5.00%	8.96%
MSCI ACWI ex U.S.	-4.52%	8.78%
MSCI Emerging Mkts Net	-6.16%	4.55%

Source: Bloomberg. 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 average stock encountered a more challenging environment in August. Recall, the equal-weighted S&P 500 Index (which can be thought of as representing what the average stock is doing) was negative through the first five months of the year and it dropped -3.16% in August compared to the better-known market-cap weighted S&P 500 Index, which slipped only -1.59%.

This disparity tells us that smaller companies struggled in general more than larger companies and we saw that with the Russell 2000 Index (a measure of small-cap stocks) down -5.00% for the month. By comparison, the larger company Russell 1000 Index was down -1.75%. Furthermore, the growth/value disparity is easy to see compared to the Russell 1000 Growth Index, which is off only -0.90% compared to the Russell 1000 Value Index, which declined -2.70%. So, August really epitomized the general action we have seen overall in 2023 – large-caps have outperformed small-caps and growth has outperformed value.

Broad international equities underperformed U.S. markets in August, as has been the case for most of 2023. The MSCI ACWI ex. U.S. Index was down -4.52% in August and the MSCI Emerging Market Index fell -6.16%. Both monthly declines put a large dent in year-to-date returns for these indices, which showed gains of 8.78% and 4.55%, respectively. We still see opportunities in international markets with valuations that are significantly lower than the U.S. Our expectation is that the U.S. dollar will largely weaken over the short to intermediate-term, but so far this year, U.S. stocks have outperformed international stocks.

This is not a recommendation to buy or sell a particular security. Please see attached disclosures.



Fixed Income

As rates rose, bond returns struggled during the month. The 10-year U.S. Treasury yield has been trending upwards since the late spring and closed July at 3.97%. This trend continued in August as the 10-year hit its highest level mid-month since the credit crisis before closing the month at 4.09%. That compares to the 2022 close on the 10-year of 3.88%. So, while rates have been volatile, they have moved higher in 2023. We can see that the 30-year U.S. Treasury Index is now negative year to date. High yield bonds were an outlier making gains during the month as there does not appear to be stress in the credit markets. See **Table 2** for fixed income index returns for August and year to date.

Table 2.

Index	August 2023	YTD
Bloomberg U.S. Agg	-0.64%	1.37%
Bloomberg U.S. Credit	-0.72%	2.70%
Bloomberg U.S. High Yld	0.28%	7.13%
Bloomberg Muni	-1.44%	1.59%
Bloomberg 30-year U.S. TSY	-3.13%	-2.25%
Bloomberg U.S. TSY	-0.52%	0.70%

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We expect the 10-year U.S. Treasury yield to move lower as we go through 2023 and into 2024, but we also anticipate volatility along the way. We believe the recent move higher in yields was driven by the large supply of government bonds coming to market and is not reflective of interest rate fundamentals. High yield bonds have been the winner so far in 2023, which is not that surprising given such solid stock market gains. Bonds have enjoyed a better environment in 2023 compared to a historically challenging period for fixed income in 2022; however, the last three months have been more challenging for bonds with rates rising.

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 flows and to help offset the volatility of stocks in the long run, has not changed. In our view, bond yields are attractive, and are offering some of the highest yields we have seen in the last 15 years.

Economic Data Highlights and Outlook

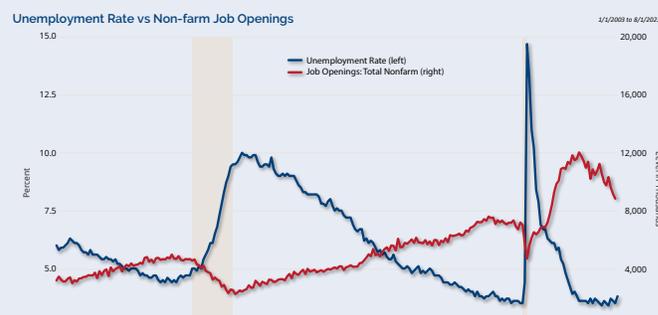
Economic growth, while solid, was not as strong in the second quarter as initially thought. The second reading of Q2 GDP showed growth at a 2.1% annualized pace compared to the prior estimate of 2.4%. We still expect economic growth to slow down moving into 2024 and we acknowledge the risk of a mild recession still exists and is about as likely as a soft landing in our opinion.

The unemployment rate fell to 3.5% in July, which was better

than expectations and the prior month's level of 3.6%. However, August saw the unemployment rate jump to 3.8%, but that was accompanied by an increase in the labor force participation rate as well. August non-farm payroll additions of 187,000 were ahead of expectations and the downwardly revised July additions of 157,000 but are well off the 12 month average additions of 271,000. Job openings remain plentiful, but the number of job openings are on a clear trend lower. For July, job openings were much lower than expected at 8.827 million – expectations were calling for 9.5 million.

The aggressive rate hikes by the Fed seemed to have some impact on the job market as companies are starting to rein in hiring activity. **Chart 1** shows the clear trend lower for job openings, but also a very subdued unemployment rate. The steady trend higher in job openings since the end of the credit crisis has led to a trend lower in the unemployment rate (except for the pandemic). We will watch closely to see if the decline in job openings will be met with some rise in the unemployment rate in the months ahead. While too early to call a trend, the unemployment rate did rise in August as job openings fell in July.

Chart 1.



It seems unlikely that the economy would slow too drastically with the current strength exhibited in the labor market. However, even a modest slowdown in the job market could be a headwind to economic activity due to the central role that consumer spending plays in the U.S. economy.

Wages climbed by 4.4% on an annual basis in July, which was just above expectations of 4.2%. Too much strength in job market data could be viewed as inflationary by Fed officials and extend this period of restrictive monetary policy. The increase in the unemployment rate in August (released September 1st) was initially greeted as positive news by the market as it could potentially keep the Fed on hold.

The headline Consumer Price Index (CPI) ticked higher in July to a 3.2% annual increase from June's 3.0% annual gain. The core CPI was 4.7% in July, which was a modest improvement from June's 4.8%. The headline Producer Price Index (PPI) remained subdued with a 0.8% annual increase in August, but that was higher than expectations of 0.7% and the prior month's 0.2% annual rise. The core PPI had an annual increase of 2.4% in August, slightly

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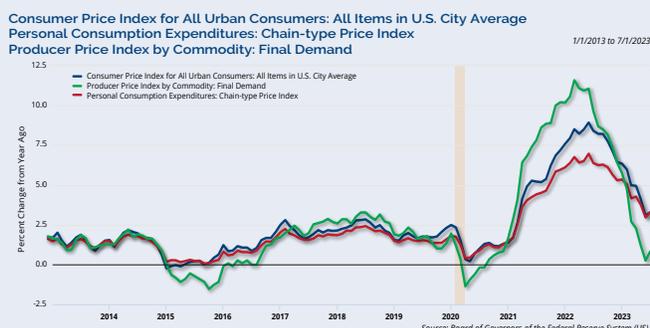


higher than expectations of 2.3%. The PPI is generally seen as a leading indicator for inflation since these costs occur during the production part of the cycle before products are sold to consumers.

The Personal Consumption Expenditures (PCE) Index showed a 3.3% annual gain in July from the 3.0% level in June and the core reading (the Fed's preferred measure of inflation) was 4.2% compared to 4.1% the prior month. Both readings were in-line with expectations. As Fed Chairman Powell mentioned at the Jackson Hole Symposium, inflation remains too high as the Fed's long-run target for inflation is 2%. Overall, it seems clear that the trajectory for inflation is lower, and we expect inflation to continue this trend through 2023. The key question is whether the pace of improvement is good enough for the Fed or whether they might try to bring down inflation more rapidly with additional rate hikes.

Chart 2 shows the percent change from a year ago for these headline inflation readings and this clear trend lower.

Chart 2.

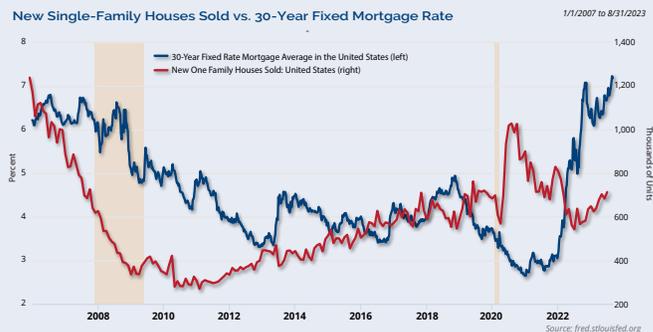


For illustrative purposes only. Past performance is not indicative of future results.

Housing data was rather mixed in July. Interest rates have increased in recent months, so some softening in the housing market is not surprising as mortgage rates have risen as well. Building permits, considered a leading indicator for housing, were at an annualized pace of 1.442 million in July, which was below expectations but roughly in line with the prior month. Housing starts were largely in line with expectations at 1.452 million but showed a solid improvement from June's level of 1.398 million.

Existing home sales missed expectations and were lower than June's levels, but new home sales surpassed June's mark and were above estimates. Home prices fell in June based on the S&P CoreLogic 20-City Index, but the decline was more modest than expected. Mortgage rates took another leg higher in July and stand at multi-year highs. **Chart 3** shows how higher mortgage rates have slowed new home sales since the pandemic, although new home sales have been improving in recent months.

Chart 3.



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The ISM Manufacturing Index disappointed and showed contraction for the 9th consecutive month in July with a reading of 46.4. This was a modest improvement from the 46.0 reading from June, but it was also below expectations of 46.9. (The August number was 47.6, which was above expectations, but it also marked the 10th straight month of declines for this index.) The ISM Non-Manufacturing Index, which covers the much larger service industries in the U.S. economy, came in at 52.7 in July. This reading was lower than expectations of 53.1 and June's level of 53.9, reflecting ongoing moderation of growth in the important service sector. Recall, the dividing line between expansion and contraction for the ISM indices is 50.

Retail sales (ex. auto and gas) rose by a surprising 1.0% in July, ahead of expectations of 0.4%. Buoyed in part by ongoing strength in the job market and further gains in stocks in July, the preliminary University of Michigan Sentiment reading for August remained elevated at 71.2, which matched expectations. However, the final reading for August did decline to 69.5 as stocks were more volatile during the month. The Conference Board's Leading Index continued to decline and fell by -0.4% in July as expected. For over a year, the leading economic index has been flashing a warning sign of pending economic weakness which has yet to materialize to any large degree.

No Fed meeting occurred in August, but the annual symposium hosted by the Kansas City Fed was held in Jackson Hole, Wyoming where Chairman Powell was a keynote speaker. His speech was interpreted as somewhat hawkish, but not as hawkish as some people might have feared. Odds have somewhat increased that there might be one additional rate hike at the November or December FOMC meetings, but the odds still favor no increase at the next meeting in September. (Overall, the Fed Futures market still indicates a higher likelihood of no rates hikes for the balance of the year at any meeting.) Financial markets will be sensitive to incoming economic data heading toward those meetings as we find out whether this rate hike cycle is truly over or whether more tightening might occur.

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Importantly, earnings are rebounding from the slump experienced last year. Second quarter operating earnings for the S&P 500 increased by over 17% from last year. Ultimately, earnings are arguably the most significant driver of stock prices, so this is a critical component of the stock market rally this year. 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.

Investment Implications

Clark Capital's Top-Down, Quantitative Strategies

The tactical model allocations held steady during the month. High yield bonds continued to perform well, and credit spreads remained tame, as the economy continued to post stronger growth than the consensus expected.

The Fixed Income Total Return and Global Tactical portfolios remain risk-on and are fully invested in high yield bonds and global equity, respectively. The Style Opportunity portfolio continues to favor large-cap growth and has recently added a position in value-oriented buybacks.

Clark Capital's Bottom-Up, Fundamental Strategies

The bottom-up equity portfolios continued to balance portfolio holdings between dominant large-cap growth companies and those anti-fragile companies which we believe will continue to see strong business momentum despite sticky services inflation. The bottom-up fixed income portfolios focused on taking advantage of the move higher in yields and beginning to extend duration.

The Taxable Fixed Income portfolio accomplished this by swapping out of 5-year bonds and moving into 10-year bonds (or by reinvesting maturities into 10 year bonds). The Tax-Free Fixed Income portfolio capitalized on seasonal weakness by adding outsized coupons of 6% or greater on new issues and adding to current yield.

Economic Data

Event	Period	Estimate	Actual	Prior	Revised
ISM Manufacturing	July	46.9	46.4	46.0	—
ISM Services Index	July	53.1	52.7	53.9	—
Change in Nonfarm Payrolls	July	200k	187k	209k	185k
Unemployment Rate	July	3.6%	3.5%	3.6%	—
Average Hourly Earnings YoY	July	4.2%	4.4%	4.4%	—
JOLTS Job Openings	July	9500k	8827k	9582k	9165k
PPI Final Demand MoM	July	0.2%	0.3%	0.1%	0.0%
PPI Final Demand YoY	July	0.7%	0.8%	0.1%	0.2%
PPI Ex Food and Energy MoM	July	0.2%	0.3%	0.1%	-0.1%
PPI Ex Food and Energy YoY	July	2.3%	2.4%	2.4%	—
CPI MoM	July	0.2%	0.2%	0.2%	—
CPI YoY	July	3.3%	3.2%	3.0%	—
CPI Ex Food and Energy MoM	July	0.2%	0.2%	0.2%	—
CPI Ex Food and Energy YoY	July	4.7%	4.7%	4.8%	—

Event	Period	Estimate	Actual	Prior	Revised
Retail Sales Ex Auto and Gas	July	0.4%	1.0%	0.3%	0.4%
Industrial Production MoM	July	0.3%	1.0%	-0.5%	-0.8%
Building Permits	July	1463k	1442k	1440k	1441k
Housing Starts	July	1450k	1452k	1434k	1398k
New Home Sales	July	703k	714k	697k	684k
Existing Home Sales	July	4.15m	4.07m	4.16m	—
Leading Index	July	-0.4%	-0.4%	-0.7%	—
Durable Goods Orders	July P	-4.0%	-5.2%	4.6%	4.4%
GDP Annualized QoQ	2Q S	65.5	72.6	64.4	—
U. of Mich. Sentiment	Aug P	71.2	71.2	71.6	—
Personal Income	July	0.3%	0.2%	0.3%	—
Personal Spending	July	0.7%	0.8%	0.5%	0.6%
S&P CoreLogic CS 20-City YoY NSA	June	-1.60%	-1.17%	-1.70%	-1.73%

Source: Bloomberg; P=Preliminary; S=Second Reading

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Clark Capital Management Group is an investment adviser registered with the U.S. Securities and Exchange Commission. Registration does not imply a certain level of skill or training. More information about Clark Capital Management Group's advisory services can be found in its Form ADV which is available upon request.

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).

Clark Capital utilizes a proprietary investment model to assist with the construction of the strategy and to assist 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.

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.

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 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.

Earnings per share (EPS) is a company's net profit divided by the number of common shares it has outstanding.

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 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.

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 Dow Jones Industrial Average indicates the value of 30 large, publicly owned companies based in the United States.

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 Value Index measures the performance of the large-cap value segment of the U.S. equity universe. It includes those Russell 1000 Index companies with lower price-to-book ratios and lower forecasted growth values.

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.

The S&P 500® Equal Weight Index (EWI) is the equal-weight version of the widely-used S&P 500.

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 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 10 Year Treasury Yield is the yield received for investing in a US government issued treasury security that has a maturity of 10 year. The 10 year treasury yield is included on the longer end of the yield curve. Many analysts will use the 10 year yield as the "risk free" rate when valuing the markets or an individual security.

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-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 measure 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 Consumer Price Index (CPI) measures the change in prices paid by consumers for goods and services. The CPI reflects spending patterns for each of two population groups: all urban consumers and urban wage earners and clerical workers.

A Producer Price Index (PPI) is a price index that measures the average changes in prices received by domestic producers for their output.

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 VIX Index is a calculation designed to produce a measure of constant, 30-day expected volatility of the U.S. stock market, derived from real-time, mid-quote prices of S&P 500® Index (SPXSM) call and put options. On a global basis, it is one of the most recognized measures of volatility -- widely reported by financial media and closely followed by a variety of market participants as a daily market indicator.

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.

Index returns include the reinvestment of income and dividends. The returns for these unmanaged indexes do not include any transaction costs, management fees or other costs. It is not possible to make an investment directly in any index.

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