Monthly Portfolio Commentary | March 2025

# Charting Our Strategies

## *Monthly Moves*

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

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

In the final month of Q1, the market declined due to heightened tariff concerns and economic uncertainty with single digit price declines in the major U.S. benchmarks versus gains in global markets. The chainsaw approach of DOGE and the volatile nature of trade policy have left consumers, businesses, and investors unsure of future inflation, future cost-of-goods and future cash flow consistency. The large run in momentum stocks appears to have ended with large cap growth underperforming large cap value. Defensive sentiment persisted throughout the quarter with low beta and dividend stocks outperforming.

The 10-year Treasury peaked in January at 4.80% before falling to 4.18% in March as investors grew concerned that looming tariffs would weigh on economic growth. As such, the Fed Funds futures are now pricing in three full rate cuts compared to two rate cuts at the beginning of the year. Given the uncertainty around policy coming out of Washington, D.C., our equity and fixed income portfolios continue be invested in what we believe are good, high-quality companies and investment grade bonds.

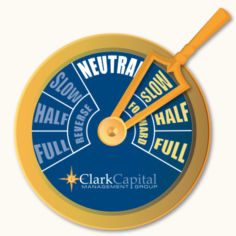
**Below are strategy updates from March:**

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

- The portfolio is fully invested with over 72% in large cap stocks and the remainder in mid- and small-cap companies and cash.
- The three largest portfolio sectors at the end of the period were Information Technology, Financials, and Health Care.
- During the month, to benefit from improving business fundamentals, the two most recent additions to the portfolio were a technology-driven e-commerce company and a global leader in the beverage industry. The three most recent exits were a multinational corporation engaged in the exploration, production, and distribution of oil and natural gas, a leading American sporting goods retailer, and a financial services company offering banking products and services.
- The top three contributors to absolute portfolio return in the month were a global healthcare services company, a leading healthcare management company, and an energy company primarily engaged in the exploration, production, and development of natural gas and oil assets.
- The top three detractors to absolute portfolio return in the month were a leading American multinational technology company, a multinational technology conglomerate, and a global leader in the design, marketing, and retail of high-end clothing.

### Economic Gauges

Economy



Monetary Policy

Valuations

Investor Sentiment

Interest Rates

- Our positioning in Health Care and Information Technology helped relative performance while our positioning in Consumer Discretionary and Financials acted as a drag.

## Navigator® High Dividend Equity

- The portfolio is positioned with approximately 98.6% of developed countries with the remainder in cash. The United States is the largest country weight at 91.6%, followed by the United Kingdom at 3.0%, and Switzerland at 2.1%.
- Approximately 93.0% of the portfolio is large cap, over 5.0% of the portfolio is mid cap, with the remainder in cash.
- Sector positioning remained roughly unchanged with the largest sector exposure in Financials at 24.2% and above the benchmark weight followed by Health Care, Industrials, and Information Technology at 15.2%, 12.7% and 8.7%, respectively.
- Positioning in Consumer Discretionary, Health Care and Energy contributed to relative performance versus portfolio exposure in Financials, Technology and Real Estate which detracted from performance.
- In March, the top contributors to absolute portfolio return were a diversified health care company, two multinational oil and gas corporations, and a global provider of property and casualty insurance.
- Detractors to absolute portfolio return were a leading global investment bank and financial services company, a multinational financial services and investment banking company, a global leader in designing, manufacturing, and distributing engines, filtration, and power generation products, and a multinational corporation specializing in motion and control technologies.
- Recent additions to the portfolio were a company that manufactures and distributes building materials and products for the construction industry and a global health company, which engages in the provision of global health services. The most recent exit was a diversified industrial company, to reduce portfolio exposure in Industrial machinery subsector.

## Navigator® Large Cap Growth

- The portfolio is fully invested with over 90% in large cap stocks. 99% of total holdings are in developed countries with ~91% based in the United States.
- Over 70% of the portfolio's 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.
- During the month, to benefit from improving business fundamentals, the most recent addition to the portfolio was a global investment firm that specializes in private equity, credit, and asset management. The most recent exit was a biotechnology company focused on developing vaccines to treat infectious diseases.

- The top three contributors to absolute portfolio return in the month were a diversified healthcare company, a provider of information technology services and solutions, and a leading healthcare services and pharmaceutical distribution company.
- The top three detractors to absolute portfolio return in the month were a multinational technology company known for its graphics processing units, a multinational technology company known for designing and manufacturing consumer electronics, software and services, and a global leader in e-commerce and cloud computing.
- Our positioning in Consumer Staples and Information Technology helped relative performance.

### Navigator® International Equity ADR

- The portfolio is positioned with approximately 17% in emerging markets with the balance in developed economies and cash.
- Britain, Canada, China, Japan, and Switzerland are the strategy's largest country weights, all ranging between 8% and 16%.
- ADR's exposure to China is now approximately 8.2%, which is slightly above its weighting in the All-Country World ex US benchmark.
- Consumer Discretionary, Financials, Industrials, Healthcare and Information Technology are our largest sector weights.
- During the month, to benefit from improving business fundamentals, the three most recent additions to the portfolio were a mining company, a major player in consumer goods, and a defense and aerospace company.
- The three most recent exits were a company in the insurance and risk management sector, a company in the hospitality industry, and a Japanese tobacco company.
- The top three contributors to absolute portfolio return in the month were a company in the automotive and electric vehicle industry, a major player in e-commerce, and an international financial services company. The top three detractors to absolute portfolio return in the month were a company in the semiconductor industry, a company in electronics manufacturing, and an Israeli technology company.

### Navigator® Taxable Fixed Income

- Within the portfolio, the focus once again remained on extending the duration. Maturities and coupon payments continued to be reinvested in the five-year and longer portion of the credit curve.
- As the curve continues to steepen, the portion of the curve with less than 10 years to maturity is expected to continue to outperform the broader market.
- In addition to reinvesting of maturities, technology names were sold and reinvested into similar maturity/higher yield utilities. These trades increased the overall yield on the portfolio without significantly adding to the credit risk.
- These trades and others like them not only increased the duration of the portfolio in order to realize price appreciation but also increased the overall yield on the portfolio. This thesis of maximizing yield while also positioning to maximize total return will continue to be the near-term focus over the next few months.

# Charting Our Strategies

### Navigator® Tax-Free Fixed Income

- We welcome the return of a more positive yield slope in term rates, and high-volume deal flow combined with investor reticence is creating anomalies inside the term structure that make for compelling investment opportunities.
- In the new political climate, we continue to keep credit at the forefront, cognizant that any wholesale changes in government funding and spending can trickle down into the muni market. We have eliminated exposure to a Maryland and Washington D.C. area bonds, given their reliance on federal jobs and extensive federal government real estate leases. We were flat prior to the change.
- School districts that rely on federal revenue the most — those in Mississippi, South Dakota, Montana, Alaska, Arkansas and North Carolina — are also a concern as they make up nearly 20% of their budgets (BAML research). Aside from a position in one North Carolina school district, currently AAA, we do not have other exposures.

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

The markets hit correction territory in mid-March with the first decline of more than 10% in the S&P 500 since October 2023. The market did recover some of its losses into the end of March; however, as of this writing, the tariff news broke and risk assets across the globe have sold off sharply, with equity indices in the U.S. hitting new lows for the year. Investor sentiment soured with the American Association of Individual Investors (AAII) poll showing that nearly 62% of investors are bearish, and for the first time since the inception of the survey, more than 50% of investors have been bearish for six weeks.

Our tactical strategies have remained risk-on as credit held up well in March in the face of political uncertainty and coming tariff news. However, the April 2 "Tariff Liberation Day" news has roiled the markets and accelerated the declines.

**Below are strategy updates from March:**

### Navigator® Alternative

- The portfolio added a systematic alpha fund to our mutual fund core. The fund employs hedge fund-like strategies acting on momentum, carry, and mean reversion.
- The portfolio also added crypto ETFs to the mix.
- During this correction, we have taken the opportunity to add positions in AI and growth stocks at cheaper prices; we believe that play will be rewarded if tariff concerns begin to ease.

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

- While the S&P 500 has endured an over 10% correction since mid-February, credit markets have moved down only slightly.  Thus, our credit-based models are holding their own, indicating that corporate fundamentals have not yet turned south.  As a reminder, sentiment and fear are much shorter-term phenomena than broad fundamentals, and they can dissipate quickly.

### Navigator® Global Risk Management

- The portfolio continues its risk-on stance, as our credit models are holding their own despite very high levels of investor and headline anxiety.

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# Charting Our Strategies

- International stocks have been quite strong and have led our equity holdings in 2025.
- Treasuries have gained strength as investors build three or more rate cuts into 2025, and they would be our defensive vehicle of choice if we turn risk-off.

## Navigator® Global Tactical

- While equity markets have corrected over 10%, our credit-based models have held their own and remain modestly positive today.
- We trust our credit models to assess the fundamentals for risk assets in general, so we take credit's relative strength as a sign that the decline is driven by fear of tariffs and poor sentiment rather than on-the-ground deterioration.

## Navigator® U.S. Sector Opportunity

- Financials (broad financials, broker-dealers, and insurance) stand out as the largest overweight, while cybersecurity, aerospace, and Utilities remain holdings, along with a healthy 32% allocation to the S&P 500 Index.
- Technology, Consumer Discretionary, and cyclical Industrials rank lowest in our matrix.

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

- The portfolio broadly mirrors large caps, with a large allocation to the S&P 500 Index itself, while also allocating to large value and the S&P 500 momentum-based holidings, a large blend holding that overweights financials.
- Overall, the portfolio modestly underweights large growth, and the market's reaction to the April 2 tariff implementation will drive our next move.

## Navigator® U.S. Strategic Beta

- The portfolio reduced value and small cap stocks slightly as the decline deepened, selling a cash cows ETF and adding to large value and to broad large cap growth.
- We continue to believe that the current decline has been overdone in terms of sentiment and fear, and over the intermediate-term a risk-facing stance will be rewarded.

## 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.

The MSCI All Country World Index (ACWI) ex US 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 (MSCI) and is comprised of stocks from 22 of 23 developed countries and 24 emerging markets.

AAA bonds are bonds that have the highest credit rating possible, indicating that they are considered a safe investment with the lowest risk of default.

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.

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