



# Navigator Tax Free Fixed Income CA

California Municipal Exposure

## Navigate Tax-Free Fixed Income with Individual California Municipal Bonds

For residents of higher tax states such as California, tax-exempt municipal bonds can be an efficient way for investors to shield their taxable income.

### Exploit Inefficiencies in the California Municipal Markets with Active Management

Actively seek attractive opportunities in the current environment.

The strategy is based on the conviction that fundamental analysis provides greater value than speculating through interest rate forecasting. Changing expectations about the shape of the yield curve, credit spreads, and sector valuations within an already fragmented muni market can create pockets of value and opportunity.

### Utilize a Disciplined Approach to Eliminate Uncompensated Risk

Aim to provide long-term, risk adjusted returns.

The portfolio seeks to achieve strong adjusted returns by building a curated portfolio of California municipal bonds. Intermediate maturities may offer attractive yields at a lower level of risk than longer-term securities.

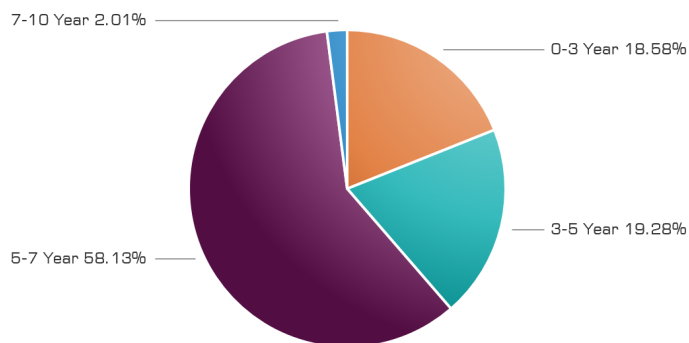
### Add Value in a Changing Rate Environment with Individual Bonds

Seek to constantly build par value.

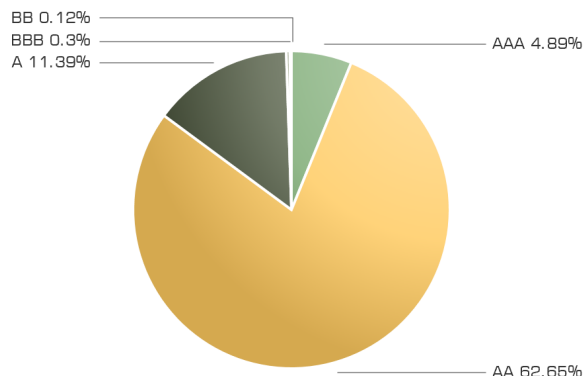
Because interest rates do not rise in a linear fashion, our active approach seeks to take advantage of opportunities by building par value. The strategy seeks to take advantage of price inefficiencies during interest rate changes or volatility.

This strategy provides at least 80% targeted exposure to California municipal bonds and seeks to deliver total return with a secondary goal of income.

Duration



Credit



Past performance not indicative of future results. Returns greater than one year are annualized. Please see attached disclosures. Pure gross returns do not include the deduction of transaction costs, and are shown as supplemental information. The net 3.00% performance is shown because 3.00% is the highest possible industry standard platform fee.

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## Our Approach & Process

### Step 1

#### Top Down Analysis of:

- Economic Cycle/Monetary and Fiscal Policy
- Determines:
  - Portfolio Diversification
  - Yield Curve Positioning
  - Credit Positioning
  - Municipal Sector Selection

### Step 2

#### Existing Individual Security Analysis:

- Negative Credit and Duration Screening
- Individual Sector Spread Analysis
- Additions to Existing Positions Based on Relative Value/Liquidity

#### Individual Security Analysis of New Bonds:

- Individual Sector Spread Analysis
  - Portfolio weightings vs. benchmark comparisons
- Examination of Proposed Bond Issue in Credit Scope
  - Evaluation of additional credit metrics
- Assessment of Bond Purchase Based upon Recent Trading History and Relative Value vs. Peer Group and Sector Trends

### Step 3

#### Daily Risk Assessment:

- Average Credit Quality Analysis
- Duration Analysis
- Liquidity
- Market Volatility

Characteristics	Portfolio	Benchmark	Difference
Coupon Rate	4.54	4.66	-.12
Current Yield	4.03	4.16	-.13
S&P Credit Rating (Current Only)	AA-	AA-	N/A
Port. Ending Yield to Maturity	2.92	1.85	1.07
Port. Ending Yield to Worst	1.88	1.52	.36
Years to Maturity	13.37	7.46	5.91
Port. Ending Modified Duration	8.25	4.27	3.98
Port. Ending Modified Duration to Worst	4.83	3.84	.99

## Performance (as of 6/30/2019)

	Portfolio (Pure Gross)	Portfolio (Net of 3.0%)	BBgBarc Municipal 5 Yr 4-6	BBgBarc Municipal CA Exempt
MTD	0.41	0.16	0.34	0.55
3 Months	2.16	1.40	2.26	1.66
YTD	4.74	3.19	5.14	3.80
1 Year	6.28	3.15	6.42	5.24
3 Year	1.99	-1.02	2.45	1.96
Since Inception (As of 3/1/2016)	3.22	0.17	3.11	1.99
Cumulative Return	11.15	0.58	10.73	6.80

## Risk Measures Since Inception

Standard Deviation	4.87	4.87	3.46	2.53
Beta	1.36	1.36	1.00	0.65
Alpha	-0.46	-3.46	0.00	-0.50
Sharpe Ratio	0.40	-0.22	0.52	0.27
R-Squared	91.87	91.87	100.00	81.40

## Calendar Year Performance Since Inception

<b>2018</b>	1.04	-1.95	1.11	1.69
<b>2017</b>	6.65	3.51	5.63	3.14

Past performance is not indicative of future results.  
Please see attached disclosures.

Pure gross returns do not include the deduction of transaction costs, and are shown as supplemental information. The net 3.00% performance is shown because 3.00% is the highest possible industry standard platform fee. Risk statistics are calculated against the BBgBarc Municipal 5 Yr 4-6.

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## Disclosures

Past performance is not indicative of future results. This material is not financial advice or an offer to sell any product. Not every client's account will have these exact characteristics. The actual characteristics with respect to any particular client account will vary based on a number of factors including but not limited to: (i) the size of the account; (ii) investment restrictions applicable to the account, if any; and (iii) market exigencies at the time of investment. Clark Capital Management Group, Inc. reserves the right to modify its current investment strategies and techniques based on changing market dynamics or client needs. The information provided in this report should not be considered a recommendation to purchase or sell any particular security. There is no assurance that any securities discussed herein will remain in an account's portfolio at the time you receive this report or that securities sold have not been repurchased. The securities discussed may not represent an account's entire portfolio and in the aggregate may represent only a small percentage of an account's portfolio holdings. It should not be assumed that any of the securities transactions, holdings or sectors discussed were or will prove to be profitable, or that the investment recommendations or decisions we make in the future will be profitable or will equal the investment performance of the securities discussed herein.

There is no guarantee that all of a tax-exempt fund's income from its municipal bonds will remain exempt from federal, state, or local income taxes. Income from municipal bonds held by a fund could be declared taxable, possibly with retroactive effect, because of unfavorable changes in tax laws, adverse interpretations by the Internal Revenue Service (IRS) or state or local tax authorities, or non-compliant conduct of a bond issuer.

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Tax-exempt funds provide income that is exempt from federal taxes and, in the case of state tax-exempt funds, from state taxes as well. The Funds described are not for everyone; they are intended only for residents of the State of California and are best suited for income-oriented investors in a high tax bracket.

Fees: Gross performance shown does not reflect the deduction of investment management fees and certain transaction costs, which will reduce portfolio performance. Net performance includes the deduction of a 3.0% annual wrap fee, which is the maximum anticipated fee. Actual fees vary. For fee schedules, contact your financial professional.

## Benchmark

The benchmark is the BBgBarc 5 Year Municipal Bond Index. The BBgBarc 5-Year Municipal Bond Index is the 5 Year (4-6) component of the Municipal Bond index. It is a rules-based, market-value-weighted index engineered for the tax-exempt bond market. The index tracks general obligation bonds, revenue bonds, insured bonds, and pre-refunded bonds rated Baa3/BBB- or higher by at least two of the ratings agencies. The benchmark for this composite is used because the BBgBarc 5 Year Municipal Index is generally representative of U.S. municipal fixed income. Index returns reflect the reinvestment of income and other earnings, are provided to represent the investment environment shown, and are not covered by the report of independent verifiers.

The Bloomberg Barclays California (CA) Municipal Bond Index tracks the performance of California investment-grade municipal bonds.

## Statistic Descriptions

Standard Deviation: A statistical measure of dispersion about an average which depicts how widely the returns varied over a certain period of time.

3-Year Standard Deviation: The 3-year annualized standard deviation measures the variability of the composite and the benchmark returns over the preceding 36-month period.

Beta: A measure of systematic risk with respect to a benchmark. Systematic risk is the tendency of the value of the composite and the value of the benchmark to move together. Beta measures the sensitivity of the composite's excess return (total return minus the risk-free return) with respect to the benchmark's excess return that results from their systematic co-movement. It is the ratio of what the excess return of the composite would be to the excess return of the benchmark if there were no composite-specific sources of return. If beta is greater than one, movements in value of the composite that are associated with movements in the value of the benchmark tend to be amplified. If beta is one, they tend to be the same, and if beta is less than one, they tend to be dampened. If such movements tend to be in opposite directions, beta is negative. Beta is measured as the slope of the regression of the excess return on the composite as the dependent variable and the excess return on the benchmark as the independent variable.

The beta of the market is 1.00 by definition. Morningstar calculates beta by comparing a portfolio's excess return over T-bills to the benchmark's excess return over T-bills, so a beta of 1.10 shows that the portfolio has performed 10% better than its benchmark in up markets and 10% worse in down markets, assuming all other factors remain constant. Conversely, a beta of 0.85 indicates that the portfolio's excess return is expected to perform 15% worse than the benchmark's excess return during up markets and 15% better during down markets.

Alpha: A measure of the difference between a portfolio's actual returns and its expected performance, given its level of risk as measured by beta. A positive alpha figure indicates the portfolio has performed better than its beta would predict. In contrast, a negative alpha indicates the portfolio has underperformed, given the expectations established by beta. Alpha is calculated by taking the excess average monthly return of the investment over the risk free rate and subtracting beta times the excess average monthly return of the benchmark over the risk free rate.

Sharpe Ratio: A risk-adjusted measure developed by Nobel Laureate William Sharpe. It is calculated by using standard deviation and excess return to determine reward per unit of risk. The higher the Sharpe Ratio, the better the composite's historical risk-adjusted performance. The Sharpe ratio is calculated for the past 36-month period by dividing a composite's annualized excess returns by the standard deviation of a composite's annualized excess returns. Since this ratio uses standard deviation as its risk measure, it is most appropriately applied when analyzing a composite that is an investor's sole holding. The Sharpe Ratio can be used to compare two composites directly as to how much risk a composite had to bear to earn excess return over the risk-free rate.

R-Squared: Reflects the percentage of a portfolio's movements that can be explained by movements in its benchmark.

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**Downside Capture Ratio:** Measures a manager's performance in down-markets. A down-market is defined as those periods (months or quarters) in which market return is less than 0. In essence, it tells you what percentage of the down-market was captured by the manager. For example, if the ratio is 110%, the manager has captured 110% of the down-market and therefore underperformed the market on the downside.

**Upside Capture Ratio:** Measures a manager's performance in up markets relative to the market (benchmark) itself. It is calculated by taking the security's upside capture return and dividing it by the benchmark's upside capture return.

**Bull Beta:** A measure of the sensitivity of a composite's return to positive changes in its benchmark's return.

**Bear Beta:** A measure of the sensitivity of a composite's return to negative changes in its benchmark's return.

**Best Month:** The highest monthly return of the investment since its inception or for as long as data is available.

**Worst Month:** The lowest monthly return of the investment since its inception or for as long as data is available.

**Maximum Gain:** The peak to trough incline during a specific record period of an investment or composite. It is usually quoted as the percentage between the peak to the trough.

**Maximum Drawdown:** The peak to trough decline during a specific record period of an investment or composite. It is usually quoted as the percentage between the peak to the trough.