Clark Capital Management Group

Navigator® High Dividend Equity

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Fourth Quarter 2013 - Commentary & Perspective

Executive Summary

S&P Dividend Payout: The S&P 500 paid $300 billion in dividends in 2013 – the most since 1997. Of companies in the Index 84% paid a dividend, a 17 year high. Bond proxy stocks such as Utilities and Telecoms could experience continued downward pressure while quality dividend stocks with strong fundamentals and lower dividend payouts thrive.

Q4 Leaders: Discretionary, Healthcare and Industrials

Q4 Laggards: Energy, Utility and Telecom

Dividend and Earnings Growth

U.S. equities had a stellar year with improving economic conditions and expectations of growth in corporate earnings, cash flow and dividends. Dividend growth stocks continue to perform aided by a Federal Reserve policy which encourages a historically low interest rate environment. In recent months dividend non-payers outpaced dividend payers as investors appeared more willing to assume increased market risk. Not all dividend strategy portfolios are alike and the importance of investing in companies with "growth of earnings" as well as "dividend growth" is clear as the performance spread widens. Companies sacrificing fundamental growth for a high dividend payout may suffer in this type of market. For example bond proxy stocks such as Utilities and Telecoms could experience continued downward pressure while quality dividend stocks with strong fundamentals and lower dividend payouts thrive.

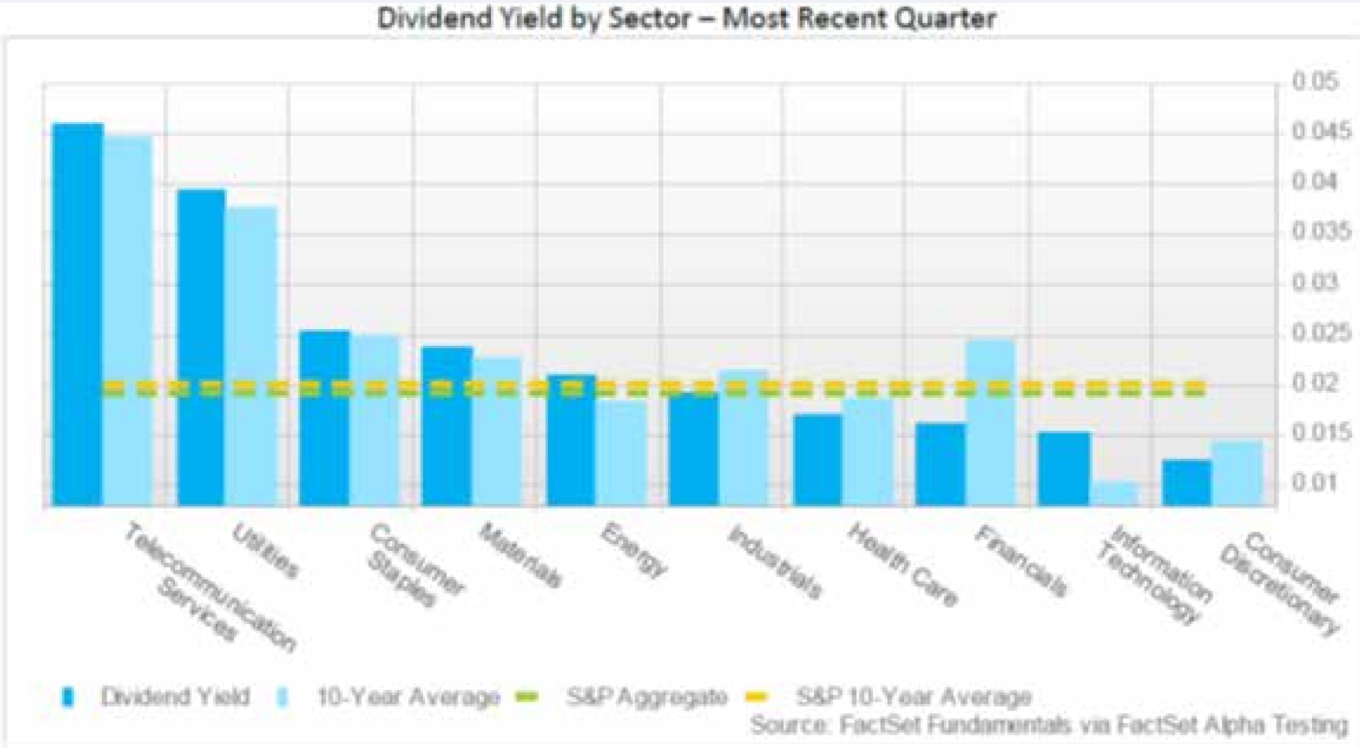
In 2013 the S&P 500 Index paid over $300 billion in dividends which was the best year since 1997. While the aggregate dividend payout ratio fell for the first time in seven quarters, the payout is low at 36% versus an historic average of 52%. The number of S&P 500 Index companies that paid a dividend maintained a 17 year high with an 84% representation. Despite this impressive number, analysts have since reduced 2014 dividend growth projections to a lower estimated forward twelve month growth of +8.7%.

Sectors

The top performing sectors for the year were Discretionary, Healthcare and Industrials while the lowest returns surfaced in Energy, Utility and Telecom. The highest dividend growth sectors were Information Technology (+46%) and Financials (+16%) which led the S&P 500 in trailing, year-over-year dividend increases. Utilities (+69%) and Telecommunication Services (+151%) had the highest payout ratios for the eleventh consecutive quarter. The High Dividend Equity portfolio was overweight in the Industrial and Discretionary sectors with ownership in companies such as Boeing, Lockheed Martin, General Electric, Johnson Controls and Gannett. The portfolio was equal weight in Financials investing in solid companies such as JPMorgan, Ameriprise, Wells Fargo and PNC Bank. The Financial sector will continue to be a focus in 2014 as we could see profits increase from rising loan rates and reinstatement of higher dividends by the major banks. Information Technology may also lead other sectors with above average dividend increases and strong earnings growth. Shorter term, Utilities and Telecom stocks could move higher as the market corrects but longer term we do not expect strong earnings growth and remain underweight. Although the portfolio has the flexibility to invest in publicly traded REITs and preferred stocks there has been zero weight in these securities since the first quarter of 2013 due to the current economic environment and Federal Reserve policy.

The chart on the next page illustrates the sector quarter-end dividend yield versus the 10-year average reflecting the Industrial, Healthcare, Financial and Discretionary sectors below the 10-year average dividend yield.

Past performance is not indicative of future results.
This is not a recommendation to buy or sell a particular security.
Please see attached disclosures.



Sources: Ned Davis, Bloomberg, Factset

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The Dow Jones Industrial Average is a stock market index that shows how 30 large publicly owned companies based in the U.S. have traded during a standard trading session in the stock market.

The MSCI EAFE Index is a free float-adjusted market capitalization index that is designed to measure the equity market performers of developed markets outside the U.S. and Canada.

The MSCI Emerging Markets Index is a freefloat-adjusted market capitalization index that is designed to measure equity market performance in the global emerging markets.

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.

Barclays Capital U.S. Government/Credit Bond Index measures the performance of U.S. dollar denominated U.S. Treasuries, government-related & investment grade U.S. Corporate securities that have a remaining maturity of the greater than one year.

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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The CBOE Volatility Index® (VIX®) is a key measure of market expectations of near-term volatility conveyed by S&P 500 stock index option prices and which shows the market's expectation of 30-day volatility. It is constructed using the implied volatilities of a wide range of S&P 500 index options. This volatility is meant to be forward looking and is calculated from both calls and puts. The VIX is a widely used measure of market risk. 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. The Barclays Capital U.S. Aggregate Bond Index is a market capitalization-weighted index, meaning the securities in the index are weighted according to the market size of each bond type. Most U.S. traded investment grade bonds are represented. Municipal bonds, and Treasury Inflation-Protected Securities are excluded, due to tax treatment issues. The index includes Treasury securities, Government agency bonds, Mortgage-backed bonds, Corporate bonds, and a small amount of foreign bonds traded in U.S. The Barclays Capital Aggregate Bond Index is an intermediate term index.

The volatility (beta) of a client's portfolio may be greater or less than its respective benchmark. It is not possible to invest in these indices.

Returns are presented gross of investment advisory fees and include the reinvestment of all income. Gross returns will be reduced by investment advisory fees and other expenses that may be incurred in the management of the account. For example, a 0.50% annual fee deducted quarterly (.125%) from an account with a ten year annualized growth rate of 5% will produce a net result of 4.4%. Actual performance results will vary from this example. The Firm's policies for valuing portfolios, calculating performance, and preparing compliant presentations are available upon request.

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