Risk-Based Portfolios

Navigator Fixed Income

For the first quarter of 2014 the Navigator Fixed Income portfolio gained 2.64% compared to a 1.0% gain for the Barclays Capital Intermediate Government and Credit Index. Fixed income enjoyed a stronger start to 2014 than many expected. While fear of rising interest rates in the long-term dominates the thinking of many on Wall Street, in the short run Treasuries enjoyed a strong quarter as interest rates fell. Corporate and higher yielding credits fared the best, and the Fixed Income Core portfolio's focus on credit spread narrowing benefits. In our view, Loomis Sayles Investment Grade Bond Fund is one of the most aggressively oriented investment grade bond funds and has been a favorite of ours for some time. It continues to be a top contributor. Brandywine Global Opportunities Bond bounced back after a rough fourth quarter of 2013. Navigator Duration Neutral Bond and Western Asset Unconstrained Bond were detractors, largely due to their more cautious stance on interest rates. We believe that these funds' longer term caution with regard to interest rates serve our investors well and continue to be willing to wait for that caution to pay off. Higher yielding corporate and international bonds continue to be our most favored segments of the fixed income markets, while Treasuries and longer duration remain least favored.

Navigator Capital Preservation with Sentry

For the first quarter of 2014 the Navigator Capital Preservation with Sentry returned 1.67% compared to a 1.98% return for the Dow Jones Conservative Global Index. The fixed income portion of the portfolio continues to favor high yield bonds in its tactical portion, as their relative strength continues. Within core fixed income, we became slightly more cautious, adding to the BlackRock U.S. Mortgage Portfolio (MSUMX). Overall, however, we continue to prefer credit risk over interest rate risk. Within the alternative sphere, commodities, particularly agriculturals, were strong performers. Managed futures were the largest detractors. In the portfolio's core equity portion, quality and dividend oriented holdings were the strongest performers, while technology-oriented growth holdings lagged.

Looking forward to the remainder of 2014, we expect markets to enjoy an up year, but with much more volatility than in 2013. A few key facts have guided our roadmap for the year. On average, during a mid-term election year equity markets endure a correction of 19%. Also, markets undergo an average correction of 16% within the first six months of a new Fed chair being installed. Janet Yellen has been confirmed and has taken charge of the Fed. As the year progresses, we expect to substantially increase our equity hedge as signs of market weakness and a developing decline are confirmed by price action. Recent signs of a market top include: weakening breadth, considerable damage to speculative technology and biotechnology sectors, and increased relative strength by defensive sectors. Currently, our hedging position remains modestly underhedged, but we do expect to increase the protective hedge within the short to intermediate term.

Navigator Conservative Growth with Sentry

For the first quarter of 2014 Navigator Conservative Growth with Sentry returned 1.33% compared to a 2.01% return for the Dow Jones Moderately Conservative Global Index. The fixed income portion of the portfolio continues to favor high yield bonds in its tactical portion, as their relative strength continues. Within core fixed income, we became slightly more cautious, adding to the BlackRock U.S. Mortgage Portfolio (MSUMX). Overall, however, we continue to prefer credit risk over interest rate risk. Within the alternative sphere, commodities, particularly agriculturals, were strong performers. Managed futures were the largest detractors. In the portfolio's tactical ETF portion, our focus remained on growth stocks during much of the quarter. However, during March value stocks began to outperform as technology and biotechnology high fliers were knocked down. We expect our focus to shift towards value and quality holdings as the markets become more cautious.

Looking forward to the remainder of 2014, we expect markets to enjoy an up year, but with much more volatility than in 2013. A few key facts have guided our roadmap for the year. On average, during a mid-term election year equity markets endure a correction of 19%. Also, markets undergo an average correction of 16% within the first six months of a new Fed chair being installed. Janet Yellen has been confirmed and has taken charge of the Fed. As the year progresses, we expect to substantially increase our equity hedge as signs of market weakness and a developing decline are confirmed by price action. Recent signs of a market top include: weakening breadth, considerable damage to speculative technology and biotechnology sectors, and increased relative strength by defensive sectors. Currently, our hedging position remains modestly underhedged, but we do expect to soon increase the protective hedge within the short to intermediate term.

Navigator Moderate Growth with Sentry

For the first quarter of 2014 the Navigator Moderate Growth with Sentry returned 0.79% compared to a 1.90% return for the Dow Jones Moderate Global Index. The fixed income portion of the portfolio continues to favor high yield bonds in its tactical portion, as their relative strength continues. Within core fixed income, we became slightly more cautious, adding to the BlackRock U.S. Mortgage Portfolio (MSUMX). Overall, however, we continue to prefer credit risk over interest rate risk. Within the alternative sphere, commodities, particularly agriculturals, were strong performers. Managed futures were the largest detractors. In the portfolio's tactical ETF portion, our focus remained on growth stocks during much of the quarter; however, during March value stocks began to outperform as technology and biotechnology high fliers were knocked down. We expect our focus to shift towards value and quality holdings as the markets become more cautious. Internationally, our focus remains on Europe, with India being a strong outlier among overall weak emerging markets.

Looking forward to the remainder of 2014, we expect markets to enjoy an up year, but with much more volatility than in 2013. A few key facts have guided our roadmap for the year. On average, during a mid-term election year equity markets endure a correction of 19%. Also, markets undergo an average correction of 16% within the first six months of a new Fed chair being installed. Janet Yellen has been confirmed and has taken charge of the Fed. As the year progresses, we expect to substantially increase our equity hedge as signs of market weakness and a developing decline are confirmed by price action. Recent signs of a market top include: weakening breadth, considerable damage to speculative technology and biotechnology sectors, and increased relative strength by defensive sectors. Currently, our hedging position remains modestly underhedged, but we do expect to soon increase the protective hedge within the short to intermediate term.

Navigator Growth

For the first quarter of 2014 the Navigator Growth portfolio returned 1.73% compared to a 1.77% return for the Dow Jones Moderately Aggressive Global Index. The fixed income portion of the portfolio continues to favor high yield bonds in its tactical portion, as their relative strength continues. Within core fixed income, we became slightly more cautious, adding to the BlackRock U.S. Mortgage Portfolio (MSUMX). Overall, however, we continue to prefer credit risk over interest rate risk. Within the alternative sphere, commodities, particularly agriculturals, were strong performers. Managed futures were the largest detractors. In the portfolio's tactical ETF portion, our focus remained on growth stocks during much of the quarter. However, during March value stocks began to outperform as technology and biotechnology high fliers were knocked down. We expect our focus to shift towards value and quality holdings as the markets become more cautious. Internationally, our focus remains on Europe, with India being a strong outlier among overall weak emerging markets.

Looking forward to the remainder of 2014, we expect markets to enjoy an up year, but with much more volatility than in 2013. A few key facts have guided our roadmap for the year. On average, during a mid-term election year equity markets endure a correction of 19%. Also, markets undergo an average correction of 16% within the first six months of a new Fed chair being installed; Janet Yellen has been confirmed and has taken charge of the Fed. Recent signs of a market top include: weakening breadth, considerable damage to speculative technology and biotechnology sectors, and increased relative strength by defensive sectors. Value and defensive investments have risen in our relative strength models, but overall our stance remains modestly bullish. If we do see the overall relative strength of stocks stall further, we would expect to allocate more of the portfolio towards cash and bonds. Given the recent cautious market tone, we could begin to shift toward a more defensive posture during the second quarter.

Navigator Aggressive Growth

For the first quarter of 2014 the Navigator Aggressive Growth portfolio returned 1.41% compared to a 1.74% return for the Dow Jones Aggressive Global Index. Within the alternative sphere, commodities, particularly agriculturals, were strong performers. Managed futures were the largest detractors. In the portfolio's tactical ETF portion, our focus remained on growth stocks during much of the quarter. However, during March value stocks began to outperform as technology and biotechnology high fliers were knocked down. We expect our focus to shift towards value and quality holdings as the markets become more cautious. Internationally, our focus remains on Europe, with India being a strong outlier among overall weak emerging markets. We are encouraged by a strengthening in international markets versus the U.S. If this trend holds, we would expect to increase our international equity exposure.

Looking forward to the remainder of 2014, we expect markets to enjoy an up year, but with much more volatility than in 2013. A few key facts have guided our roadmap for the year. On average, during a mid-term election year equity markets endure a correction of 19%. Also, markets undergo an average correction of 16% within the first six months of a new Fed chair being installed. Janet Yellen has been confirmed and has taken charge of the Fed. Recent signs of a market top include: weakening breadth, considerable damage to speculative technology and biotechnology sectors, and increased relative strength by defensive sectors. Value and defensive investments have risen in our relative strength models, but overall our stance remains modestly bullish. If we do see the overall relative strength of stocks further stall, we would expect to allocate more of the portfolio towards cash and bonds. Given the recent cautious market tone, we could begin to shift towards a more defensive posture during the second quarter.

Strategist Portfolios

Navigator Fixed Income Total Return

For the first quarter of 2014 the Navigator Fixed Income Total Return portfolio returned 2.95% compared to a 2.98% return for the Barclays U.S. Corporate High Yield Index. The Fixed Income Total Return (FITR) portfolio moved to a 100% fully invested position in high yield bonds on July 18, 2013. The FITR portfolio's primary evaluation in deciding which asset class to own involves comparing the relative strength of high yield bonds versus Treasuries. By that measure, high yield bonds remain very strong. From July 18, 2013 until March 31st of this year, high yield bonds as measured by the Barclays High Yield Bond SPDR (JNK) gained 5.55% while the iShares 7-10 Year U.S. Treasury ETF (IEF) gained 0.81%. Throughout the first quarter, our model continued to make new highs and favor high yield bonds. Our forecast for the markets' path this year anticipates a more volatile and turbulent second and third quarters. While we continue to see evidence for that path, the stresses to the credit markets during recent stock market corrections have been minimal to nonexistent. That indicates that stocks are struggling due to overbought and overvalued conditions, and that the underlying economy remains on solid footing. While we are always watchful for credit conditions that might force us to become defensive, we see no evidence of a need to become cautious at this time.

Navigator Global Equity ETF

For the first quarter of 2014 the Navigator Global Equity ETF portfolio returned 1.92% compared to a 1.26% return for the MSCI World Index. The active portion of our portfolios overweighted small caps and growth stocks within U.S. equities. Technology and health care were the most favored sectors. Materials were a new entrant to the portfolio, as their relative strength has been fairly sustained. Within international equity, Europe received a strong overweight, as optimism about a recovery on the continent may have helped markets enjoy a strong second half of 2013. Emerging markets were minimally weighted, as they were the weakest area within equities for most of the quarter. India was an exception among emerging markets, as anticipation of a pro-business government taking office during May elections drove considerable relative strength. Overall, our relative strength models point us towards equities, but we may be seeing a shift from growth towards value, and a generally defensive orientation beginning to take hold.

Looking forward to the remainder of 2014, we expect markets to enjoy an up year, but with much more volatility than in 2013. A few key facts have guided our roadmap for the year. On average, during a mid-term election year equity markets endure a correction of 19%. Also, markets undergo an average correction of 16% within the first six months of a new Fed chair being installed. Janet Yellen has been confirmed and has taken charge of the Fed. Recent signs of a market top include: weakening breadth, considerable damage to speculative technology and biotechnology sectors, and increased relative strength by defensive sectors. Value and defensive investments have risen in our relative strength models, but overall our stance remains modestly bullish. If we do see the overall relative strength of stocks further stall, we would expect to allocate more of the portfolio towards cash and bonds. Given the recent cautious market tone, we could begin to shift towards a defensive position during the second quarter.

High Dividend Equity Portfolio

One of the highlights of the first quarter was a brief buying opportunity when the S&P 500 Index declined 5.8 % in late January. The market volatility was accompanied by quarterly outperformance of T-bonds, gold, REITs and preferred stocks. The S&P 500 Index recovered to finish the quarter up a choppy 1.81% while the Dow Jones Industrial Average dropped 0.15%. In March there was a decided rotation from lower dividend or non-dividend paying stocks into dividend paying stocks. The transition is not unexpected as the market pauses from a strong 2013 rally and we suspect it is more than likely in the final stage of a bull market. Historically dividend paying stocks are more defensive and can be an attractive alternative during market uncertainty. One popular philosophy describes dividend investors as being "paid to wait" during market changes which may enhance long term total return. As we enter a seasonally weak period from April to October we will seek to continue to take profits in overvalued stocks rotating into undervalued equities with above average dividend yields.

The opinions expressed are those of the Clark Capital Management Group Investment Team. The opinions referenced are as of the date of publication and are subject to change due to changes in the market or economic conditions and may not necessarily come to pass. There are no guarantee of the future performance of any Clark Capital Investments portfolio. Material presented has been derived from sources considered to be reliable, but the accuracy and completeness cannot be guaranteed. Nothing herein should be construed as a solicitation, recommendation or an offer to buy, sell or hold any securities, other investments or to adopt any investment strategy or strategies. For educational use only. This information is not intended to serve as investment advice. This material is not intended to be relied upon as a forecast or research. The Investment or strategy discussed may not be suitable for all investors. Investors must make their own decisions based on their specific investment objectives and financial circumstances. Past performance does not guarantee future results.

TThe 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.

The Barclays U.S. Government and Credit Bond Index measures the performance of U.S. dollar denominated U.S. Treasuries, government-related, and investment grade U.S. corporate securities that have a remaining maturity of greater than 1 year. In addition, the securities have $250 million or more of outstanding face value, and must be fixed rate and non-convertible.

The Barclays U.S. Corporate High-Yield Index covers the USD-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 Barclays 30-Year U.S. Treasury Bellwethers Index is a universe of Treasury bonds, and used as a benchmark against the market for long-term maturity fixed-income securities. The index assumes reinvestment of all distributions and interest payments.

The Barclays 10-Year U.S. Treasury Bellwethers Index is a universe of Treasury bonds, and used as a benchmark against the market for long-term maturity fixed-income securities. The index assumes reinvestment of all distributions and interest payments.

The Barclays 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.

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.

Morningstar is the largest independent research organization serving more than 5.2 million individual investors, 210,000 Financial Advisors, and 1,700 institutional clients around the world.

For each separate account with at least a three-year history, Morningstar calculates a Morningstar Rating™ based on a Morningstar Risk-Adjusted Return measure that accounts for variation in a separate account's monthly performance, placing more emphasis on downward variations and rewarding consistent performance. The top 10% of separate accounts in each category receive 5 stars, the next 22.5% receive 4 stars, the next 35% receive 3 stars, the next 22.5% receive 2 stars and the bottom 10% receive 1 star. The Overall Morningstar Rating for a separate account is derived from a weighted average of the performance figures associated with its three-, five- and ten-year Morningstar Rating metrics.

The relative strength measure is based on historical information and should not be considered a guaranteed prediction of market activity. It is one of many indicators that may be used to analyze market data for investing purposes. The relative strength measure has certain limitations such as the calculation results being impacted by an extreme change in a security price.

This information is for one-on-one client use only. 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, sector or industry. There is no assurance that any securities, sectors or industries discussed herein will be included in an account's portfolio. Asset allocation will vary and the samples shown 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.

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.

Clark Capital Management Group, Inc. 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's advisory services and fees can be found in its Form ADV which is available upon request.

CCM-14-3-676