

## Executive Summary

**First Quarter Drivers of the Market:** Consolidation of 2013 market gains, geopolitical concerns about Russia, Fed policy and leadership changes, and slowdown of economic growth attributed to the weather.

**Fixed Income:** Credit Conditions have remained firm in the face of continued tapering and the appointment of Janet Yellen as the new Fed Chair.

**Equities:** The market endured a rotational correction that we believe was needed after the major gains in 2013.

**Our long term view:** If history is any guide, the economy should continue its expansion into 2015.

## Stuck in the Mud

On the surface it looks like not a whole lot happened in the global markets during the first quarter of 2014. The markets ended the quarter largely mixed: the S&P 500 was up 1.80%, the Russell 2000 gained 1.12%, and the Dow Jones Industrial Average declined 0.15%. Overseas markets were also mixed: the MSCI EAFE Index was up 0.83, MSCI Europe gained 2.14%, while emerging markets continued to suffer with the MSCI Emerging Market Index down 0.54%. Bonds and commodities both outperformed stocks. The Barclays Aggregate Bond Index and High Yield Index advanced 1.84% and 2.98% respectively, while the S&P GSCI commodity index advanced 2.62%.

However, one needs to look a little deeper to gain perspective on what really happened during the quarter as it was anything but dull. The S&P 500 endured a 5.8% decline from January 15th to February 3rd, its largest correction since April to June 2012. In addition, the market endured a rotational correction that resulted in some aggressive sectors, such as biotech and internet stocks, declining much more sharply than the major indices. All told, given the major gains achieved in 2013, we view a consolidation in the first quarter to be a win for the markets.

The main drivers of the markets during the quarter were a consolidation of the 2013 market gains, geopolitical concerns surrounding Russia's annexation of the Crimea in Ukraine, continued Fed tapering and a changing of the guard at the Federal Reserve, and a slowdown

in economic growth attributed to the weather. Markets consolidate by either declining or through time with sideways prices. So far it looks to us as if the market is consolidating through time with little price damage. The markets traversed a lot of ground in the first quarter but ended up with little gains to show for it. For example, during the quarter the Dow Jones Industrial Average saw 13 days where it exceeded 100 point rallies, and another 10 days in which it suffered 100 point or greater losses. Overall the Dow Jones Industrial Average traversed 5601 points on a closing basis, yet finished the quarter within 120 points of where it started. A reason for the rotational correction is believed to be tax selling with the income tax deadline on April 15th. This is the first tax season of meaningful higher taxes attributed to the combination of Obama Care and the fiscal deal struck at the end of 2012. We believe investors are feeling a little sticker shock from the hike in taxes and that many are closing positions and taking cash out of the market in order to pay their taxes.

Geopolitics took center stage during the quarter. Russia didn't allow the good feelings that came along with the successful hosting of the Olympics to last long as it invited the condemnation of the global community when it exerted its influence on the Ukraine. Russia seems to be methodically trying to rebuild both its status as a world power and its empire. The annexed Crimean area of the Ukraine is the third piece of the old Soviet Union that Russia has brought back into its fold. Russia moved swiftly. It took less than 30 days from the impeachment of former Ukrainian President Victor Yanukovich on February 22nd for Crimea to become a republic in the Russian Federation through a referendum, a vote of the Russian Duma's upper and lower houses, and the presidential seal of approval. The crisis may not be over yet. If Russia wants the whole of the Ukraine there is not much the global community can do about it except threaten economic sanctions. The Russian intervention put investors on edge but historically these types of geopolitical crisis events rarely determine the course of the stock markets. Thus, the current Ukraine crisis doesn't change the outlook for the market which, as always, is dependent on the underlying strength in the technical and fundamental picture.

The biggest event during the first quarter and the one likely to have the longest lasting impact on the economy and markets is the changing of the guard at the Federal Reserve with Janet Yellen stepping into the role of Chair of the Board of Governors. This Fed Chair has the monumental task of reigning in quantitative easing without jeopardizing the markets and economic expansion. Historically the markets haven't treated new Fed Chairs well -- they are most often challenged early on in their tenure. So far however, the market has reacted well to the Fed's tapering activities. The Fed has tapered their bond buying program from \$85 billion a month to \$55 billion a month and they appear on target to end the program by year-end. The latest com-

ments from the Federal Reserve have been a bit more hawkish with a target fed funds rate of 1% at the end of 2015 and 2.25% in 2016. As a result, the yield curve flattened with the shorter maturity bond yield rising. Credit conditions have remained firm even in the face of continued tapering and a more hawkish tone coming from the Federal Reserve. Investment grade and high yield corporate debt remain well supported and continue to trade with healthy bids under the market and plenty of liquidity. We are watching the credit market closely as it usually deteriorates prior to the overall market and so far it has remained very resilient.

The budget battles in Washington failed to derail the U.S. economy in the fall, but Mother Nature succeeded this winter. According to the National Weather Service, temperatures from December through February were the coldest in 20 years, and a blizzard prolonged winter's grip on the Northeast through March. The economy suffered a brief soft patch attributed to the weather, but recent data suggest the economy has emerged from winter's chill and is again heating up.

Over the past 65 years, according to InvesTech Research, seven of the past 10 bear markets have been accompanied by an economic recession. Consumer spending accounts for roughly two-thirds of GDP growth, it's not surprising that falling consumer confidence has often preceded the onset or start of a recession. It's a good thing we don't expect to see that happening anytime soon as the Conference Board's measure of Consumer Confidence recently moved out to new recovery highs. Additional evidence of a resilient economy can be found in the decidedly positive message coming from another recovery high in the Index of Leading Economic Indicators (LEI). Since 1960, the average lead time between a peak in the LEI and the start of an economic recession has exceeded 11 months. If history is any guide, we believe the economy should continue its expansion into 2015.

## Q1 Portfolio Analysis & Performance

The UMA portfolios were rebalanced in the first quarter and the Sentry strategy was enhanced. The Sentry strategy was placed into a mutual fund, the Navigator Sentry Managed Volatility Fund, which allows us to access more cost effective hedging tools and should lower the cost of carrying a hedge. The effect of this is a lower allocation to the hedge and a larger percentage of assets allocated to other asset classes in the portfolios.

## Sentry Strategy (Hedge/Volatility)

Level	Current Weight*
Level 1	6.0%
Level 2	8.0%
Level 3	8.0%
Level 4	10.0%
Level 5	10.0%

The Sentry sleeve and equity hedge function at Clark Capital underwent what we view as significant improvement during the first quarter. We switched all our hedge positions into a single mutual fund, the Navigator Sentry Managed Volatility Fund (NVXIX), that we believe will allow us to better manage that hedge. Having a single open end mutual fund allows us to provide a more robust

hedging strategy, with lower cost of carry, by incorporating both options and volatility strategies. While the manner and vehicle of our hedge has changed, our outlook for the markets has not. We maintained a minimal hedge during the first quarter of 2014, as our modestly bullish market view largely played out. Within the Sentry Managed Volatility Fund, the portfolio contains 20 to 25% of the fund invested in S&P 500 December 2014 puts with a strike of 1750. Another 10% of the portfolio owns the iPath S&P 500 Dynamic VIX ETN (XVZ), which is a cost effective way to hedge. A combination of the VelocityShares Inverse VIX Short-Term (XIV) and the VelocityShares 2x VIX Short-Term (TVIX) makes up another 15%. We apply a strategy that gradually shifts the weights between the two positions according to the short-term trend of the VIX. The remaining roughly 50% of the portfolio is in cash. If the second quarter begins to play out with a strong rally, our market outlook will become much more cautious. We expect rougher, more turbulent times and a substantial decline during the second and third quarters. If evidence continues to point us towards caution, we would expect to greatly increase the scale of our put protection in our Sentry Strategy. While we do see signs of a market top slowly accumulating, our overall bias remains modestly bullish (and minimally hedged) for the short-term.

## Core

### U.S. Equity Core

#### Top Contributors

- Clearbridge Aggressive Growth
- Nuveen Santa Barbara Dividend Growth

#### Top Detractors

- JPMorgan Small Cap Growth
- MFS Value Institutional

Level	Current Weight*
Level 1	0.0%
Level 2	20.0%
Level 3	20.0%
Level 4	20.0%
Level 5	15.0%

U.S. stocks enjoyed modest gains during the first quarter of 2014, as the market underwent a rotation that began in earnest in late February. Winners and market leaders such as mid and small cap growth and technology and internet stocks began

Past performance is not indicative of future results.

\*Allocations will vary according to client account guidelines and restrictions.

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to take it on the chin while energy, utilities, and traditional value stocks began to outperform. Thus, value and mid cap value in particular were market leaders during the quarter. The portfolio's best contributors were a strange mix of our most aggressive and least aggressive holdings. Clearbridge Aggressive Growth, a large/mid cap growth fund that owns "secular" growth names displayed strong stock-picking and solid performance even during a turbulent March, while Nuveen Santa Barbara Dividend Growth, which pursues high quality dividend payers, enjoyed a strong quarter as the market's value turn buoyed their utility, energy, and high quality holdings. JPMorgan Small Cap Growth and MFS Value were detractors, as JPMorgan Small Cap Growth in particular struggled in March as its aggressive health care names were hit hard by fears of overvaluation. As we move into the second and third quarters of 2014, we expect markets to undergo much more volatility and potentially sizeable declines. We would expect to slightly tilt the equity core sleeves towards caution and quality if further signs of topping activity evidence themselves during April and May.

#### U.S. Equity Income Core

##### Top Contributors

- AllianceBernstein High Income
- Loomis Sayles Strategic Income

##### Top Detractors

- JPMorgan Large Cap Growth
- iShares Russell 2000

Level	Current Weight*
Level 1	25.0%
Level 2	0.0%
Level 3	0.0%
Level 4	0.0%
Level 5	0.0%

While markets enjoyed small gains in 2014's first quarter, that those gains were small was proven by the fact that the Equity Income Core Sleeve's top two performers were fixed income funds. Those funds, AllianceBernstein High Income and Loomis Sayles Strategic Income, were buoyed by the strong performance of lower quality, higher yielding credits. JPMorgan Large Cap

Growth and the iShares Russell 2000 were detractors during the quarter as formerly high flying internet stocks and biotechnology suffered in March. The portfolio's holdings with a higher quality focus, American Century Value and Nuveen Santa Barbara Dividend Growth, both underperformed in 2013 as quality lagged substantially. However, 2014 appears to be playing out differently, and we may slightly increase our holdings in quality-focused names as the year moves on. The U.S. Equity Income Core sleeve for some time has allocated 70% of the portfolio to equities and 30% to fixed income. Given that our market outlook for 2014 foresees turbulence during the second and third quarters, we may shift the portfolio to a more conservative 60/40 mix sometime during the coming weeks if our broad market view receives further confirmation.

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#### International Equity Core

##### Top Contributors

- Oppenheimer International Growth
- Artisan International Small Cap

##### Top Detractors

- Artisan International
- iShares Core MSCI Emerging Markets

Level	Current Weight*
Level 1	10.0%
Level 2	10.0%
Level 3	10.0%
Level 4	12.5%
Level 5	10.0%

International equities trailed behind U.S. equities by some eye-popping margins in 2013, and U.S. equities continued to look better in early 2014. However, as March and April develop, U.S. equities are losing relative strength and international equities are on the rise. During the first quarter, the International Equity Core portfolio benefited from underweighting emerging markets, which

had underperformed. Since early March, markets have enjoyed a rally driven by a stronger commodity complex. We are watching these developments closely, but for now remain convinced that this is nothing more than a bear market rally for emerging markets. For the quarter, the portfolio's positive contributors were Oppenheimer International Growth and Artisan International Small Cap. Strong European performance along with strong Health Care sector performance aided these holdings. iShares Core MSCI Emerging Markets and Artisan International were the portfolio's top detractors. Going forward, we expect the portfolio to maintain its relatively conservative focus for the next few quarters, but then to take a more aggressive stance once the turbulence that we expect during the second and third quarters runs its course.

#### Fixed Income Core

##### Top Contributors

- Loomis Sayles Investment Grade Bond
- Brandywine Global Opportunities Bond

##### Top Detractors

- Navigator Duration Neutral Bond
- Western Asset Unconstrained Bond

Fixed income enjoyed a much 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 continued to yield benefits. Loomis Sayles Investment Grade Bond Fund is one of the most aggressively oriented investment grade bond funds. It has

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been a favorite of ours for some time and continues to be a top contributor. Brandywine Global Opportunities Bond bounced back after a rough fourth quarter of 2013, as many of its longer term bets on emerging markets credit began to pay off, particularly those with a focus on India. 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 will 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.

## Explore

### U.S. Style Opportunity

#### Top Contributors

- PowerShares S&P 500 High Beta
- iShares Russell Midcap Growth

#### Top Detractors

- iShares Russell 2000 Growth
- iShares S&P 500 Growth

Level	Current Weight*
Level 1	0.0%
Level 2	7.0%
Level 3	9.0%
Level 4	12.5%
Level 5	15.0%

The Style Opportunity sleeve is evolving from an exclusive focus on growth stocks toward value and larger capitalization. As we began 2014, the Style Opportunity sleeve was exclusively focused on growth across all capitalization levels (large, mid, and small-cap growth). However, in February our relative strength models began to show value stocks to be on the rise. Our first value-oriented addition was the S&P 500 High Beta (SPHB), a newer addition to our Style ETF universe. Despite what you may infer from its name, the S&P 500 High Beta ETF is composed of mainly value stocks, with financials and energy being the largest overweights. What might be more surprising is that Morningstar puts the S&P 500 High Beta in the mid cap value equity style box. Early in March, the Russell Mid Cap Value ETF (IWS) began to rise in our rankings, at which time we established a position. Thus, since February, the portfolio's substantial overweights in large cap growth and mid cap growth have been reduced and moved into value. Value stocks right now have established short-term relative strength that, if it continues, will cause them to dominate the Style Opportunity portfolio fairly quickly. Russell Midcap Growth (IWP) and the S&P 500 High Beta (SPHB) were the largest contributors for the quarter, while the S&P 500 Growth (IVW) and

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Russell 2000 Growth (IWO) were the largest detractors. The portfolio's latest trades have shifted the portfolio's stance towards value and growth as more neutral, and they have had the effect of adding exposure to energy, utilities, and in particular financials. The portfolio remains fully invested, as cash is down to only 3%.

### U.S. Sector Opportunity

#### Top Contributors

- iShares U.S. Pharmaceuticals
- iShares PHILX Semiconductor

#### Top Detractors

- iShares U.S. Broker Dealers
- First Trust Internet

Level	Current Weight*
Level 1	0.0%
Level 2	7.0%
Level 3	8.0%
Level 4	12.5%
Level 5	15.0%

The Sector Opportunity portfolio has developed solid overweights in technology and health care, sectors which have led the market higher. The portfolio's technology holdings include broad technology (IYW), internet (FDN), semiconductors (SOXX), and the NASDAQ 100 (QQQ). Health care holdings include broad health care (XLV), pharmaceuticals (IHE), biotechnology (IBB), and medical devices (IHI). The most significant addition to the portfolio has been basic materials (IYM), which since August has been slowly gaining relative strength vs. the S&P 500 apparently driven largely by the chemicals industry. Semiconductors, broad health care, and pharmaceuticals were the biggest contributors for the quarter. Internet, broker dealers, and the NASDAQ 100 were the biggest detractors. What the portfolio owns and what it does not own are equally significant. As of the end of the quarter, the Sector Opportunity portfolio did not own any consumer staples, utilities, energy, or consumer discretionary. Of particular note is our complete avoidance of consumer discretionary, which was our largest sector holding for most of 2013 and which is now mired in a sustained relative downtrend. Energy, however, may be making a relative strength base after poor relative performance in 2013 and could be a candidate for addition to the portfolio in the coming weeks. The portfolio's current sector weightings are as follows: Technology 34.0%, Health Care 32.0%, Financials 15.0%, Basic Materials 12.0%, Industrials 4.0%, and Cash 3.0%.

### International Opportunity (Developed, Emerging & Frontier)

#### Top Contributors

- iShares MSCI Spain
- iShares MSCI Italy

#### Top Detractors

- S&P 500 SPDR ETF
- Guggenheim China Small Cap ETF



Level	Current Weight*
Level 1	0.0%
Level 2	6.0%
Level 3	10.0%
Level 4	12.5%
Level 5	17.0%

International equity markets have displayed unusual concentration in their relative strength recently, but that concentration may slowly be beginning to end. Europe and the U.S. have been at the top of our relative strength rankings since last summer, and while they remain near the top, we have seen a few new entrants. India (EPI and SCIF) and the Frontier Markets (FM) have displayed relative strength in the international sphere, and they are the newest additions to the portfolio. India in particular appears to be benefitting as markets anticipate that a pro-business government will be installed as a result of the May elections. Italy (EWI) and Spain (EWP) were the strongest contributors during the quarter, while the S&P 500 (SPY) and China Small Cap (HAO) were the biggest detractors. With the notable exception of India, the portfolio has avoided emerging markets. While emerging markets have seen a rally in the past few weeks, they will need to show more sustained relative strength in order to rise in our rankings and prove that their latest surge is something more than a bear market rally. The portfolio's current regional weightings are as follows: Europe 67.0%, Asia Emerging Markets 14.0%, United States 10.0%, Frontier Markets 5.0%, and Cash 4.0%.

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#### Alternative Strategy (Commodities, Currency, Real Estate, Absolute Return)

##### Top Contributors

- VelocityShares Daily Inverse VIX Short-Term
- iPath DJ-UBS Coffee ETN

##### Top Detractors

- AQR Managed Futures Strategy
- S&P Metals & Mining SPDR

Level	With Sentry Current Weight*	Without Sentry Current Weight*
Level 1	3.0%	10.0%
Level 2	3.0%	10.0%
Level 3	6.0%	13.0%
Level 4	5.0%	13.0%
Level 5	3.0%	10.0%

The Alternative Opportunity Sleeve contains a well-diversified mix of themes which are broken down as follows: alternative-oriented mutual funds 36.0%, tactical global equity 36.0%, fixed income 12.0%, commodities 8.0%, and cash 8.0%. Within commodities, the portfolio emphasized agricultural and energy during the quarter, as those areas saw considerable volatility as a result of weather-related issues in the U.S. and worldwide. We currently own positions in cotton (BAL), livestock (COW), cocoa (NIB), and oil (OIL). Within equities, the portfolio emphasized U.S. equities during the quarter. Late in the quarter, we sold our metals & mining (XME) position and added to commodity equities with those having more persistent relative strength: energy (XLE), agribusiness (MOO), and basic materials

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(IYM). Top contributors for the quarter included coffee (JO) and the Inverse VIX ETN (XIV). Negative contributors were the AQR Managed Futures Fund (AQMIX) and S&P Metals & Mining. Within fixed income, our focus on credit spread narrowing and higher yielding bonds led us to maintain our positions in high yield bonds (JNK and HYG) and convertible bonds (CWB).

#### Global Macro (Unconstrained)

##### Top Contributors

- iShares Russell Midcap
- iShares EMU Index

##### Top Detractors

- iShares Russell 2000
- SPDR S&P 500

Level	Current Weight*
Level 1	8.0%
Level 2	12.0%
Level 3	13.0%
Level 4	15.0%
Level 5	15.0%

U.S. stocks have occupied the top of our relative strength rankings for some time now, and recently they have been joined by European equities. Europe now occupies 40% of the portfolio, with 57% allocated toward the U.S. The Russell Midcap (IWR) and the European Equity ETF (EZU) were the portfolio's top performers, while the S&P 500 (SPY) and the Russell 2000 (IWM) were

the top detractors. While equities continue to dominate the top of our ranks and the Global Macro portfolio, we are closely watching the rise of other asset classes. Commodities (particularly agricultural), gold, and high quality bonds are all slowly moving up in our ranks, while equity relative strength versus other asset classes has stalled and lost momentum but has not yet established a notable downtrend. While our ranks still clearly favor stocks, we can begin to foresee circumstances where our allocation will likely become more defensive as the second quarter of 2014 moves on.

#### Fixed Income Total Return

(Low Quality, High Quality, Short Term Cash)

##### Top Contributors

- Barclays High Yield Bond SPDR
- BlackRock High Yield Bond

##### Top Detractors

- iShares iBoxx \$ High Yield Corporate Bond
- Eaton Vance Income Fund of Boston

Level	Current Weight*
Level 1	18.0%
Level 2	10.0%
Level 3	7.5%
Level 4	0.0%
Level 5	0.0%

The Fixed Income Total Return (FITR) portfolio moved to a 100% fully invested position in high yield bonds on July 18th, 2013. The FITR portfolio's primary evaluation regarding 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 18th, 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 expects 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. We feel that indicates that stocks are struggling simply due to overbought and overvalued conditions, and that the underlying economy remains on solid footing. While we are always watchful for a deterioration in credit conditions that might force us to become defensive, we see no evidence of a need to become cautious at this time.

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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.

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.

## Outlook

The bull market's resilience will likely be tested in the second quarter, when we feel seasonal and cyclical headwinds will start to intensify. Having surpassed the 5-year mark in early March, the current cyclical bull is older than the average 3.8 year average bull dating back to 1932. While bull markets don't die from old age, we may be in the later innings of the current cyclical bull market. Risks are rising as valuations are stretched and the political tensions rise as we approach the mid-term elections. The second and third quarters of the mid-term election year are the only quarters in the four year election cycle to average successive declines. In addition, the average correction in mid-term years dating back to 1934 has been 21.7%. Historical precedent suggests we should be especially wary of a possible correction beginning sometime in the second or third quarter. The markets are currently experiencing a rotational correction, but the underlying technical and conditional factors remain supportive. If these conditions deteriorate into a larger correction, it should reset investor expectations and relieve the valuation concerns, which could set the stage for much higher targets in 2015 and 2016.

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.

The Barclays U.S. Aggregate Bond Index covers the U.S. investment-grade fixed-rate bond market, including government and credit securities, agency mortgage pass-through securities, asset-backed securities and commercial mortgage-based securities. To qualify for inclusion, a bond or security must have at least one year to final maturity and be rated investment grade Baa3 or better, dollar denominated, non-convertible, fixed rate and publicly issued.

The B of A Merrill Lynch U.S. High Yield Index tracks the performance of below investment grade U.S. dollar-denominated corporate bonds publicly issued in the U.S. domestic market.

The Barclays 7-10 Year Treasury Index tracks the investment results of an index comprised of the U.S. Treasury bonds with remaining maturities between seven and ten years.

The Barclays 20+ Year Treasury Index tracks the investment results of an index comprised of the U.S. Treasury bonds with remaining maturities greater than twenty years.

The Barclays Long-Term Year Treasury Index tracks the performance of the long-term U.S. government bond market.

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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