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Senior Portfolio Manager

Tony serves as a portfolio manager in the Premier Portfolios group and is a member of the Clark Capital Investment Committee. He has over 25 years of portfolio management experience utilizing both a quantitative and fundamental process. From 1997 to 2013 Tony was the President and Chief Investment Officer of Global Capital Management which he founded. He was cited as a Top Guns Manager in 2006 and 2007 and was named Manager of the Decade in 2011 by PSN. From 1986 through 1997, Tony was Director of Portfolio Management at RTE Asset Management where he was responsible for portfolio management across all asset classes. Tony is a graduate of the Wharton School of the University of Pennsylvania and holds the CFA designation.

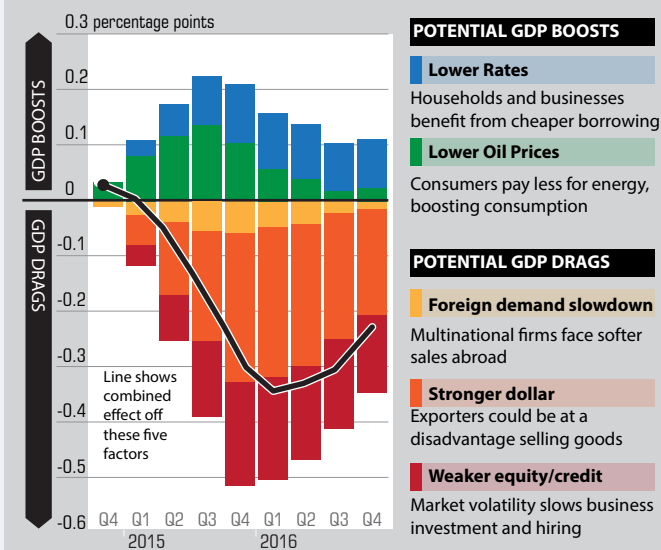
A NEW BEGINNING?

Early this quarter, I blogged about how the end of Quantitative Easing, the Fed's long term expansionary monetary policy, may not lead to higher interest rates despite consensus to the contrary. The thrust of my argument revolves around low current and anticipated U.S. inflation and slow or decelerating growth globally. While QE1, 2 and 3 have provided tremendous stimulus and stabilization to the financial markets, many market participants fear that the termination of QE this month will naturally lead to a reverse course for notes and bonds. My blog attempts to

debunk this wisdom by pointing to current U.S. inflation and expectations for the same. At just 1.7%, both producer and consumer inflation are little threat to price stability. Additionally, most developed-country inflation is declining (with the exception of Japan) and in some cases is negative. China consumer inflation is the lowest since January 2010 and eurozone inflation

Crosswinds Blow on Economy

Some factors that could impact growth



Source: Goldman Sachs Global Investment Research

The Wall Street Journal

is barely positive at 0.3%. Anticipated inflation globally is certainly low. Many European short-term interest rates are now negative and U.S. future inflation will likely be further constrained by the dollar's ascent to a four-year high and low wage growth stifled by the low labor participation rate. Contrary to fearing the end to the Fed's near zero interest rate policy (NZIRP), I think it's time to anticipate a new beginning – QE4.

Executive Summary

Following Quantitative Easing?: Quantitative Easing, the Fed's long term expansionary monetary policy, may not lead to higher interest rates despite consensus to the contrary.

Opportunity in Market Corrections: Market corrections represent great opportunities to remove overvalued or underperforming companies from our portfolios while substituting companies of higher quality.

Past performance is not indicative of future results.

This is not a recommendation to buy or sell a particular security. Please see attached disclosures.

Third Quarter — Portfolio Commentary

Quality Prevails

As a quality-focused equity investor, we certainly revel in those periods when companies with a durable competitive advantage outperform. Thus far in 2014, the highest quality companies in our universe have advanced 6.8% while the lowest have declined 1.0%. This disparity in performance is further highlighted by the 8.3% gain in the S&P 500 versus the 4.4% descent of the Russell 2000. High quality's relative attractiveness has gathered momentum since the beginning of 2009 such that high quality stocks represented a two standard deviation investing opportunity at the beginning of the year. Using P/E ratios as a common metric of relative value, the spread between the S&P 500 and S&P Small Cap 600 reached an extreme 8.3 P/E points at year-end as the S&P 500 P/E was 17.3 while the Small Cap index was 25.6. While the discrepancy this year has narrowed (the relative attractiveness difference was 5.6 at quarter-end), there is no assurance that low-quality will regain its advantage. Historically from 1974 to 2012, the performance of stocks across the quality/risk spectrum showed very little difference in returns. Contrariwise, high quality companies offered a similar level of return yet exhibited approximately one-third less volatility as measured by standard deviation.

Correction Healthy

While none of us like losing money, market corrections represent great opportunities to remove overvalued or underperforming companies from our portfolios while substituting companies of higher quality, better value or better business momentum. The assumption, of course, is that equities represent your long horizon assets matched to your long horizon liabilities such as retirement AND that the correction does not morph into a bear market. Historically within bull markets, 5% corrections in the S&P 500 occur every 7.0 months and 10% corrections occur every 25.7 months.* Since the current advance has gone more than 27.6 months since a 10% down move, I would

not be surprised if the current 7.5% S&P 500 decline moved slightly deeper into correction territory cleansing a few more weak hands in the process. As the ultimate long-only optimist, I don't think we are at the precipice of a lengthy decline. Credit markets remain stable, the Fed has really adopted a neutral stance, equities are fairly valued against competing investments and leading economic indicators show no sign of a recession in our view. Certainly foreign economic malaise tempers my outlook for U.S. earnings but without extended stock market valuations, I think the probability of a meaningful equity decline is low.

Small Cap Retreats Less

The Navigator Small Cap Equity strategy lost approximately -4.01% (gross)/-4.74% (net) for the third quarter ending September 30, 2014, outpacing the Russell 2000 (-7.36%). Our focus on what we believe to be high quality, undervalued companies with improving business prospects continues to yield strong performance. Portfolio highlights included trucker Knight Transportation up 15.2%, animal hospital firm VCA gaining 12.1% and shoe company Deckers up 12.6%. Portfolio losses included semiconductor company Synaptics (-19.2%), computer firm Perficient (-23.0%), and recruiter Korn Ferry (-15.2%). Portfolio deletions for the quarter included two health care companies, Amsurg and Masimo, and two consumer discretionary stocks, Spirit Airlines and leather and apparel company G-III Holdings. The value characteristics of the Small Cap strategy remain compelling. Its current P/E of 16.2 is far less than that of the S&P Small Cap (22.9) and Russell 2000 with noteworthy quality and similar business growth characteristics.

*Source: InvesTech

Third Quarter — Portfolio Commentary

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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.

Net returns are shown net of 3%, the highest fee that could potentially be charged including investment advisory fees, trading, custody, investment advisory fees and any other expenses that may be incurred in the management of the account. 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.

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 S&P SmallCap 600 measures the small cap segment of the U.S. equity market. The index is designed to be an investable portfolio of companies that meet specific inclusion criteria to ensure that they are liquid and financially viable.

The Russell 2000 Index measures the performance of the 2000 smallest U.S. companies based on total market capitalization in the Russell 3000, which represents approximately 11% of Russell 3000 total market capitalization.

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 free float 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 CBOE Volatility Index (VIX) is a forward looking index of market risk which shows expectation of volatility over the coming 30 days.

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.

Barclays 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 greater than one year.

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.

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 U.S. Treasury Bond Index is an issuances-weighted index measuring the performance of the U.S. Treasury bond market, one of the largest and most liquid government bond markets in the world.

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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