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Chief Investment Officer

As Clark Capital's Chief Investment Officer, Sean oversees all of the Firm's investment activities and heads the Firm's portfolio team. Sean joined the Firm in 1993 and is responsible for asset allocation and investment selection for Navigator Investment Solutions as well as directing ongoing market research and contributing to the development of proprietary products. Sean is a member of the Clark Capital Board of Directors, the Investment Committee and the Management Committee. He graduated from the University of Delaware, earning a B.S. and an M.A. in Economics. Sean is a Chartered Financial Analyst and a member of the CFA Institute (formerly AIMR) and the Financial Analysts of Philadelphia, Inc. Sean is considered an industry expert and is often asked to appear on CNBC and Bloomberg television to share his views on the market. In addition, Sean has been featured in a number of articles in nationally distributed business journals and newspapers.

A FRACTURED MARKET

Our observation is that the major drivers of returns for the market in 2014 were a continued improvement in the U.S. economy, a commodity collapse, and the ending of quantitative easing in the U.S. Performance in 2014 was very mixed and dominated again by large cap U.S. stocks. The S&P 500 gained 13.66%, giving the impression that 2014 was a banner year for stocks. However, a closer examination shows that most markets struggled in 2014. The average stock in the Russell 3000 was up only about 4% and the median stock was actually down! U.S. small cap stocks were only up 4.89%, international markets declined across the board with the MSCI EAFE index down 4.22% and emerging markets losing 2.11%.

In contrast to most expectations coming into 2014, Treasury bonds performed very well as the 10-year Treasury yield dropped from 3.03 to 2.17%, and duration outperformed credit risk. In fact, long-term treasuries were the top performing asset class in 2014 with the Barclays Capital 20+ Year Treasury index gaining 27.48%. Dollar strength helped drive asset flows into the U.S. and domestic stocks and bonds were beneficiaries of that trend. The trade-weighted U.S. dollar index gained 12.79% while commodities posted their largest losses since 2008, dropping 33.06%.

The return profile in 2014 was so mixed that investors who prudently diversify may feel as if they missed the boat. The average broadly diversified portfolio was up in the 5% range.

Some interesting facts about last year that highlight the disparity of returns across asset classes:

- S&P 500 up at least 10% for third year in a row. First time since five-year streak from 1995 to 1999.
- No more than three consecutive down days for S&P 500. Fewest on record.
- First time since 1982 that long-term Treasuries outperformed S&P 500 by 1000 bps when the S&P 500 was up by 10% or more.
- Largest S&P 500/EAFE spread since 1997.
- U.S. dollar's best year since 1997.
- S&P GSCI Commodity Index second worst year on record.
- Oil's worst year since 2008.
- Largest Russell 1000/2000 spread since 1998.

Executive Summary

Market Activity in 2014: Major drivers of returns for the market in 2014 were a continued improvement in the U.S. economy, a commodity collapse, and the ending of quantitative easing. Performance was very mixed and dominated by large cap U.S. stocks. In truth, most markets struggled during the year.

Expectations for 2015: We expect U.S. economic growth to be the strongest annual growth rate since the recession and to be accompanied by growth in the global economy. We anticipate gains for the U.S. stock market on the order of 10%. With international markets having underperformed so drastically in 2014, we expect international stocks to regain momentum and outperform in 2015.

Past performance is not indicative of future results.

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

Fourth Quarter — Portfolio Commentary

Q4 Portfolio Analysis & Performance

U.S. Style Opportunity

Top Contributor

- SPDR S&P 500 Index ETF
- iShares S&P U.S. Minimum Volatility ETF

Top Detractors

- PowerShares S&P 500 High Beta ETF
- iShares S&P 100 Index ETF

The Style Opportunity portfolio emphasized large cap, steady growth stocks during the fourth quarter of 2014. The slow but steady economic growth that we have seen since 2009 has led equity investors to place more and more value on those companies that can deliver persistent growth. Such companies' earnings are not volatile but stable and steady. Pharmaceuticals, Consumer Staples, and large Technology companies are prime examples. The portfolio's relative strength ranking methodology has seen large cap stocks and large cap growth in particular top our equity style rankings for much of 2014, and thus the portfolio was heavily weighted towards the S&P 500 (SPY) and the iShares S&P 500 Growth ETF (IVW). With growth companies displaying clear relative strength and selling at a premium, it is not surprising that the Style portfolio is modestly more expensive than the broad S&P 500. The portfolio's 12-month forward P/E is 17.5, while the S&P 500 is at 16.4. In our view, given the portfolio's high quality and correspondingly lower beta of 0.94, such a modest premium above the S&P 500 does not seem unreasonable. While we construct the portfolio by looking at the relative strength rankings of a number of U.S. equity style ETFs, we do look at what the portfolio looks like as a whole. In aggregate, the portfolio overweights the Technology, Health Care, and Consumer Discretionary sectors, while underweighting Financials and Energy, traditional value sectors. One recent new entrant to the portfolio, the iShares MSCI U.S. Minimum Volatility ETF (USMV), was a top contributor for the quarter as interest rate sensitive companies in particular fared well. The SPDR S&P 500 ETF (SPY) was the other top contributor. The top detractors included the S&P 500 High Beta ETF (SPHB) and the iShares S&P 100 Index (OEF). Looking forward to 2015, we do see the relative strength of small cap companies on the rise, and we may soon add them to the portfolio. Small cap stocks were very expensive in comparison to large caps at the beginning of 2014, and that overvaluation contributed to a very poor year for small cap stocks. However, that valuation gap has largely been closed and small cap relative strength returned in the fourth quarter.

U.S. Sector Opportunity

Top Contributors

- Health Care Select Sector SPDR
- Financials Select Sector SPDR

Top Detractors

- iShares PHLX Semiconductor ETF
- Consumer Staples Select Sector SPDR

In following relative strength trends, the Sector Opportunity portfolio continued to emphasize Health Care and Technology during the fourth quarter. During most of 2014 we saw very tame equity markets, but the volatility tiger came out of the cage during the fourth quarter. We saw a collapse in oil prices and energy stocks and a dramatic move lower in interest rates. Despite that, the S&P 500 posted a gain for the quarter. Steady growth and defensive sectors such as Health Care and Technology, along with interest rate sensitive sectors such as Real Estate and Utilities, showed the most relative strength. While the U.S. economy has been strong and is still on the rise, investors across the globe are starved for companies that can grow, and they are willing to pay up in our opinion. The portfolio's relative strength driven methodology has tracked and then allocated towards the market's hunger for growth. As a result, on trailing basis the P/E ratio of the Sector Opportunity portfolio is a rich 26.0 while by comparison the S&P 500 is at 18.2. On a 12-month forward basis, the comparison looks better but, as expected, remains rich, as the portfolio's P/E is 18.3 vs. the S&P 500 at 16.4. Given the market's hunger for companies that deliver stable earnings, it is not surprising that though the portfolio is expensive, its beta versus the S&P 500 is 0.93. Health Care, Technology, and Consumer Staples companies deliver that much hungered for growth, and these sectors' relative strength has made them mainstay holdings. For the quarter, contributing sectors included Health Care and Technology, while the Energy sector was avoided. Health Care was the portfolio's biggest sector weight, and investor appetite for pharmaceuticals and biotechnology was rewarded. Within the Technology sector, we allocated to stable large cap Technology ETFs such as iShares Technology (IYW) and the PowerShares QQQ (QQQ). Of greatest importance from a risk management perspective, the portfolio did not own Energy during the quarter and entirely avoided the losses in the sector amidst a collapse in oil prices and energy sector stocks. This highlights one of relative strength's greatest attributes: the potential to capture and/or avoid trends with large magnitude. Detracting sectors included an under allocation towards Financials, poor timing of trades in the Consumer Discretionary sector, and an under allocation to Utilities. Looking forward, our relative strength matrix shows that Financials are a sector currently most on the rise. The portfolio's current sector weightings are as follows: Health Care 31.0%, Technology 26.5%, Industrials 12.5%, Consumer Staples 10.0%, Financials 10.0%, Consumer Discretionary 7.0%, and Cash 3.0%.

Fourth Quarter — Portfolio Commentary

International Opportunity *(Developed, Emerging & Frontier)*

Top Contributors

- SPDR S&P 500 Index ETF
- S&P China SPDR

Top Detractors

- iShares Thailand ETF
- iShares Mexico ETF

While relative strength has driven our Sector Opportunity portfolio towards relatively expensive stable growth stocks in the U.S., the International Opportunity portfolio has found relative strength in areas of comparative value. The portfolio allocates towards country and regional ETFs that display relative strength within our ranking matrix. Given the deflation that is vexing Europe and the volatility of the energy heavy Emerging Markets nations, it has been a very good thing that the portfolio considers the U.S. an investable part of its universe. The S&P 500 itself ranks near the very top of our relative strength rankings, and we have allocated our maximum weight of 20% for this portfolio to it. The Asia Pacific region dominates most of the rest of the portfolio, particularly China. China ranks very highly in relative strength, and with reasonable P/E ratios of ten times forward earnings, valuations are supportive of a further rally. Taiwan, the Philippines, Japan, and India round out the portfolio's Asia-Pacific exposure. Only Turkey, which is quite reasonably valued with a forward P/E of 12, is not from the Asia Pacific region. In aggregate we believe the International Opportunity portfolio is attractively valued. On a 12-month forward earnings basis, the portfolio's P/E ratio is 12.7 versus a 13.1 P/E for its benchmark, the MSCI World ex-U.S. Index. To be clear, the portfolio's methodology is agnostic with regard to valuations and will own countries and regions that have relative strength. Having said that, as managers we prefer to own securities that are both attractively valued and have relative strength because logically the appealing valuations mean that the relative strength can both continue into the future and have magnitude. Given the overall attractive valuations for the international equities, we are optimistic about this portfolio's opportunity to add value in 2015. For the quarter, the portfolio's top contributors were the U.S. via the S&P 500 ETF (SPY) and China (GXC). From a risk management point of view weakness in France and more broadly Europe were avoided. The top detractors were Thailand (THD), Mexico (EWW), and Japan (EWJ and DXJ). The portfolio's current regional weightings are as follows: Asian Emerging Markets 52.0%, United States and Canada 20.0%, Developed Asian Markets 17.5%, Middle East & Africa 7.5%, and Cash 3.0%.

Outlook

The U.S. stock market finds itself in rare territory as we enter 2015. For only the sixth time in the past 150 years, the U.S. stock market has registered a double-digit gain for three consecutive calendar years from 2012 to 2014. Can the U.S. stock market post a fourth year of double-digit gains?

Historical tendencies suggest 2015 could be a very good year. However, it is very hard to get overly bullish given the many risks we see on the horizon. For example, since 1875 the S&P 500 has only rallied seven consecutive years once, from 1982 through 1989, when it advanced for eight consecutive years. The current bull is almost six years long and much older than the 3.8 year average of bull markets dating back to 1932. In addition, with the S&P 500 trading at a price-to-earnings ratio of 18, multiple expansion seems unlikely and further gains will largely depend on earnings growth. Fortunately, valuations can remain stretched for extended periods, and we do expect another positive year of earning growth on the heels of a strengthening U.S. economy. We expect U.S. economic growth of 3.0%, which would be the strongest annual growth rate since the recession, while the global economy should grow by about 3.5%.

Our baseline expectations for the market call for additional gains. Our year-end target for the S&P 500 is 2275, which would be about a 10% gain. Those expectations are based on analysis of historical precedence including the average market gains in the third year of the Presidential Election Cycle, strong momentum, earning growth, seasonal trends, accelerating economic growth, and the normal market performance around the first Fed rate hike. As far as fixed income goes, we expect a further flattening of the yield curve as the Fed hikes rates, probably at the June FOMC meeting. The 10-year Treasury yield, currently trading at around 2.0%, is likely to challenge 1.60% before heading higher. Our year-end target for the 10-year Treasury yield is 2.50% with a potential range of 1.60% to 3.0%. We do favor credit risk over duration as the strengthening economy and low defaults offer fundamental support to lower quality debt.

Fourth Quarter — Portfolio Commentary

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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 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 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 S&P MidCap 400 provides investors with a benchmark for mid-sized companies. The index covers over 7% of the U.S. equity market, and seeks to remain an accurate measure of mid-sized companies, reflecting the risk and return characteristics of the broader mid-cap universe on an on-going basis.

The MSCI ACWI stands for All Country World Index. A market capitalization weighted index designed to provide a broad measure of equity-market performance throughout the world. The MSCI ACWI is maintained by Morgan Stanley Capital International, and is comprised of stocks from both developed and emerging markets.

The MSCI All Country World ex USA Total Return (MSCI ACWI), market capitalization weighted index designed to provide a broad measure of equity-market performance throughout the world. The MSCI ACWI is maintained by Morgan Stanley Capital International, and is comprised of stocks from both developed and emerging markets.

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 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 U.S. dollar 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.

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 comp

risied 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 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.

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 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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