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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.

THE DOLLAR IS KING

The first quarter of 2015 was characterized by a few macro trends that dominated the investing landscape including the Federal Reserve pushing off rate hikes, foreign central bank easing, U.S. dollar strength, and oil weakness. These all influenced asset flows and contributed to a choppy market environment. The Federal Reserve ended QE3 in October, and then spent the first three months of 2015 preparing the markets for a rate hike later this year. The U.S. economy went through a soft patch in the first quarter, not unlike the weather-related weakness in the first quarter of 2014 in which the economy declined at a 2.1% annualized pace. We don't

expect anything like that this time around but, nonetheless, data has been soft due to the ending of quantitative easing, the strong dollar, poor weather across much of the U.S., West Coast port strikes, and oil weakness. Growth should pick up for the balance of the year and we already see evidence of strong underlying trends. Coming into the year it looked like the Fed would hike rates at their June meeting. However, the soft first quarter economic data and comments from the Fed have shifted markets' expectations and it now looks like the first rate hike will be in the fall, possibly at the September meeting.

Meanwhile, in Europe, European Central Bank President Draghi announced quantitative easing for the eurozone as they attempt to stimulate an economy that flirted with recession last year. Central banks across the globe from London to Tokyo remain in easing modes. The effects on currencies and equity markets have been dramatic. The euro fell 11.2% in the first quarter, the largest quarterly decline in the single currency since its inception in 1999. Even after the steep losses, the euro looks lower as negative interest rates across Europe prompt investors to sell euros and buy dollars, putting further pressure on the continent's currency. At quarter end the euro stood at 1.0731 dollars/euro, down from 1.40 dollars/euro in the last year. Analysts expect it to continue weakening with many forecasting 0.85 dollars/euro in 2016. Increasing currency volatility remains a major source of macro risk in global markets today. While it remains to be seen if history will repeat itself, currency turmoil has often led to global equity declines due to the large leverage effect of currency trades.

Relative central bank policies have boosted international equities with foreign markets outperforming the U.S. The MSCI EAFE Index rose 5.0% while the S&P 500 gained a mere 0.95% on a total return basis. The EAFE outperformed the S&P 500 by the most since the first quarter of 1998. In local currencies, the foreign markets were up even more, with the MSCI EAFE

Executive Summary

U.S. Rate Hike Update: Economic data consistently came in below expectations in the first quarter, and comments from the Fed have shifted markets' expectations. It now looks like the first rate hike will be in the fall, possibly at the September meeting.

Eurozone QE Continues: European Central Bank (ECB) President Draghi announced quantitative easing for the Eurozone as they attempt to stimulate an economy that flirted with recession last year.

High Yield Bonds Rebound: Despite soft economic news in the first quarter, high yield bonds still outperformed, with credit spreads narrowing from 444 basis points at the beginning of the year to 426 basis points at the end of the quarter.

Past performance is not indicative of future results.

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

First Quarter — Portfolio Commentary

Index up 10.9% in local currencies. The dollar strength and central bank easing had a profound positive impact on foreign markets.

In the U.S., as noted above, economic data consistently came in below expectations in the first quarter. As a result, investors put a premium on companies that could grow their businesses without the benefit of a strong economy. Stocks with high long-term earnings and sales growth outperformed. Sector leadership largely favored the consumer. Health Care, which continued its winning streak from 2014, and Consumer Discretionary were the strongest sectors. In addition, small cap and mid cap stocks outperformed large cap in part due to the strong dollar and higher valuations of larger cap stocks. In fixed income, high yield outperformed with credit spreads narrowing from 444 basis points at the beginning of the year to 426 basis points at quarter-end. High yield bonds rebounded nicely from their December energy crisis lows and are trading close to new highs on a total return basis. For the quarter, the Barclays High Yield Index gained 2.52% and the Barclays Aggregate Bond Index was 1.61% higher.

Q1 Portfolio Analysis & Performance

U.S. Style Opportunity

Top Contributor

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

Top Detractors

- iShares Russell Midcap Growth ETF
- SPDR S&P 500 ETF

The U.S. Style Opportunity portfolio was gradually moved from large cap growth stocks to mid and small cap growth stocks as the quarter progressed. Despite some short-term hiccups for the U.S. economy recently, we continue to see the underlying metrics as positive in the longer run. The underlying trend technicals of the market are mildly bullish, and while valuations are high, they can be said to be only at the high end of a normal valuation range. Within U.S. equities, our relative strength based models have drifted towards mid and small cap growth stocks, and slowly we see even mid and small cap value stocks gaining ground. For the first time in quite a while, we have zero large cap stock exposure. That may well be a result of the strong dollar, which acts as a drag on large cap multinational earnings. Currently two thirds of the Style portfolio is dedicated to mid and small cap growth ETFs, with the remainder in mid and small cap blend ETFs. A stronger U.S. economy and a stronger dollar historically provide strength to small cap stocks, and this appears to again be the case. In aggregate, the Style portfolio has a very aggressive and bullish stance. The portfolio's forward P/E ratio is 25.7 versus 16.8 for the S&P 500. In return for paying a premium versus the broader market, the port-

folio does own stocks that have a 16% long-term growth rate versus 11.5% for the S&P 500. From a sector perspective, the Style portfolio overweights the Consumer Discretionary, Health Care, and Industrials sectors while underweighting Energy, Financials, and Consumer Staples. The portfolio has a relatively low percentage of debt-ridden companies. The portfolio's style tilt towards growth drove performance during the quarter, as the iShares Russell 2000 Growth ETF (IWO) and the iShares S&P 500 Growth ETF (IVW) were both top contributors. The SPDR S&P 500 ETF (SPY) and the iShares Russell Mid-Cap Growth (IWP) were the top detractors.

U.S. Sector Opportunity

Top Contributors

- Health Care Select Sector SPDR
- iShares NASDAQ Biotechnology ETF

Top Detractors

- iShares U.S. Technology ETF
- iShares U.S. Transportation ETF

The U.S. Sector Opportunity portfolio's mission is to tactically rotate towards U.S. sector ETFs that display sustained relative strength. Over the past few quarters the Consumer Discretionary, Health Care, and Technology sectors have displayed that sustained relative strength, and the portfolio has been largely allocated there. The portfolio's holdings and the standings in the relative strength matrix have been remarkably stable. A number of ETFs have been in the portfolio for many months now, including: Biotechnology (IBB), broad Health Care (XLV), Health Care Providers (IHF), the NASDAQ 100 (QQQ), Retail (XRT), and Aerospace and Defense (ITA). The broad economic environment, which is being driven by global central bank easing, has favored discretionary spending in particular, and the portfolio now allocates a sizeable 39% there. While owning the market's stronger sectors is the portfolio's guiding principle, there is an important flip side to that — avoid the weakest sectors. Over the past year that has been Energy, a sector we have completely avoided for the last two quarters. Energy's severe underperformance seems to have ended for now, but we have no way of knowing if the worst is over. Despite massive declines in stock prices, Energy is the market's most expensive sector, with a forward P/E of over 30. We will be waiting on the sidelines to see if Energy can find traction. As of now, it remains at the bottom of our rankings. In aggregate, the sector portfolio, like the broad market, is willing to pay up for growth; the portfolio's forward P/E is 18.9 versus 16.8 for the S&P 500. However, in return for that premium, the portfolio has a long-term growth rate of 15.8% versus 11.5% for the S&P 500.

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International Opportunity *(Developed, Emerging & Frontier)***Top Contributors**

- iShares Japan ETF
- S&P China SPDR

Top Detractors

- iShares Turkey ETF
- SPDR S&P 500 ETF

The International Opportunity portfolio's stated mission is to allocate tactically between international country and region ETFs that display superior relative strength to the rest of the world. Central bank easing has been the big story so far in 2015, and the European Central Bank launched a massive quantitative easing during the quarter that really defined the investing environment for all others. Interest rates in continental Europe were quickly driven to negative levels. As a result the euro declined by a noteworthy 11% during the quarter, its largest quarterly decline on record. Effects on currency have become more and more pronounced over the last 12 to 18 months and, as a result, we made an effort to add a number of currency hedged ETFs to our relative strength matrix. Not surprisingly these ETFs were at or near the top of the matrix, and quickly Japan Hedged (DXJ), Germany Hedged (DBGR), and Europe Hedged (HEZU) were purchased as holdings. We now have hedged 18% of the International Opportunity portfolio to the dollar. We, along with many others, believe that the trend towards a stronger dollar is secular and long-term. Thus, we would expect that currency hedged ETFs will be a part of the portfolio for much of the next few years. Of course, we will strictly follow our relative strength matrix in deciding whether or not to include them as holdings. The performance of European equities was certainly the standout during the quarter, but Asian markets, particularly Japan, India and China were a close second, and they occupied much of the rest of the portfolio. Despite the strength in international markets, in aggregate the International Opportunity portfolio remains attractively valued, in our opinion. On a 12-month forward earnings basis, the portfolio's P/E ratio is 14.9 versus a 14.2 P/E for its benchmark, the MSCI World ex USA Index. Both of these measures are substantially cheaper than U.S. markets. On a sector basis, the portfolio overweights Technology, Consumer Discretionary, and Industrials while underweighting Energy, Financials, and Health Care. Japan, Germany, and Taiwan are the largest country overweights, while the U.K., Switzerland, and Canada are the largest underweights.

Outlook

Investors seem to have adopted a risk-on bias with small caps outperforming large caps, growth outperforming value, international equities outperforming the U.S., and high yield bonds outperforming investment grade credit. These characteristics suggest a positive tone for the markets as the second quarter begins. The question is how long will it last? There are risks to the market outlook from valuations and the currency moves, which we highlighted, have often preceded turmoil. But at this point the currency weakness has been cheered by investors.

There is certainly a lot of worry over earnings as estimates have plunged along with oil prices. The range of first quarter earnings estimates for the S&P 500 are from about -1.9% to as much as a -5% decline as a result of the strong dollar and severe winter weather. While over the long-term the economy, corporate earnings, and equity markets are highly correlated, there are instances where earnings forecasts become either too pessimistic or too optimistic and diverge from reality. We think we may be at one of those instances currently. We may be approaching a point where the estimates are too bearish and we have the potential for some upside surprises. The bar is currently set so low that it is easy to hurdle.

The U.S. economy is in a good position to rebound nicely in the second half. Employment growth is by far the best it has been in 15 years and there are some signs that meaningful wage growth, one of the factors that had been missing from this labor market recovery, may be on the horizon. With this in mind there is no reason for the Fed to keep rates at the lower bound. What does it mean if the Fed finally hikes rates later this year? For starters it will be the most telegraphed rate hike in the history of the Federal Reserve. So it should surprise nobody when it happens. A rate hike to begin normalization of policy should be tolerated by the economy and may actually have a positive impact. While some analysts believe that even a modest rate rise will disrupt markets, the Fed has made it clear that the trajectory of rate increases will be measured and gradual, a pace that should be well-anticipated by markets at this stage.

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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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