



**Maira F. Thompson**  
Senior Portfolio Manager

Maira is responsible for management of High Dividend Equity and customized portfolios in the Premier Portfolios group and is a member of the Clark Capital Investment Committee. Her more than thirty years of investment experience included the position of Vice President and head of the Philadelphia Investment Group for Meridian Asset Management. After Delaware Trust became part of Meridian, Maira managed their Trust Investment Group in Wilmington, Delaware. In the 1980s Maira managed assets for high net worth clients and co-managed a small cap fund for Fidelity Bank in Philadelphia. She began her career as a trader with Prudential Bache Securities and a licensed broker for Legg Mason Wood Walker. Maira is a graduate of Ohio Wesleyan University and undertook additional studies in economics at the London School of Economics. She joined Clark Capital in 1997.

## FED POLICY AND DIVIDEND GROWERS, DIVIDEND PAYERS AND NON PAYERS

The first quarter was marked by increased market volatility, a rising dollar and lower energy prices. The strong dollar has been a catalyst for the recent weakness in large cap multinationals. While many of the larger S&P 500 companies are somewhat hedged with revenues and expenses in foreign currencies, the translation can affect U.S. dollar results. Consensus calls for a 4.6% drop in S&P 500 earnings from last year which marks the first year-over-year decline since the third quarter of 2012. Despite this data the S&P 500 index posted a record amount of cash dividends paid to shareholders — up 14% from the first quarter of 2014. This is the fourth consecutive quarter that dividends have hit an all-time high and the 16th consecutive quarter dividends have grown at double digit rates. Despite this good news, the amount of dividend cuts also increased more than in any other quarter since 2009.

During a rising rate environment, the most common question asked is how Fed policy can impact the performance of dividend paying stocks? Studies have shown that Dividend Growers are historically the strongest performing market segment whether rates are rising or falling as compared to the S&P 500 Equal Weight Index, Flat Dividend Payers, Non Dividend Payers, Dividend Cutters and Dividend Eliminators. A fundamental reason for the Dividend Growers long term outperformance is the investor's attraction to quality companies with strong financials, a competitive business model and rising dividends that can help mitigate market volatility.

As a rate hike looms closer, there is an interesting dispersion among two of this quarter's highest yielding sectors, Utilities and REITs. This quarter Utilities declined (-6.02%) while REITs performed well (+3.1%). Utilities can be more sensitive to the 10-year Treasury yield versus the REIT sector. The portfolio is underweight the highest yielding stocks (Flat Dividend Payers) which have been seen to experience increased volatility in a rising interest rate environment.

### Sectors

For the quarter, the strongest sectors were Healthcare (+6.16%) and Consumer Discretionary (+4.38%) while the weakest returns were found in Utilities (-6.02%) and Energy (-3.55%). All ten sectors reported dividend per share growth in the prior 12 months. This was the second consecutive quarter that the Consumer Discretionary sector reported the highest dividend per share growth of all ten sectors.

Two top performing stocks for the quarter in the High Dividend Equity portfolio included Apple Computer (+14.93), which was added to the Dow Jones Industrial Average Index. The mega merger between Kraft and Heinz prompted Kraft shares to rise (+44.60). Kraft shareholders will also receive a special onetime dividend of \$16.50 per share. The weakest performers in the portfolio were Hewlett Packard (-21.9%) after announcing poorer than expected earnings and Intel (-13.2%) due to a weaker revenue outlook.

Past performance is not indicative of future results.

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

### Executive Summary

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## Navigator® High Dividend Equity

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### 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 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.

Barclays Capital 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 the greater than one year.

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