ClarkCapital MANAGEMENT GROUP

Navigator®
Opportunity Update

Mason Wev, CFA®, CMT®, Portfolio Manager

First Quarter — Portfolio Commentary

WILL EUROPE AND THE EMERGING MARKETS DRAG US DOWN?

Mason Wev, CFA®, CMT®
Portfolio Manager

Mason joined Clark Capital Management Group, Inc. in 2005 as a Portfolio Manager. He is a member of the Clark Capital Investment Committee, contributing to asset allocation policy and security selection. Mason has more than a decade of experience in the investment industry. He is responsible for quantitative investment analysis, security selection, and communicating the firm's investment policy to wealth advisors and consultants. He participates in the research and product development efforts of the Portfolio Team. A graduate of Dickinson College, Mason earned an M.B.A. in International Management from the Garvin School of Management at Thunderbird (the American Graduate School of International Management) and holds the CMT and CFA designations.

Executive Summary

U.S. Economy: Over time it has appeared that the stronger U.S. economy is indeed leading the rest of the world out of the doldrums.

Presidential Cycle Holding True: The third year of a president's term has historically been the strongest for stock market gains and so far that has proven to be true.

Coming into the first quarter of 2015, the question was: will the deflationary malaise that affected Europe and emerging markets drag the U.S. down, or will the strong U.S. economy lead the rest of the world toward a recovery? Over time it has appeared that the stronger U.S. economy is indeed leading the rest of the world out of the doldrums. The European and Japanese economies, while far from vibrant, appear to have seen a bottoming and gradual increase in domestic demand. As a result, European and Japanese markets were some of the strongest in the first quarter, particularly on a currency hedged basis. Interest rate movements in Europe were a different matter, and Germany and Switzerland saw negative interest rates for terms of up to ten years! This was a major cause behind the euro's record 11% decline during the quarter, but the weak euro and record low interest rates appear to have had the desired stimulative effect.

From a cycle perspective, it should be noted that the third year of a president's term has historically been the strongest for stock market gains, particularly the first half of the year. So far that has proven to be true, and we see no evidence that the positive economic and market trends will experience anything more than modest corrections and consolidations. Relative strength and relative valuations are at this stage pointing us more away from the U.S. and more into select international markets such as broad Europe, Japan and, particularly, China. We expect those trends to continue as the year develops. Looking forward, developments in the Energy sector have been positive in the sense that the sector's collapse has ended, and we can begin to search for a believable bottom. We are still underweighting the sector, as it lacks relative strength, and despite the sector's price collapse, in our view the sector is the most highly valued of the then major market sectors.

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U.S. Sector Opportunity Portfolio

SECURITY	TICKER	WEIGHT
S&P Homebuilders SPDR	XHB	13.00%
S&P Retail SPDR	XRT	13.00%
Health Care Select Sector SPDR	XLV	10.00%
Consumer Discretionary Select Sector SPDR	XLY	9.00%
iShares Semiconductor ETF	SOXX	8.00%
PowerShares QQQ	QQQ	7.50%
iShares NASDAQ Biotechnology ETF	IBB	6.50%
iShares U.S. Health Care Providers ETF	IHF	6.00%
Vanguard Information Technology ETF	VGT	5.00%
iShares U.S. Aerospace & Defense ETF	ITA	5.00%
iShares U.S. Broker Dealers ETF	IAI	5.00%
iShares U.S. Pharmaceuticals ETF	IHE	5.00%
PowerShares Dynamic Entertainment & Leisure ETF	PEJ	4.00%
Cash		3.00%

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 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). Over the past few years 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. The portfolio's current sector weightings are as follows: Consumer Discretionary 39.0%, Health Care 27.5%, Technology 20.5%, Industrials 5.0%, Financials 5.0%, and Cash 3.0%.

International Opportunity Portfolio

SECURITY	TICKER	WEIGHT
iShares Japan	EWJ	14.50%
S&P China SPDR	GXC	12.00%
iShares Taiwan	EWT	12.00%
iShares Germany	EWG	10.00%
iShares MSCI EAFE Small-Cap	SCZ	9.50%
iShares Philippines	EPHE	8.00%
WisdomTree Japan Hedged Equity ETF	DXJ	8.00%
iShares Currency Hedged MSCI EMU ETF	HEZU	5.00%
iShares Netherlands	EWN	5.00%
Deutsche X-trackers MSCI EMU Germany Hedged Equity ETF	DBGR	5.00%
iShares Russell Midcap	IWR	5.00%
Deutsche X-trackers Harvest CSI 300 China A-Shares ETF	ASHR	3.00%
Cash		3.00%

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. Currency effects 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. Of the International Opportunity portfolio, 18% is now hedged 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. However, 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

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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 U.S. 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. The portfolio's current regional weightings are as follows: Asian Emerging Markets 35.0%, Currency Hedged ETFs 18.0%, Europe 15.0%, Developed Asia 14.5%, Developed Markets Small Cap 9.5, United States 5.0%, and Cash 3.0%.

U.S. Style Opportunity Portfolio

SECURITY	TICKER	WEIGHT
iShares Russell 2000 Growth	IWO	35.0%
iShares Russell MidCap Growth	IWP	32.0%
iShares Russell 2000	IWM	13.0%
iShares Russell Midcap	IWR	12.0%
iShares Russell Microcap	IWC	5.0%
Cash	Cash	3.0%

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 very 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 have provided strength to small cap stocks, and this appears to again be the case. In aggregate, the Style portfolio is taking 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 portfolio 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 MidCap Growth (IWP) were the top detractors.

Global Tactical Portfolio

SECURITY	TICKER	WEIGHT
iShares Russell Midcap	IWR	30.00%
iShares Russell 2000	IWM	30.00%
SPDR S&P 500 ETF	SPY	28.00%
Deutsche X-trackers MSCI EMU Hedged Equity ETF	DBEF	5.00%
iShares Currency Hedged MSCI EMU ETF	HEZU	5.00%
Cash		2.00%

The philosophy of the Global Tactical portfolio is to use our proprietary matrix ranking the relative strength of various asset classes (stocks, bonds, commodities, currencies, and cash) to allocate to those asset classes with the highest rankings. Stocks have occupied the top of the rankings for well over a year now. For most of that time, we have allocated the entire portfolio to equities. Beginning 2015, the portfolio had a small allocation to U.S. Treasuries, but we quickly reinvested that back into equities as the year began. As the first quarter developed, we saw international equities pick up in their performance and by the end of the quarter we had established a small position in Currency Hedged EAFE (DBEF) and Currency Hedged Europe (HEZU) ETFs. We expect to add unhedged international equity positions early in the second quarter. Regarding U.S. equities, the portfolio has largely completed a move away from large cap and towards mid and small cap exposure, which is in line with our relative strength matrix. Given our view that the economic and investing environment seems to favor equities for most of 2015, we expect the Global Tactical portfolio to favor equities for most of the rest of the year. Over time, the portfolio could well favor international equities over domestic. We do not see much reason for taking a cautious stance on equities, either U.S. or domestic, at this time. U.S. mid cap (IWR) and small cap (IWM) ETFs were the portfolio's largest positions and were the top contributors. The top detractors were the SPDR S&P 500 ETF (SPY) and the iShares Barclays 7-10 Year Treasury ETF (IEF).

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Alternative

SECURITY	TICKER	WEIGHT
iShares Core S&P Mid-Cap ETF	IJH	11.00%
Neuberger Berman Absolute Return Multi-Manager	NABIX	8.00%
Neuberger Berman Long Short Inst'l	NLSIX	8.00%
BlackRock Global Credit Long / Short Instl	BGCIX	8.00%
TFS Market Neutral Fund	TFSMX	8.00%
AQR Managed Futures Strategy High Volatility I	QMHIX	8.00%
iShares Russell 2000	IWM	7.00%
361 Managed Futures Fund I	AMFZX	6.00%
Barclays High Yield Bond SPDR	JNK	5.00%
iShares iBoxx $ High Yield Corp Bond	HYG	5.00%
iShares All Country Asia ex Japan ETF	AAXJ	5.00%
VelocityShares Daily Inverse VIX Short Term	XIV	5.00%
iShares S&P U.S. Preferred Stock	PFF	4.00%
DB Gold Short ETN	DGZ	2.00%
Cash		10.00%

The Alternative portfolio contains a well-diversified mix of themes which breaks down as follows: Alternative-Oriented Mutual Funds 46.0%, Tactical Global Equity 28.0%, Fixed Income 14.0%, Commodities 2.0%, and Cash 10.0%. During the quarter we added two new alternative-oriented mutual funds to the portfolio: AQR Managed Futures Strategy High Volatility (AQMIX) and TFS Market Neutral (TFSMX). AQR Managed Futures Strategy takes long and short positions in equity, fixed income, commodity, and currency futures based on long-term momentum trends. The fund has a sustained record of success, is leveraged at 150% and, importantly, is one of the lowest expense funds that access the managed futures markets. TFS Market Neutral takes long and short positions is mid and small cap U.S. stocks, and the fund has a record of adding alpha over time and not being correlated to U.S. equity market movements. Within the rest of the portfolio, we take a targeted and tactical approach to managing equity, fixed income, and commodities. Due to what appears to be an ongoing bear market, we are largely avoiding commodities at this time. In fact, our only commodity position is a small short in gold (DGZ). Within equities the portfolio is focused on U.S. mid and small cap stocks, Asia ex Japan and shorting market volatility (XIV). The portfolio's top contributors were the VelocityShares Daily Inverse VIX Short Term ETN (XIV) and the newly added AQR Managed Futures Strategy High Volatility Fund (QMHIX). The top detractors were a brief, failed position in Oil & Gas Exploration (XOP) and a position in grains (JJG). Looking forward to the rest of 2015, we expect to continue to emphasize U.S. equities and credit-oriented fixed income, areas which should fare well if the Fed does raise interest rates this year, as many expect.

Fixed Income Total Return

SECURITY	TICKER	WEIGHT
BlackRock High Yield Bond	BRHYX	18.00%
iShares iBoxx $ High Yield Corp Bond ETF	HYG	17.00%
Barclays High Yield Bond SPDR	JNK	11.00%
Invesco High Yield Y	AHHYX	10.00%
Lord Abbett High Yield Y	LAHYX	10.00%
Deutsche High Income Inst'l	KHYAX	9.00%
AllianceBernstein High Income Inst'l	AGDYX	9.00%
Neuberger Berman High Income Inst'l	NHILX	9.00%
Barclays Short-Term High Yield Bond SPDR	SJNK	5.00%
Cash		2.00%

Coming into 2015, the Fixed Income Total Return portfolio was in a neutral position with regard to high yield bonds, cash, and U.S. Treasuries, owning roughly one third of each. However, early in 2015 confidence in high yield credit surged, and on January 12th the portfolio allocated 100% to high yield bonds, using a combination of high yield mutual funds and ETFs. The relative performance strength of high yield bonds was coincident with at least an end to the waterfall decline in U.S. Energy stocks. While Energy stocks (and the high yield bonds in the sector, which at 16% are the largest sector in the high yield bond universe) have yet to become performance leaders, their relative decline appears to have ended, and they are now simply trading within an admittedly volatile range. While we are allocated 100% towards high yield bonds and believe that their extra yield will lead to strong performance, particularly in a steady economic environment, we are also aware of the strong downward pressure on U.S. interest rates. This pressure is not at all attributable to the U.S. economy but to the low and negative interest rates in Europe and Japan. Foreign investors see U.S. bonds as extremely safe and as one of their few sources of yield. As a result, the massive size of foreign inflows has boosted U.S. Treasuries in particular and U.S. fixed income overall. The relative strength moves between high yield bonds and U.S. Treasuries have been muted.While our models favor high yield, there is not a particularly strong trend towards either sector at this time. The top

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two contributors to return for the quarter were a strange pair indeed. First, BlackRock High Yield Bond (BRHYX) was our largest high yield bond holding, and it continues to fare well within the category. Second, even though we only held U.S. Treasuries until January 12th, their performance was strong and our positions were so large that the iShares Barclays 7-10 Year Treasury ETF was also a top performer. AllianceBernstein High Income (AGDYX) and the Barclays Short-Term High Yield Bond SDPR (SJNK) were the top detractors.

Sentry Managed Volatility Portfolio

SECURITY	TICKER	WEIGHT
Navigator Sentry Managed Volatility Fund	NVXIX	95.00%
Cash		5.00%

Hedging one's equity exposure during a strong market for equities is an exercise in patience and understanding the proper role of a hedge in a broader portfolio. When our assessments of the markets are broadly bullish – as they remain today and for most of 2015 – the Navigator Sentry Managed Volatility Fund attempts to manage the cost of hedging while maintaining a minimal hedge required to safeguard client assets. Under these circumstances, the Navigator Sentry Managed Volatility Fund is a net loser in client portfolios, waiting for its day when protection will shine.

Put spreads on the S&P 500 that manage the cost of the hedge combined with call spreads on volatility (VXX) are at the core of the portfolio's hedging philosophy. The core of the protection strategy continues to be using these S&P 500 put spreads, usually putting on spread trades that are 2% and 7% or 3% and 8% below the S&P 500's price level at the time of execution. By both owning puts and then writing puts at a lower level, we are able to greatly reduce the cost of equity portfolio protection. During the quarter we then moved in and out of these put spread trades, attempting to cash in on what are most often fleeting gains in volatility. Of course, maintaining a constant protective position has a cost, and much of the portfolio's other activity is devoted to minimizing the cost of hedging. To do that, the portfolio has placed call spread trades on the iPath S&P 500 VIX Short-Term Futures ETN (VXX), looking to slowly and gradually earn profits taking advantage of the huge cost of owning volatility when markets are up or even flat (which we estimate is over 70% of the time). Finally, when volatility has spiked and we sense that extreme optimism or pessimism and thus froth or panic have taken over the markets, we will attempt to monetize the portfolio's cash and tactically go long or short volatility. During a fairly quiet quarter in which the S&P 500 was up only slightly, we did not take on any of these trades in the first quarter.

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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.

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