Navigator®
Opportunity Update
Mason Wev, CFA®, CMT®, Portfolio Manager

Second Quarter 2015 — Portfolio Commentary

U.S. ECONOMY IN A SLOW, STEADY UPTREND

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: U.S. equity markets continue a gentle upward trend, though the trend is now losing momentum.

Greece and China: While the headlines surrounding Greece and Chinese markets grabbed a lot of attention, we do not view these events as having a major effect.

While concerns about Greece and China have driven headlines recently, the larger concern for U.S. investors has been when the Federal Reserve will act to raise interest rates for the first time in ten years. The general consensus is that September is the most likely time for a move, but concerns remain that the economy will not be able to attain escape velocity. While economic news was particularly weak in the first quarter, the data has improved lately and even European economies are on better footing. As the news has improved, interest rates have risen. The iShares 7-10 Year Treasury ETF (IEF) declined 3% during the second quarter as a result, and bonds generally were down. High yield bonds, a key holding in our Fixed Income Total Return portfolio, were roughly flat on the quarter and provided downside protection. U.S. equity markets continue a gentle upward trend, though we are noting that the trend is now losing momentum and evidences only a mildly bullish stance at this point. Valuations indicate that going forward, gains for U.S. equity investors may be more in the low to mid-single digits vs. the bigger gains we have seen since 2009. International markets enjoyed a strong first two quarters of the year, as European markets rallied along with China and Japan. While the headlines and volatility surrounding Greece and Chinese markets grabbed a lot of attention, we do not view these events as having a major effect on U.S. markets or the U.S. economy.

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U.S. Sector Opportunity Portfolio

SECURITY	TICKER	WEIGHT
S&P Homebuilders SPDR	XHB	12.00%
Health Care Select Sector SPDR	XLV	10.00%
S&P Regional Banking SPDR	KRE	10.00%
Consumer Discretionary Select Sector SPDR	XLY	8.00%
iShares U.S. Broker Dealers ETF	IAI	8.00%
First Trust DJ Internet ETF	FDN	8.00%
S&P Bank SPDR	KBE	7.00%
PowerShares QQQ	QQQ	6.50%
iShares NASDAQ Biotechnology ETF	IBB	6.50%
iShares U.S. Health Care Providers ETF	IHF	6.00%
iShares U.S. Pharmaceuticals ETF	IHE	5.00%
iShares S&P No, American Networking ETF	IGN	5.00%
S&P Insurance SPDR	KIE	2.50%
PowerShares Dynamic Media ETF	PBS	2.50%
Cash		3.00%

During the second quarter, the Sector Opportunity portfolio continued to focus on cyclically sensitive sectors, including Consumer Discretionary, Technology, and Health Care. Late in the quarter, our relative strength models indicated a weakening in Technology, and we have notably reduced our position in the sector since May. For many months, our models have sent the same signals — to favor Consumer Discretionary and Health Care and avoid Energy, Consumer Staples, Utilities, and Industrials. Those messages continue to hold, but finally a new and important sector has begun to rise: Financials. The first half of the year has been dominated by a strange mix of weak economic news but rising interest rates, as projected Fed action during the third and fourth quarters inches closer and closer. In our opinion the rising rates and steepening yield curve present an ideal environment for banks and insurance companies to grow earnings, and their stocks finally began to move after lagging for well over a year. Thus during June we added a number of financial ETFs to the portfolio, including Banks (KBE), Regional Banks (KRE), Broker Dealers (IAI), and Insurance (KIE). Health Care ETFs provided the lion's share of positive performance on the quarter, particularly Biotechnology (IBB) and Health Care Providers (IHF). In accordance with its weakening in our rankings, Technology ETFs, particularly Semiconductors (SOXX) and Networking (IGN) were the top detractors. In pursuing our relative strength rankings-based strategy, the Sector Opportunity portfolio in aggregate favors faster growing stocks (15.5% vs. 11.3% for the S&P 500) that are priced at a modest premium above the market (a forward P/E of 18.5 vs. 16.4 for the S&P 500). The market remains growth-starved. Top-line sales growth is anemic at best, and companies that can still provide real earnings growth have been big winners. The portfolio's current sector weightings are as follows: Financials 27.5%, Health Care 27.5%, Consumer Discretionary 22.5%, Technology 19.5%, and Cash 3.0%.

International Opportunity Portfolio

SECURITY	TICKER	WEIGHT
iShares Japan	EWJ	14.50%
WisdomTree Japan Hedged Equity ETF	DXJ	13.00%
S&P China SPDR	GXC	12.00%
iShares Russell 2000 ETF	IWM	8.50%
iShares Netherlands	EWN	8.50%
iShares MSCI EAFE Small Cap	SCZ	7.50%
iShares Italy	EWI	6.00%
iShares MSCI Ireland Capped	EIRL	5.00%
iShares MSCI Hong Kong	EWH	5.00%
iShares Switzerland	EWL	5.00%
Deutsche X-Trackers CSI 300 China A-Shares ETF	ASHR	5.00%
iShares Currency Hedged MSCI Euro-zone ETF	HEZU	4.00%
WisdomTree Japan SmallCap Dividend ETF	DFJ	3.00%
Cash		3.00%

The International Opportunity portfolio's stated mission is to allocate tactically between international country and region ETFs that are displaying significant relative strength. In 2015, the portfolio's relative strength rankings have been drawn to currency-hedged European equities and Japanese and Chinese equities. For the most part, these rankings did not change during the quarter. Japan continues to display steady and persistent relative strength. China skyrocketed up into May, and now its market is undergoing a sharp and painful correction. Currency hedged ETFs did lose steam in the second quarter as the decline in the Euro stalled. As the third quarter opens, we are finding growing relative strength in Europe. We have recently added positions in Ireland (EIRL), the Netherlands (EWN), and Italy (EWI). France and broader Europe are candidates for addition in the coming weeks as well. Turbulence surrounding the Greek/Euro currency crisis and the popping of an equity bubble in China has made international equities a treacherous place to be lately, and as a result, we again added U.S. small cap stocks (IWM) to the portfolio. We may increase our U.S. position in the coming weeks, and the portfolio can allocate up to 25% of its exposure to domestic equities. The China (GXC) and

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EAFE Small Cap (SCZ) ETFs were the portfolio's top contributors during the quarter, while Asia ex-Japan (AAXJ) and Hedged Europe (HEZU) were the top detractors. In contrast with our U.S. based relative strength-based rankings, the International Opportunity portfolio is quite attractively valued, with a long-term growth rate equivalent to its benchmark, but with a P/E of 12.5 vs. 14.1 for the MSCI World ex-U.S. Surprisingly, the most attractive valuations can be seen particularly in large cap Chinese companies, despite the talk of the stock market bubble there. The portfolio currently allocates 56% to the Asia-Pacific region, with particular emphasis on Japan (34%) and China (21%); the remainder of the portfolio is underweighted in Europe (28%) and allocated to the U.S. (12%). Latin America, the Middle East, and Africa receive no significant weight.

U.S. Style Opportunity Portfolio

SECURITY	TICKER	WEIGHT
iShares Russell 2000 Growth ETF	IWO	35.00%
iShares Russell Midcap Growth ETF	IWP	32.00%
iShares Russell 2000 ETF	IWM	13.00%
iShares Russell MicroCap ETF	IWC	10.00%
iShares S&P 500 Growth ETF	IVW	7.00%
Cash		3.00%

During the second quarter, the Style Opportunity portfolio followed its relative strength-based ranking system and maintained a constant emphasis on small cap and growth stocks. The portfolio had 58% devoted to small cap stocks, with the largest single position being the iShares Russell 2000 Growth (IWO). The trend favoring small cap growth has been intact for all of 2015 and has provided considerable magnitude. Through June 30th, Small Cap Growth stocks are up over 8% on the year, while the S&P 500 has risen by just over 1%. Small cap technology and biotechnology firms in particular have been soaring, while their valuations are rich by any measure, we so far do not see a slowing in their relative strength. As one would expect, our relative strength-based approach has led the Style Opportunity portfolio to own a fast growing but expensive area of the market. The portfolio's long-term growth rate is 15.7% vs. 11.3% for the Russell 3000, and its forward P/E is 27.0 vs. 16.4 for the Russell 3000. From a sector perspective, the portfolio overweights the Consumer Discretionary, Health Care, and Technology sectors, while underweighting Consumer Staples, Energy, and Financials. The portfolio's style tilt towards small cap and growth stocks drove performance during the quarter, as iShares Russell 2000 Growth ETF (IWO) and iShares Russell MicroCap (IWC) were both top contributors. In fact, while these two ETFs were positive on the quarter, most of the other holdings declined. The iShares Russell Midcap Growth (IWP) and the iShares S&P 500 Growth (IVW) were the top detractors.

Global Tactical Portfolio

SECURITY	TICKER	WEIGHT
iShares Russell 2000	IWM	30.00%
iShares Russell Midcap	IWR	15.00%
SPDR S&P 500 ETF	SPY	15.00%
iShares MSCI EAFE Small-Cap ETF	SCZ	10.00%
iShares Core MSCI EAFE ETF	IEFA	10.00%
Deutsche X-Trackers MSCI EAFE Hedged Equity ETF	DBEF	9.00%
iShares Currency Hedged MSCI Eurozone ETF	HEZU	9.00%
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, and for most of that time we have allocated the entire portfolio to equities. The portfolio was invested in equities for all of the second quarter, and we would expect that to continue, as fears of a Fed interest rate increase have dampened bond returns so far this year. With the Global Tactical equity portfolio, the U.S. is showing increasing relative strength, and we recently increased the U.S. exposure to 60%, with an emphasis on small and mid cap stocks. The remainder of the portfolio focuses on European and developed markets equity, including EAFE Small Cap (SCZ), EAFE Hedged (DBEF) and Unhedged (IEFA), and Eurozone stocks (EZU). Small cap equities, including the Russell 2000 (IWM) and EAFE Small Cap (SCZ) were the top contributors during the quarter. Asia ex-Japan (AAXJ) and Emerging Markets Hedged Equity (DBEM) were the portfolio's top detractors.

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Alternative

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

The Alternative Opportunity portfolio contains a well-diversified mix of themes which breaks down as follows: Alternative-Oriented Mutual Funds 48.0%, Tactical Global Equity 21.0%, Fixed Income 14.0%, Commodities 4.0%, Currency 2.0%, and Cash 11.0%. During the quarter, the portfolio made mostly modest changes, and the changes were to reduce exposure to equity risk. We added to the 361 Managed Futures Fund (AMFZX), a fund that stays in cash much of the time, making short-term entries long or short the market. We believe the fund's record has been solid, particularly when adjusted for risk. We reduced the portfolio's equity exposure by reducing Mid Caps (IJH) and by paring back Inverse Volatility (XIV). We still own both positions, but we see the macro picture for equities losing momentum slightly. Other new purchases included a Cotton ETN (BAL), one of the few commodities where we see at least decent trend and relative strength activity, and a small position in the U.S. dollar (USDU). Looking forward, the portfolio maintains a generally bullish outlook on U.S. equities and credit spreads, and we expect to continue that focus for the rest of 2015. VelocityShares Inverse VIX ETN (XIV) and 361 Managed Futures Fund (AMFZX) were the top two contributors during the quarter, while AQR Managed Futures (QMHIX) and Neuberger Berman Long Short (NLSIX) were the top detractors.

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	KHYIX	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%

Early in 2015, on January 12th, the Fixed Income Total Return portfolio allocated 100% to high yield bonds using a combination of high yield mutual funds and ETFs. Since then our models have remained positive on high yield bonds, and indeed made new highs for most of the second quarter. Lately while headlines have focused on Greece and China-related volatility, within high yield the volatility has been centered around energy stocks. The collapse in oil prices has put the focus on oil and gas drillers and explorers, many of whom have financed via high yield debt. Their bonds continue to decline and indicate severe stress. However, we have found the market's fears to be isolated within the energy sector so far. Other sectors are not showing signs of severe stress, and in fact, the recent U.S. economic strength indicates that fundamentals and leverage are improving. Thus, while we are watching the energy situation closely, our overall view on high yield bonds remains a bullish one. During the second quarter, high yield enjoyed strong performance in relative terms. While high yield bond prices were largely unchanged, interest rates increased and most bonds declined. The iShares Barclays Aggregate Bond ETF (AGG) declined 2.4% and the iShares Barclays 7-10 Year Treasury ETF (IEF) declined 3.1%. Past history has indicated that high yield bonds outperform during times of rising interest rates, and the second quarter provided an example of just what that can look like. High yield bonds, despite their credit risk, can be quite defensive during bond bear markets. Two bond mutual funds, Lord Abbett High Yield Bond (LAHYX) and BlackRock High Yield Bond (BRHYX) were the top contributors on the quarter, while high yield bond ETFs (HYG and JNK) were the largest detractors.

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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 requires 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 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 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). We should note that the put spread and call spread strategies that we are using can and will be adjusted if our market outlook becomes a more defensive one. At that time, we will increase the portfolio's downside protection within the spreads or take the spreads off entirely and simply own puts and go long volatility. Finally, when volatility has spiked and we sense that extreme optimism or pessimism and thus froth or panic have taken over the markets, the portfolio will attempt to monetize the portfolio's cash and tactically go long or short volatility. We did not take on any of these trades during the second quarter.

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