ClarkCapital MANAGEMENT GROUP

Navigator® Unified Solutions
K. Sean Clark, CFA, Chief Investment Officer

Second Quarter 2015 — Portfolio Commentary

K. Sean Clark, CFA
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 PINCH OF GREECE AND A DASH OF CHINA = VOLATILITY

The U.S. and global stock and bond markets faced several obstacles in the first half of the year. We entered the year with the U.S. market overvalued and earnings expectations a bit aggressive. The plunge in oil prices and its impact on capital expenditures and oil company earnings sent earnings expectations plunging throughout the first six months as analysts were forced to look reality in the face given a 60% drop in oil prices, a 12-year high in the U.S. Dollar Index, and a 0.2% contraction in U.S. real GDP. The flow of negative news came on top of the uncertainty over if and when the Federal Reserve would raise short-term interest rates for the first time since 2006, over whether or not Greece would default, and over gyrations in Chinese equities and policy responses.

Executive Summary

An Aging Bull Carries On: U.S. stocks have been in a bull market for 6.3 years, compared to the average bull market since 1932, which lasted 3.8 years. The index has gone 914 days without a 10% correction, its third-longest run on record.

Foreign Markets Leading: Even though volatility in international markets really picked up in the second quarter, given fears of a Greek exit from the Eurozone, foreign markets have been the clear leaders so far this year.

A Volatile June for Bonds: Bonds with any duration risk got hit hard in mid-June while credit exposure, in particular lower credit quality bonds, held up quite well.

The global markets turned volatile in the second quarter as the Greek crisis hit another boiling point and the bubble that was Chinese stock prices got deflated. Up until now we have seen volatility in commodities, currencies, and fixed income. The next logical spot for volatility to land was in equities, and it began to be a factor just as the quarter was closing and most of Wall Street was hoping for a relaxing vacation. The relaxing vacation was not to be as global markets became uneasy at the prospect of Greece defaulting and leaving the euro and Chinese investors seeking the exit door at the same time.

Against this backdrop, the S&P 500 Index posted its worst start to a pre-election year since 1941. For the first six months it gained 1.23% and for the second quarter it eked out a small 0.28% gain. One of our concerns coming into the year was the age of this bull market. U.S. stocks have been in a bull market for 6.3 years, compared to the average bull market since 1932 which lasted 3.8 years. This bull is long in the tooth. Even with the headwinds mentioned above, the largest correction so far this year in the S&P 500 was only 4.7% in mid-January. The S&P 500 has now gone 914 days without a 10% correction, its third-longest run on record. In addition, on April 23rd the Nasdaq Composite finally eclipsed its old high set in 2000. It took only 15 years!

Even though volatility in international markets really picked up in the second quarter given fears of a Greek exit from the eurozone, foreign markets have been the clear leaders so far this year. The MSCI EAFE index gained 0.80% for the quarter and 5.94% year to date and the MSCI Emerging Market Index gained 0.82% for the quarter and 3.06% year to date.

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Bond investors didn't fare so well. The Federal Reserve has signaled a desire to hike rates in the second half of the year and an improving economic landscape in the U.S. evidently supports the view that rates are set to rise. Yields have risen as it became apparent that the Federal Reserve will lift interest rates this year for the first time since 2006. The 10-year Treasury yield bottomed in early February at 1.67% and rose to a high of 2.48% in mid-June, before settling at 2.34% on June 30th. Bonds with any duration risk got hit hard while credit exposure, in particular lower credit quality bonds, held up quite well. The Barclays Capital Long-Term Treasury Index plunged 8.30% for the quarter and lost 4.67% for the first six months, its worst pre-election year start since 1999. The Barclays Aggregate Bond Index fell 1.68% during the quarter and is down 0.10% through the first six months. Meanwhile, lower quality debt, with its higher yield and economic sensitivity has performed well. The Barclays High Yield Index was unchanged for the quarter and is up 2.53% year to date.

Q2 Portfolio Analysis & Performance

Key Contributors and Detractors

Core

U.S. Equity Core

Top Contributors

- JPMorgan Small Cap Growth
- MFS Value

Top Detractors

- Artisan Mid Cap Value
- Nuveen Santa Barbara Dividend Growth

The U.S. Equity Core portfolio's mission is to provide core U.S. equity exposure via a mix of high quality, proven mutual funds and ETFs. Both the portfolio and the S&P 500 were largely flat during the second quarter, as markets lost their gains during the last two weeks of June. Year to date, small cap stocks have led the way performance-wise, particularly small cap growth as small cap technology and biotechnology stocks in particular have seen commendable returns. For the quarter, JPMorgan Small Cap Growth (OGGFX) was the strongest contributor along with MFS Value (MEIIX). Artisan Mid Cap Value (ARTQX) and Nuveen Santa Barbara Dividend Growth (NSBRX) were the largest detractors. The portfolio's overall allocations are in line with the Russell 3000, with 71% allocated to large cap stocks and 27% allocated to mid and small cap stocks. In providing a core U.S. equity portfolio for our clients, the U.S. Equity Core portfolio in aggregate has grown at a faster rate (12.5%) than the S&P 500 (11.3%). It does so at a slightly higher forward P/E ratio of 17.1 versus 16.4 for the S&P 500[1]. The portfolio's slight growth bias has recently aided returns, as faster growing companies continue to attract marginal dollars. The portfolio underweights Consumer Staples and Technology, and overweights the Consumer Discretionary, Financials, and Industrials sectors.

U.S. Equity Income Core

Top Contributors

- JPMorgan Large Cap Growth
- iShares Russell 2000 ETF

Top Detractors

- Loomis Sayles Strategic Income
- Nuveen Santa Barbara Dividend Growth

The U.S. Equity Income Core portfolio allocates to stocks and bonds, with a bias towards quality equity holdings with a record of downside outperformance and toward higher income, aggressive fixed income holdings.

Interest rates increased throughout most of the second quarter, and as a result, the portfolio's fixed income and conservative, dividend-oriented equity holdings produced small losses. The losses were offset by strong performance in aggressive equities, which enjoyed solid gains as the U.S. economy was able to maintain a steady, upward pace. When looking at the bigger picture, we prefer stocks over bonds and favor credit over duration; thus the portfolio is willing to accept equity and credit risk and attempts to minimize interest rate risk. We do not expect to change those biases any time soon. The portfolio's large cap growth fund, JPMorgan Large Cap Growth (SEEGX), put in a solid quarter and was the portfolio's top contributor. Small cap stocks, via the iShares Russell 2000 ETF (IWM), were also a contributor. Loomis Sayles Strategic Income (NEZYX) and Nuveen Santa Barbara Dividend Growth (NSBRX) were the largest detractors, as dividend-oriented companies and corporate credit underperformed due to rising interest rates.

1. Bloomberg composite annual growth rate over 3 to 5 years.

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International Equity Core

Top Contributors
- Artisan International Small Cap
- Oppenheimer International Growth

Top Detractors
- MFS International Value
- iShares Emerging Markets Minimum Volatility

The International Equity Core portfolio's mission is to provide core international equity exposure via a mix of high quality, proven mutual funds and ETFs. Coming into 2015, we were of the opinion that, after a particularly poor 2014, international markets were due to outperform, and in the first half of the year that has proven true. Markets in Europe, Japan, and China have enjoyed particularly strong starts to the year, while, Canada, Australia, and other emerging markets nations have lagged. The International Core portfolio, a combination of mutual funds for developed market exposure and ETFs for emerging market exposure, we believe is, in aggregate, an attractive portfolio for a core investor. The portfolio is growing at a much faster rate, 16.6%, than its benchmark, the MSCI All Country ex-U.S. Index, at 10.6%. While the portfolio is more expensive than the benchmark, with a forward P/E of 16.4 vs 14.1 for the benchmark, the portfolio has a lower beta of 0.93 over the past year versus the benchmark[2]. From a sector perspective, the portfolio overweights Technology and Consumer Staples and underweights Energy and Financials. Among individual holdings, growth-oriented equities, such as Artisan International Small Cap (ARTJX) and Oppenheimer International Growth (OIGYX), were the top contributors to return. Interest rate sensitive allocations, such as MFS International Value (MINIX) and iShares Emerging Markets Minimum Volatility (EEMV), were the top detractors.

Fixed Income Core

Top Contributors
- Navigator Duration Neutral Bond
- Barclays Convertible Bond SPDR

Top Detractors
- Legg Mason Brandywine Global Opportunities Bond
- Loomis Sayles Investment Grade Bond

The Fixed Income Core portfolio's mission is to provide core U.S. fixed income exposure via a mix of solid, proven mutual funds and ETFs. The firm's longstanding bias towards credit risk and against interest rate risk has driven many of the recent investment decisions. In the fixed income world, the second quarter was an uphill climb as interest rates rose as what most see as a pending Fed rate increase comes closer and closer. The Fixed Income Core portfolio includes a sizeable position in Navigator Duration Neutral Bond (NDNIX), an interest rate hedged municipal bond fund. While Treasury bonds endured sizeable losses on the quarter, the Duration Neutral Bond fund was up nearly 1% (net), as the fund's defensive stance towards interest rates paid off. The fund's other credit-oriented holdings had less exposure to rising interest rates than Treasuries and helped shield the portfolio from losses. Over the long run, we continue to believe that Treasury bonds do not offer an attractive risk-reward ratio, and we are avoiding them until we see signs of a major economic downturn, during which their risk-off tendencies would make them an ideal safe harbor. We see no signs of sustained economic weakness during 2015. The portfolio's top contributors were the Navigator Duration Neutral Bond Fund (NDNIX) and the Barclays Convertible Bond SDPR (CWB). The top detractors were Legg Mason Brandywine Global Opportunities Bond (GOBIX) and Loomis Sayles Investment Grade Bond (LSIIX).

2. Bloomberg estimated composite annual growth rate over 3 to 5 years.

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Explore

U.S. Style Opportunity

Top Contributor

- iShares Russell 2000 Growth ETF
- iShares Russell Microcap ETF

Top Detractors

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

During the second quarter, the U.S. 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 the 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% (net) on the year[3], 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, so far we do not see a slowing in their relative strength. 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% versus 11.3% for the Russell 3000, and its forward P/E is 27.0 versus 16.4 for the Russell 3000[4]. 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. The iShares Russell 2000 Growth ETF (IWO) and the iShares Russell Micro Cap (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.

U.S. Sector Opportunity

Top Contributors

- iShares U.S. Health Care Providers ETF
- iShares NASDAQ Biotechnology ETF

Top Detractors

- iShares PHLX Semiconductor ETF
- iShares S&P No. American Networking ETF

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. 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%.

3. iShares Russell 2000 Growth ETF.

4. Bloomberg estimated composite annual growth rate over 3 to 5 years.

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International Opportunity *(Developed, Emerging & Frontier)*

Top Contributors

- iShares MSCI EAFE Small-Cap ETF
- S&P China SPDR

Top Detractors

- iShares Asia ex Japan ETF
- iShares All Country Currency Hedged Eurozone ETF

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 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 seems quite attractively valued in our view, 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.

Alternative Strategy *(Commodities, Currency, Real Estate, Absolute Return)*

Top Contributors

- VelocityShares Inverse VIX Short Term ETN
- 361 Managed Futures Fund

Top Detractors

- AQR Managed Futures Strategy HV I
- Neuberger Berman Long Short

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. 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 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.

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Global Tactical *(Unconstrained)*

Top Contributor
- iShares Russell 2000 ETF
- iShares Russell Midcap

Top Detractor
- iShares All Country Asia ex-Japan ETF
- Deutsche X-Trackers MSCI EAFE Hedged Equity ETF

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.

Fixed Income Total Return *(Low Quality, High Quality, Short Term Cash)*

Top Contributor
- Lord Abbett High Yield Bond
- BlackRock High Yield Bond

Top Detractor
- iShares iBoxx $ High Yield Corporate Bond
- Barclays High Yield Bond SPDR

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 what we view as 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 Strategy *(Hedge/Volatility)*

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 assessment 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.

Outlook

Despite all the recent noise surrounding Greece and China and the looming Fed rate hikes, the market had held up a lot better than the intra-day volatility would suggest. Overall we see evidence of a bullish trend for stocks with global liquidity still driving risk assets higher. U.S. stocks have traded flat for most of the year. In fact, this year marks the first in the S&P 500's history when the index was never up or down more than 3.5% on a closing basis during the first half. It was a very uneventful six months for the market. Analyzing the ten years in which the S&P 500 was closest to unchanged during the first half of the year shows that the second half of the year tended to be stronger than average. In those years, the S&P 500 traded higher for an average gain of 6.01% during the second half of the year.

In addition to historical precedent, we perceive several encouraging signs under the surface that suggest the market continues to work higher, albeit at a slow pace. Market leadership has been very resilient with small caps, technology, healthcare, and consumer discretionary leading all year. In addition, banks and financials have begun outperforming, with banks benefiting from the steepening yield curve. These are favorable signs for stocks and suggest investors are positioning for continued economic improvement. That is a sign of a healthy advance with investors embracing risk.

The U.S. economy is set to accelerate from the first quarter slowdown in which it declined at a 0.2% annual rate. Employment growth has been solid with the economy adding jobs for 57 consecutive months.[5] Over the past year and a half, the economy has created an average of 242,000 jobs per month. In addition, leading indicators of the economy continue to advance, with the Conference Board's Index of Leading Indicators soaring to new highs. That suggests continued economic growth with no recession on the horizon. Of course, we need to be vigilant in watching for signs of weakness. The Federal Reserve will likely begin hiking interest rates this fall. When the Fed does finally hike rates it will have been the most telegraphed move in Federal Reserve history. The mantra out of the Fed had been "lower for longer," but that seems to have changed to "slower but sooner." Fed Chair Yellen recently told the House Financial Services Committee that "If we waited longer, it certainly could mean we have to do [hikes] more rapidly." She also said, "An advantage of moving earlier may be that we can have a more gradual path of rate increases." And that moving slowly after nearly seven years of near-zero rates "strikes me as a prudent approach to take." [6]

5. U.S. Bureau of Labor Statistics

6. Mullaney, Tim. "Yellen Defends 'Soon and Slow' Approach to Rate Hikes in Congress." July 15, 2015. The Street. (Retrieved from http://www.thestreet.com/story/13219615/1/yellen-defends-soon-and-slow-approach-to-rate-hikes-to-congress.html.)

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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 free float-adjusted market capitalization index that is designed to measure equity market performance in the global emerging markets.

The MSCI World Index is a freefloat-adjusted market capitalization index that is designed to measure global developed market equity performance.

The MSCI World Index ex. U.S. is a freefloat-adjusted market capitalization index that is designed to measure global developed market equity performance excluding the U.S.

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 Russell 2000® Index measures the performance of the 2,000 smallest companies in the Russell 3000 Index.

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 comprised 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 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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