Clark Capital MANAGEMENT GROUP

Navigator® Global Opportunity

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Third Quarter 2015 — Portfolio Commentary

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Portfolio Manager

John serves as a Portfolio Manager on the Navigator Global Opportunity management team, focusing on trend and risk analysis, and is a member of the Clark Capital Investment Committee. John has over 20 years of experience in the investment advisory business. Prior to joining Clark Capital in 2011, John spent 15 years at Wachovia Securities and its predecessor firm Wheat First Butcher Singer, where he spent his last two years managing the Absolute Return ETF portfolio. John holds a degree in Economics from Millersville University and pursued graduate studies in economics at Lehigh University, with an emphasis in Econometrics. He is a Certified Financial Planner (CFP®) licensee and a Chartered Financial Consultant (ChFC) with the American College. He is also an Affiliate of the Market Technicians Association, a professional organization of market analysts, and is currently studying for Level III of the Chartered Market Technician's examination.

RIDING ON THE BACK OF THE BULL OR THE BEAR?

Volatility is back, and now we're in a market environment in which our discipline tends to outperform. For the prior 30 weeks, we suffered from the worst type of market trend for our discipline. Then we emerged into an ideal one, a market with volatility. Prior to August, we were chopped up by short 3 to 5% dips and recoveries — where we saw negative internal market divergences but no price confirmation. Each time we saw deterioration in market internals and began defensive positioning, the market would bounce out of a shallow correction, and consequently each time we lost relative performance. It was an abnormal trend. However, we stayed consistent in the application of our discipline and enjoyed a robust quarter of outperformance to the broad equity markets. Global Opportunity's third quarter performance versus the S&P 500 will certainly attest to this point. More importantly, we expect volatility to stay for a while and therefore to have a good environment for disciplines that manage risk effectively.

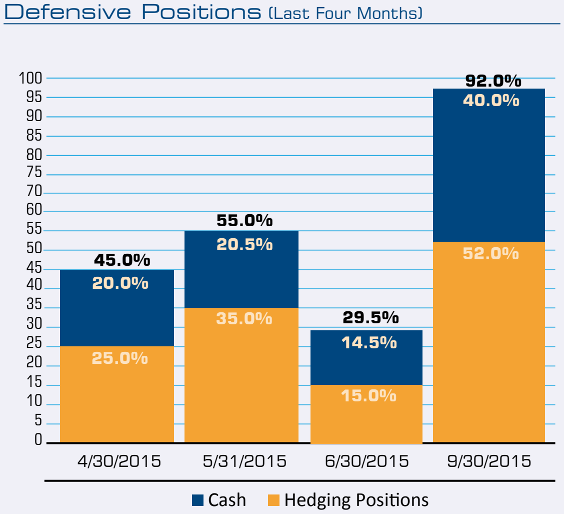
Let's discuss this quarter in the context of our two-step process.

- **Step 1:** Evaluate and establish the level of macro risk in the broad market and set the portfolio's overall allocation to risk-based and defensive positions accordingly.
- **Step 2:** Select risk-based assets based upon relative strength analysis, comparing all investable ETFs against one another.

Step 1

Referencing our "Defensive Positioning" histogram below, one sees we became incrementally more defensive each successive month into the third quarter. On July 20th, the S&P 500 put in a high (2132 intraday) and then ran sideways through mid-August. Beginning August 18th, we experienced a waterfall decline into our low on August 24th (1867 intraday) — with most of the quarter's 12% drawdown occurring in just three trading days. A sideways grind for 30 weeks, which included four false upside breakouts, finally culminated in a three day vertical drop. If one wasn't already defensively positioned, then one never had the chance. Market technical readings and pattern of trend analysis were our guide. Currently, we still believe the macro risks are very high and remain highly defensive.

Defensive Positions (Last Four Months)



Step 2

Relative strength security selection has understandably taken a back seat in the quarter due to the overbearing

Past performance is not indicative of future results.

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

macro risks. In fact, many of our long positions have been simple short-term mean reversion trades. We call these "pain trades," where over-sold markets and sectors revert back, or snap back to mean, primarily from short covering. If we see persistent emerging relative strength, then we will add back long positions in accordance with this discipline. By the way, this is opposite a nicely up trending market, where there is little in the way of macro risks, and all positions are selected on relative strength criteria.

The primary question we face now is: "Are we at the beginning of a multi-month bear cycle or is this merely a much needed correction in a continued bull cycle." As expected, the fundamental macro data remains cloudy. Some claim the Chinese yuan devaluations were responsible for the waterfall decline. Although we believe this, and other currency related problems, contributed to August's decline, we are not convinced there aren't more unrevealed fundamental issues involved. We'll let the financial press create the simplistic storylines as to why August's rapid decline occurred. In our minds, it's irrelevant to our management, as we believe price activity will precede identification of the fundamental reasons anyway. What is important to us is the pattern of trend and other critical market technical criteria. The key lies in the analysis of the next upward price movement. Is the next uptrend a bear countertrend or the recovery for the resumption of the bull? There are many analysis tools we utilize to discern the difference.

Finally, there is one important general point to note regarding bear versus bull cycles: Bull markets make bulls money, whereas bear markets attempt to destroy everyone's capital, bulls and bears alike. In bear cycles, the rallies are fierce and swift — destroying bearish short positions, taking them out of the market and taking away their resolve before the next large subsequent decline. It is a very different trading environment than one finds in long-term bull cycles.

Risk management is important and relevant again.

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 NASDAQ Index is a market-weighted index of all common stocks listed on the NASDAQ exchange.

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 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 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 MSCI All Country Europe is a freefloat-adjusted market capitalization index that is designed to measure the performance of European equity markets.

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 VIX Index is a forward looking index of market risk which shows expectation of volatility over the coming 30 days.

Barclays U.S. Government/Credit Bond Index measures the performance of U.S. dollar denominated U.S. Treasuries and government-related & investment grade U.S. Corporate securities that have a remaining maturity of greater than one year.

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 Barclays U.S. Corporate High-Yield Index covers the USD-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.

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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