ClarkCapital MANAGEMENT GROUP

Navigator® High Dividend Equity

Maira F. Thompson, Senior Portfolio Manager

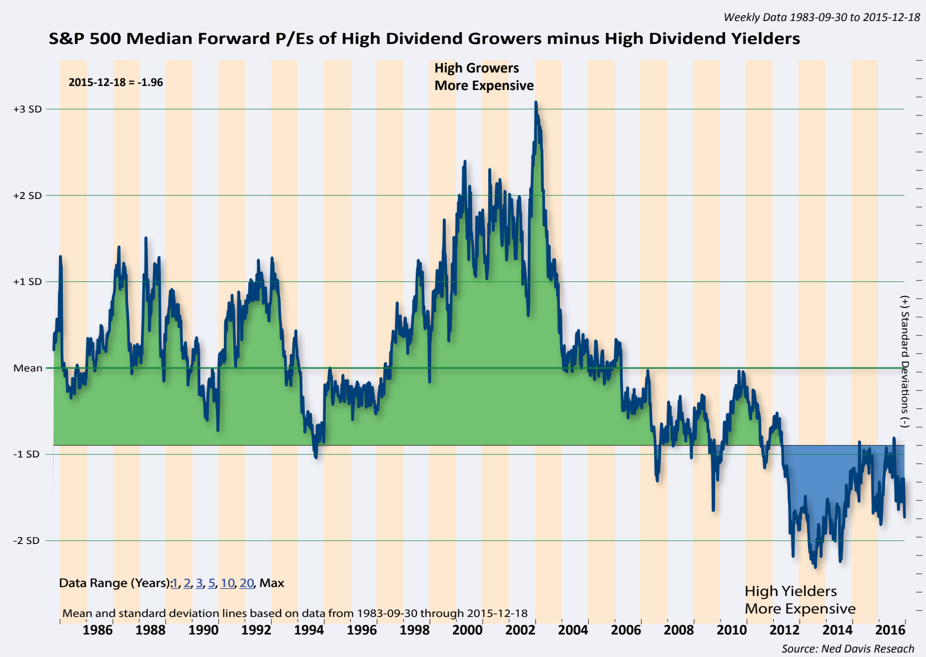
Fourth Quarter 2015 — Portfolio Commentary

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.

A YEAR OF UNCERTAINTY

Throughout the year, market headlines reflected uncertainty across the globe marked by a slowing Chinese economy, falling oil prices and the pending Federal Reserve action. The S&P 500 Index declined 0.73% on a price only basis to 2,043, while the Dow Jones Industrial Average closed the year with a loss of 2.3% closing at 17,425. Volatility was evident with a 12.0% decline in the third quarter followed by a solid rebound in the fourth quarter with the S&P 500 Index, Dow Jones Industrial and NASDAQ all adding at least 6.0%. A market pause is normal in a bull market of this length, which has been the longest since the 1990s. Including dividends, the S&P 500 Index has returned 249% since it's a crisis-era low of 2009. Although the Federal Reserve may increase rates again in 2016, the "lower for longer" theme could persist in a world of low growth and contained inflation. This scenario provides opportunity for growth-oriented companies with rising dividends. On a valuation basis, several high dividend sectors such as Utilities, Telecommunications and REITS have attractive P/E ratios that are unchanged from a year ago but may experience downward price pressure with the exception of select REIT subsectors. Our focus continues to be "dividend growth" companies which tend to outperform over the longer term while providing above average cash flow.



In 2015, the S&P 500 Index shareholder distributions (total dividends + gross buybacks) hit a 10-year high as did aggregate dividend payments which also peaked totaling $410.8 billion over the last trailing 12 months. As expected, the Financials led in year-over-year dividend growth per share up 15.8% followed by Healthcare increasing 13.2%. In 2016, Financials will likely be at the front of the pack for dividend increases as well as Technology. Over the next 12 months, analysts project dividend per share growth will slow to a more normal rate of 6.5%.

In the fourth quarter, sector strength was led by the multi-year laggard Basic Materials up 9.69%, followed by Healthcare rising 9.22% and Technology up 9.17%, while the weakest sectors were Energy barely positive at 0.20%, Utilities up 1.07% and REITS gaining 4.86%. Despite the Industrial and Material sectors strong showing they ended negative for the year, down 2.53% and 8.38% respectively while Energy declined 21.12%. The leading sectors in 2015 that outperformed the S&P 500 Index total return (up 1.38%) were Consumer Discretionary 10.11%, Healthcare 6.89% and Staples 6.60%. Strong companies in the High Dividend Equity portfolio included Home Depot gaining 28.10%, Clorox up 21.71% and Altria rising 18.14% versus laggards such as UPS down 13.4% along with Western Refining declining 5.72% and Apple 4.64%.

In 2016, we believe U.S. stocks should rise in line with earnings growth which may be in the range of 5 to 8%. We continue to favor Technology, Financials and select Healthcare stocks with consistent earnings growth and rising dividends. In our opinion, the Energy and Material sectors continue to be undervalued with dividend yields in the 4 to 7% range, almost twice the 10-year Treasury yield. We remain underweight the sectors but expect a bottoming process to provide opportunity in 2016.

Sources: Factset, NDR

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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 and investment grade U.S. corporate securities that have a remaining maturity of greater than one year.

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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