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Navigator®
International Equity/ADR
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First Quarter 2016 — Portfolio Commentary

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Tony serves as a portfolio manager in the Premier Portfolios group and is a member of the Clark Capital Investment Committee. He has over 25 years of portfolio management experience utilizing both a quantitative and fundamental process. From 1997 to 2013 Tony was the President and Chief Investment Officer of Global Capital Management which he founded. He was cited as a Top Guns Manager in 2006 and 2007 and was named Manager of the Decade in 2011 by PSN. From 1986 through 1997, Tony was Director of Portfolio Management at RTE Asset Management where he was responsible for portfolio management across all asset classes. Tony is a graduate of the Wharton School of the University of Pennsylvania and holds the CFA designation.

FLIP-FLOPPING FED

Transitioning

Last quarter, we talked about how markets made lots of noise in 2015 but ended at virtually the same place they started. Interestingly, the first quarter of 2016 was a microcosm of 2015. Lots of volatility, but very little net price movement. Our quality bias helped us materially in navigating the market's up and down moves in 2015 as the biggest losers were those most fragile to energy's volatility. However, this bias has hurt us during the first quarter. As we previously discussed, oil's 70% drop in 2015 hurt the weakest Energy, Materials and Industrial stocks as many were priced as non-going concerns. Understandably, as oil bounced +40% from February 11, 2016, those securities which were previously priced-for-near-bankruptcy – due to the leveraged nature of their cash flows – have rallied the hardest as their probability of surviving has increased. Unfortunately, the quality bias of our investment process has not allowed us to participate in the full extent of the advance in the second half of the quarter.

Flip-Flopping Fed

Just a few months following initiation of a new monetary regime to normalize interest rates from their overly accommodative policy, the Fed reversed course from their clearly diagramed four increase "dot plot." Janet Yellen & Co. attributed the abrupt policy adjustment to signs of economic slowing here and abroad, the strength of the dollar, the weakness in commodity prices, and the policies of other central bankers. While Yellen has sworn off negative interest rates here, the more dovish stance helped U.S. equities recover from the their early first quarter correction with the riskiest stocks performing the best in March. The equity market low on February 11th, coincided with extreme levels of investor bearishness as the AAII sentiment measure of bullishness fell to just 19.2% on February 10th. While Fed rate raises are no longer an imminent threat, improving employment and inflation trends should inspire the Fed to raise rates once more this year. If wage gains continue to take hold and CPI begins to approach the Fed's inflation goal of 2%, we expect the current level of nearly full employment will guide Fed officials to lift the Fed funds rate higher.

Rainbows and Unicorns

We have to be realistic. As U.S. large cap equities rest near bull market highs on the heels of improvements in investor bullishness, I think we have to realistically assess the probability that we are entering a new multi-year bull market. With a current S&P 500 price-to-earnings ratio at 18.5, interest rates near secular lows and year-over-year earnings falling for the fourth consecutive quarter, it's hard to imagine double digit five-year returns from this level. However, there is no alternative. In early April, the 10-year U.S. Treasury yields are just 1.70% and many high-quality intermediate-term municipal notes yield only 2.50%. Taken together many fixed income securities yield no more than the S&P 500's dividend of 2.17%. Capital protection without opportunity for capital growth. With little signs of economic recession on the near-term horizon and equities near their historic term price-to-value ratios, I still believe five-year

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returns for a diversified portfolio of high quality stocks will outperform a comparable fixed income portfolio.

Emerging Markets Rebound Leaves ADR Behind for the First Quarter

For the three years ending March 31, 2016, the Navigator International Equity/ADR strategy has delivered annualized gains of 7.75% gross (+4.58% net) versus the gain of 0.32% for the MSCI All Country World ex USA Index and gain of 2.23% for the MSCI EAFE Index. For the first quarter of 2016, the strategy declined 3.80% gross (-4.53% net) versus the 0.38% decline in the MSCI All Country World ex USA Index and the 3.01% decline in the MSCI EAFE Index. Our holdings in Financials and Information Technology, such as Bank of Montreal and Fabrinet, helped performance in the first quarter while our underweight position in emerging markets and holdings in Industrials and Energy such as Danaos and Transocean acted as a drag. During the quarter, strong performance in our overweight positions in Thailand and Singapore was to some extent offset by weaker performance in South Africa and Japan. The value characteristics of the ADR strategy remain more compelling than both its U.S. and international benchmarks, as the current P/E of 12.9 is less than that of the S&P 500 (18.0) and EAFE (18.0) with similar quality and business growth characteristics.

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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.

Net returns are shown net of 3%, the highest fee that could potentially be charged including investment advisory fees, trading, custody, investment advisory fees and any other expenses that may be incurred in the management of the account. 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.

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 S&P SmallCap 600 measures the small cap segment of the U.S. equity market. The index is designed to be an investable portfolio of companies that meet specific inclusion criteria to ensure that they are liquid and financially viable.

The Russell 2000 Index measures the performance of the 2000 smallest U.S. companies based on total market capitalization in the Russell 3000, which represents approximately 11% of Russell 3000 total market capitalization.

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.

There is no assurance that any securities, sectors or industries discussed herein will be included in or excluded from an account's portfolio. It should not be assumed that any of the securities transactions, holdings or sectors discussed were or will prove to be profitable, or that the investment recommendation or decisions we make in the future will be profitable or equal to the investment performance of the securities discussed herein. All recommendations from the last 12 months are available upon request.

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

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.

Barclays 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.

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.

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 U.S. Treasury Bond Index is an issuances-weighted index measuring the performance of the U.S. Treasury bond market, one of the largest and most liquid government bond markets in the world.

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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