Navigator® High Dividend Equity

Maira F. Thompson, Senior Portfolio Manager

First Quarter 2016 — Portfolio Commentary

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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.

GROWTH VS VALUE

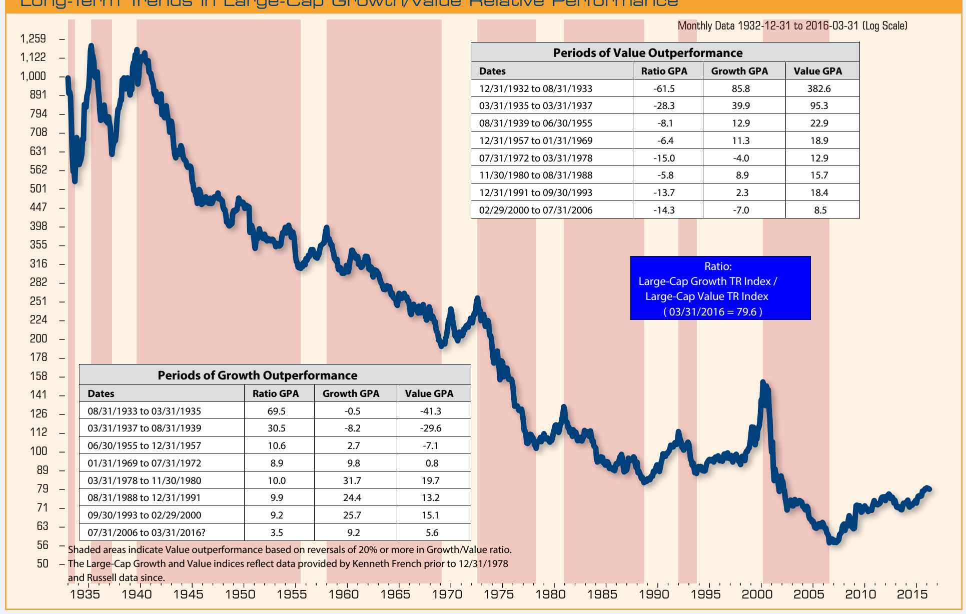
The View

If we look in the proverbial rear view mirror, the market low on February 11th was a good buying opportunity. A myriad of factors, including negative corporate earnings and renewed pressure on the Chinese yuan, prompted a volatile start to the year with a sharp market sell-off in January. When the Federal Reserve assumed a more dovish tone, financial conditions eased allowing risk assets including equities, corporate bonds and commodities to rally. Despite the sharp rebound in the first quarter, the S&P 500 Index returned only + 1.35% extending the muted returns from 2015 when the index was up +1.38% for the year. A low return environment for U.S .stocks may persist until corporate earnings improve later this year. This scenario continues to be positive for quality dividend paying stocks providing above average cash flow.

Growth vs Value Stocks

For nearly a decade, growth stocks have outperformed value including throughout the most recent bull market starting in 2009. Over the last five years, many value stocks declined to "recession like" pricing in several sectors. As a result, low-tech cyclical companies viewed as undervalued relative to their peers had big upward momentum in the first quarter. Beaten down sectors such as Materials +2.99%, Energy + 3.12% and Industrials +4.43% outperformed their growth counterparts. Despite the recent momentum, a sustained shift from growth to value at this point in the market cycle would require more leadership from Financial and Energy stocks, which may be premature based on lack of sustained earnings growth. Dividend stocks are found in both growth and value styles. We continue to favor companies with consistent earnings and revenue and dividend growth at a reasonable price over the long term.

Long-Term Trends in Large-Cap Growth/Value Relative Performance



Periods of Value Outperformance

Dates	Ratio GPA	Growth GPA	Value GPA
12/31/1932 to 08/31/1933	-61.5	85.8	382.6
03/31/1935 to 03/31/1937	-28.3	39.9	95.3
08/31/1939 to 06/30/1955	-8.1	12.9	22.9
12/31/1957 to 01/31/1969	-6.4	11.3	18.9
07/31/1972 to 03/31/1978	-15.0	-4.0	12.9
11/30/1980 to 08/31/1988	-5.8	8.9	15.7
12/31/1991 to 09/30/1993	-13.7	2.3	18.4
02/29/2000 to 07/31/2006	-14.3	-7.0	8.5

Periods of Growth Outperformance

Dates	Ratio GPA	Growth GPA	Value GPA
08/31/1933 to 03/31/1935	69.5	-0.5	-41.3
03/31/1937 to 08/31/1939	30.5	-8.2	-29.6
06/30/1955 to 12/31/1957	10.6	2.7	-7.1
01/31/1969 to 07/31/1972	8.9	9.8	0.8
03/31/1978 to 11/30/1980	10.0	31.7	19.7
08/31/1988 to 12/31/1991	9.9	24.4	13.2
09/30/1993 to 02/29/2000	9.2	25.7	15.1
07/31/2006 to 03/31/2016?	3.5	9.2	5.6

Shaded areas indicate Value outperformance based on reversals of 20% or more in Growth/Value ratio.
The Large-Cap Growth and Value indices reflect data provided by Kenneth French prior to 12/31/1978 and Russell data since.

Source: Ned Davis Research

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Dividends

Over the last several quarters, S&P 500 Index dividends per share continued to rise while corporate earnings declined increasing the dividend payout ratio to 37.9% in the fourth quarter. For the first time since 2011, dividend per share growth has slowed to single digits – to a rate of 9.5%. Year-over-year sectors with the highest dividend growth rate were Health Care and Financials while dividend growth lagged in the beleaguered Energy and Materials sectors. The Materials sector was the only sector to see a year-over-year decline in dividends per share but it could stage a recovery in late 2016-2017 as earnings growth improves. The Energy sector dividend growth slowed dramatically as several large companies, including Kinder Morgan, cut or eliminated their dividends. A "lower for longer" commodity price scenario for oil prices may translate into additional dividend cuts within the sector. Overall we expect dividend growth rates to continue to decelerate as long as earnings growth remains sluggish with a possible rebound in the second half of 2016.

Sector Highlights

Amid the market volatility, the sectors with the highest returns for the quarter were Utilities + 14.51%, Telecom +15.10% and Staples +4.85% versus the weakest sectors Financials -5.60%, Health Care -5.93% and Consumer Discretionary +1.20%.

Portfolio Winners & Laggards

Winners included Cummins Engine +26.16, Cracker Barrel +21.46% and Hasbro +19.64% and laggards PNC Bank -10.74, Wells Fargo -10.33% and J.P. Morgan -9.6%.

Sources: Factset, NDR

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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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