ClarkCapital MANAGEMENT GROUP

Navigator® Opportunity Update

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First Quarter 2016 — Portfolio Commentary

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Portfolio Manager

Mason joined Clark Capital Management Group, Inc. in 2005 as a Portfolio Manager. He is a member of the Clark Capital Investment Committee, contributing to asset allocation policy and security selection. Mason has more than a decade of experience in the investment industry. He is responsible for quantitative investment analysis, security selection, and communicating the firm's investment policy to wealth advisors and consultants. He participates in the research and product development efforts of the Portfolio Team. A graduate of Dickinson College, Mason earned an M.B.A. in International Management from the Garvin School of Management at Thunderbird (the American Graduate School of International Management) and holds the CMT and CFA designations.

A TALE OF TWO HALVES

Waterfall Decline Followed by Solid Rally

The first quarter of 2016 was a tale of two halves, as the first half of the quarter saw a dramatic, waterfall decline that exhibited all of the signs of major panic. In this case, the panic centered around the energy space. Through February 11th, the S&P 500 was down 10.27% year to date; the small-cap Russell 2000 declined 15.93% and oil & gas exploration declined by over 20%. Many indicators of extreme negative investor sentiment made multiyear highs on February 11th, particularly credit market indicators. While the stock market decline was part of a larger decline that began in mid-2015, the rally that followed indicated that the equity bottom was indeed real. The hardest hit sectors were outperformers from February 11th until the end of the quarter, as the Russell 200 gained 17.13%, emerging markets rose 17.65%, and oil & gas exploration rose 27.34%. In contrast, the S&P 500 gained a comparatively lackluster 12.95%. Credit markets also showed substantial, broad improvement across many sectors. Our relative strength methodology continues to point us towards defensive equities. In general, our avoidance of the weakest, hardest hit sectors meant that we lost less when markets were declining, but then also gained less when the markets rallied back after February 11th. We continue to believe that our relative strength methodology is sound, and we will use it to guide us in pursuing the trends of winners and equally as important, avoiding those with losing trends.

U.S. Sector Opportunity Portfolio

SECURITY	TICKER	WEIGHT
Industrials Select Sector SPDR	XLI	17.00%
SPDR S&P 500 ETF	SPY	15.00%
Consumer Staples SPDR	XLP	14.00%
Vanguard Telecommunications ETF	VOX	11.00%
Dow Jones Wilshire REIT SPDR	RWR	10.00%
Utilities Select Sector SPDR	XLU	8.00%
iShares Semiconductor ETF	SOXX	5.00%
PowerShares S&P Small Cap Technology ETF	PSCT	5.00%
S&P Metals & Mining SPDR	XME	4.00%
PowerShares S&P Small Cap Utilities ETF	PSCU	3.00%
PowerShares S&P Small Cap Consumer Staples ETF	PSCC	3.00%
Cash		5.00%

The Sector Opportunity portfolio uses a relative strength methodology to rank the top performing sectors over the intermediate-term, and by owning these sectors going forward, attempts to outperform the S&P 500. The portfolio's defensive stance meant the portfolio fared well versus its benchmark in January and early February and then lagged behind the benchmark as markets staged a strong recovery rally in late February and March.

- Through the end of the quarter, our models found few attractive market sectors that can outperform the S&P 500. Thus we have taken a large placeholder position in the S&P 500 (SPY) itself. As the market rallied after February 11th, the S&P 500 began to slowly fall in our ranks, a reflection of a broader market rally.
- Telecommunication (VOX), Consumer Staples (XLP), and Utilities (XLU) were the highest ranked and fastest rising sectors during the quarter. These are considered to be the market's most conservative sectors. Their strength indicates the degree of weakness and fear that markets displayed in January and February. Industrials and Materials are the sectors currently displaying the most acceleration.
- The Energy and Materials sectors were tremendous underperformers through February 11th, and have rallied considerably since then. Despite the rally, our models have not budged on Energy, ranking the sector near the very bottom of our matrix. The depth and persistence of the multi-year decline in Energy means our models must wait for a more substantial trend change before indicating improvement.
- Telecommunications (VOX), Utilities (XLU), and Consumer Staples (XLP) were the portfolio's top contributors, while the Internet (FDN), Software (IGV), and Consumer Discretionary (XLY) areas were the top detractors.

The portfolio has become broad and quite diversified. Its current sector weightings are as follows: Industrials 17.0%, Consumer Staples 17.0%, S&P 500 ETF 15.0%, Utilities 11.0%, Telecommunications 11.0%, Technology 10.0%, Financials 10.0%, Materials 4.0%, and cash 5.0%. The portfolio does not allocate towards the Health Care, Consumer Discretionary, or Energy sectors at this time.

International Opportunity Portfolio

SECURITY	TICKER	WEIGHT
iShares MSCI ACWI Minimum Volatility ETF	ACWV	15.50%
SPDR S&P 500 ETF	SPY	15.00%
Market Vectors Indonesia ETF	IDX	10.00%
iShares MSCI EAFE Minimum Volatility ETF	EFAV	7.50%
iShares New Zealand ETF	ENZL	5.00%
iShares Thailand ETF	THD	5.00%
iShares Ireland ETF	EIRL	5.00%
iShares Australia ETF	EWA	5.00%
iShares Taiwan ETF	EWT	3.00%
iShares South Korea ETF	EWY	3.00%
iShares Malaysia ETF	EWM	3.00%
Global X MSCI Argentina ETF	ARGT	3.00%
iShares Turkey ETF	TUR	3.00%
iShares Philippines ETF	EPHE	3.00%
Market Vectors Russia ETF	RSX	3.00%
iShares Brazil ETF	EWZ	3.00%
iShares Denmark ETF	EDEN	2.50%
Cash		5.50%

The International Opportunity portfolio's stated mission is to allocate tactically between international country and region ETFs that are displaying significant relative strength, and in doing so to attempt to outperform the MSCI All Country World Ex USA Index. The market's longer-term defensive tone can be seen most clearly in international markets, where many developed and emerging markets saw over 20%

declines from their peaks, and many of the declines were substantial. Given our relative strength-based methodology, the portfolio was conservatively positioned throughout the quarter, though that has begun to change as the rally gains further legs. Here are some important developments in the portfolio during the quarter:

- U.S. markets have outperformed global markets for a number of years now, and there is no slowing of that trend. As a result, we maintain a large position in the S&P 500. We have seen the momentum of U.S. outperformance begin to slow, however.
- Latin America and emerging Asia are displaying the most relative strength momentum, and as a result, we have added Argentina (ARGT), Brazil (EWZ), Russia (RSX), South Korea (EWY), Thailand (THD), Malaysia (EWM), the Philippines (EPHE), and Indonesia (IDX) to the portfolio recently.
- Europe remains a substantial underweight, and we own only small positions in Ireland (EIRL) and Denmark (EDEN).
- Japan was a substantial weight in the portfolio for much of 2015, but its relative strength collapsed in 2016, and we completely exited Japan by the middle of the quarter.
- Indonesia (IDX), All Country World Minimum Volatility (ACWV), and EAFE Minimum Volatility (EFAV), were the portfolio's top contributors, while Hedged EAFE (HEFA), Japan (EWJ), and EAFE Small Cap (SCZ) were the top detractors.

The portfolio's regional allocations are as follows: 27.0% to emerging Asia, 23.0% to low volatility ETFs, 15.0% to the U.S., 10.0% to developed Asia, 7.5% to developed Europe, 6% to Latin America, 3% to the Middle East, 3% to emerging Europe, and 5.5% to cash.

U.S. Style Opportunity Portfolio

SECURITY	TICKER	WEIGHT
iShares USA Minimum Volatility	USMV	20.00%
iShares Core Dividend Growth ETF	DGRO	20.00%
iShares S&P 500 Value ETF	IVE	20.00%
iShares High Dividend Equity ETF	HDV	15.00%
iShares MSCI Quality Factor ETF	QUAL	10.00%
Guggenheim S&P 500 Equal Weight ETF	RSP	10.00%
Cash		5.00%

The Style Opportunity portfolio ranks a number of U.S. equity styles and factors using Clark Capital's relative strength-based ranking methodology, and then assembles them into a broad-based portfolio that attempts to outperform the S&P 500. During the quarter, the long-standing trend favoring growth over value may have peaked, and the evidence is mixed as to whether it has reversed. Growth stocks, particularly the Consumer Discretionary and Health Care sectors, became laggards, and the Energy sector rebounded. Financials, however, the largest component in value indexes, continued to struggle. Our models thus no longer favored value or growth but rather stable large cap stocks that pay dividends and/or have high quality balance sheets. Here are some additional key developments in the portfolio during the quarter:

- Dividend paying stocks are now a large portion of the portfolio, as the two largest positions are High Dividend (HDV) and Dividend Growth (DGRO). Dividend paying stocks are predominantly large cap and many are slower-growing companies. The market's favoring of dividend paying stocks over growth stocks reflects a defensive stance and a renewed focus on valuations.
- Mid and small cap stocks had broken down during the last half of 2014, but since the market bottom on February 11th, they began to outperform. Our relative strength matrix, however, only shows strength in mid caps (particularly mid cap value), and they are the segment with the most relative strength acceleration. Small cap stocks remain near the bottom of the ranks.
- The top contributors during the first quarter were the iShares MSCI Quality Factor (QUAL), and the iShares Core Dividend Growth (DGRO). The top detractors were the iShares S&P 500 Growth ETF (IVW) and the SPDR S&P 500 ETF (SPY).

Global Tactical Portfolio

SECURITY	TICKER	WEIGHT
Consumer Staples Select Sector SPDR	XLP	12.00%
iShares Core High Dividend ETF	HDV	9.00%
iShares USA Minimum Volatility ETF	USMV	9.00%
Vanguard Telecommunications ETF	VOX	9.00%
Utilities Select Sector SPDR	XLU	9.00%
iShares MSCI ACWI Minimum Volatility ETF	ACWV	6.00%
iShares Ireland ETF	EIRL	6.00%
iShares New Zealand ETF	ENZL	6.00%
CurrencyShares Japanese Yen	FXY	6.00%
SPDR Gold Trust	GLD	6.00%
Market Vectors Indonesia ETF	IDX	6.00%
S&P Metals & Mining SPDR	XME	6.00%
iShares Semiconductor ETF	SOXX	3.00%
Industrials Select Sector SPDR	XLI	3.00%
Cash		4.00%

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, fixed income and cash) to allocate to those asset classes with the highest rankings. The portfolio currently emphasizes defensive, high quality equities, but we do see international equities and risk-on positions quickly rising in our relative strength rankings. The following were key portolio developments during the quarter:

- The portfolio now allocates 84% to equities (66% U.S. and 18% international), with 6% allocated to Gold (GLD) and 6% to the Japanese Yen (FXY). Cash is at 4%.
- Relative strength trends are in transition, and the portfolio reflects that, with a heavy emphasis on defensive segments such as Utilities, Staples, Telecommunications, and high dividend payers. However, Gold, Gold Miners, and commodity-based equities are on the rise in our ranks, and that should be reflected in the portfolio during the second quarter.
- Utilities (XLU), Consumer Staples (XLP), and Telecommunications (VOX) were the portfolio's top contributors on the quarter, while Small Cap India (SCIF), Ireland (EIRL), and Cocoa (NIB) were the top detractors.
- Gold, Gold Miners, and various materials and commodity-based market segments are showing the most relative strength momentum, and we expect to increase exposure to these areas in the coming weeks.

Alternative

SECURITY	TICKER	WEIGHT
PowerShares QQQ	QQQ	11.00%
VelocityShares Inverse VIX Short-Term	XIV	10.00%
Neuberger Berman Absolute Return Multi-Manager	NABIX	8.00%
Neuberger Berman Long Short Inst'l	NLSIX	8.00%
BlackRock Global Credit Long/ Short Instl	BGCIX	8.00%
TFS Market Neutral Fund	TFSMX	8.00%
AQR Managed Futures High Volatility I	QMHIX	8.00%
361 Managed Futures Fund I	AMFZX	8.00%
iShares Core S&P Mid-Cap ETF	IJH	7.00%
iShares Russell 2000	IWM	7.00%
iShares Core MSCI Emerging Markets ETF	IEMG	5.00%
iPath Bloomberg Cocoa ETN	NIB	2.00%
Cash		10.00%

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 27.0%, fixed income 13.0%, commodities 4.0%, currencies 2.0%, and cash 6.0%. The following are some important events and themes that occurred in the portfolio during the quarter:

- The portfolio added credit-oriented fixed income during the quarter, including High Yield bonds (HYG and JNK) and Convertible Bonds (CWB) as credit trends turned positive after what appeared to be a panic bottom in February.
- The top contributors to return for the quarter were Mid Cap Stocks (IJH), Emerging Markets (IEMG), and Copper (JJC), while the top detractors were the NASDAQ 100 (QQQ), a Multi-Manager alternative fund (NABIX), and Cocoa (NIB).
- The portfolio added Copper during the quarter, and it has performed well as China's economy has been perceived to be turning around. Commodities in general are likely to take on a growing role in the portfolio as it appears the worst of the commodity rout has come to an end.
- The core alternative-oriented mutual funds in the portfolio are

chosen not only for their managers' strong records and deep research team but for their comparative lack of correlation to equity markets. We continue to emphasize lack of correlation in the portfolio because the Alternative portfolio's core mission is to provide genuine diversification for investors.

Fixed Income Total Return

SECURITY	TICKER	WEIGHT
Barclays Intermediate Term Treasury SPDR	ITE	39.00%
iShares 3-7 Year Treasury ETF	IEI	29.00%
iShares 7-10 Year Treasury ETF	IEF	20.00%
Barclays Long Term Treasury SPDR	TLO	10.00%
Cash		2.00%

The Fixed Income Total Return portfolio entered 2016 in a fully defensive position as of December 9th, 2015. The defensive bias immediately paid off, as credit markets underwent a dramatic decline as the year began. The decline gained momentum into February, and it became a waterfall decline as panic surrounding the Energy and Materials sectors and European banks led to mass selling. To illustrate the extent of the damage, the option-adjusted spread (OAS) on the Barclays High Yield Index reached over 8.3% on February 11th, its highest level since 2009. Coming into the year, the Barclays high yield OAS was 6.60%, and by February 11th it had risen to 8.39%, a 27% increase in just six weeks. To see yields on high yield bonds at levels last seen in 2009 is understood to indicate extreme fear but also a substantial opportunity. Those extreme yields did not last long, and investors quickly agreed that high yield bonds now represented an opportunity. High yield bonds rallied sharply as markets bottomed on February 11th, and the rally was furious. Our models quickly responded, as high yield bonds rallied sharply and Treasuries declined in trading action which often indicates a significant turning point – action that accelerates the movement of our model. Just over two weeks after the market bottomed, our models turned positive on high yield debt, and on February 29th we liquidated our U.S. Treasuries position entirely and moved 100% into high yield bonds. High yield bonds continued to rally in March, and our model remains quite positive today, if slightly off its highs. We are pleased that during the first quarter, the portfolio achieved its primary goals of preserving capital and being tactically opportunistic within the high yield bond sphere. Here are some additional developments from the portfolio during the quarter:

- In addition to three high yield bond ETFs, the portfolio owns six high yield bond funds. Each of the funds have been solid long-term performers in the high yield category. All of the funds have at least $1 billion in assets.
- The resulting duration of the portfolio is 3.95, with a current yield of 6.94%. The portfolio's yield to maturity is 8.34%. The average maturity is 6.77 years.
- On the quarter, the portfolio's top contributors were Treasury ETFs, the iShares 7-10 Year Treasury (IEF), the Barclays Long-Term Treasury SPDR (TLO), and iShares 3-7 Year Treasury ETF (IEI). The portfolio's top detractors were the Barclays Short-Term High Yield Bond SPDR (SJNK), PIMCO High Yield (PHIYX), and PIMCO High Yield Spectrum (PHSIX).

Sentry Managed Volatility Portfolio

SECURITY	TICKER	WEIGHT
Navigator Sentry Managed Volatility Fund	NVXIX	95.00%
Cash		5.00%

Hedging one's equity exposure during a strong market for equities – or even just a flat market for equities – is an exercise in patience and understanding the proper role of a hedge in a broader portfolio. When our assessment of the markets are broadly bullish – as they are for 2016 – 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.

Just as the first quarter was a dichotomy for equities, so it was for the equity hedged fund. The fund served its defensive purpose and produced gains during January and February, as the S&P 500 declined over 10% into mid-February. Once markets bottomed, the costs of hedging and hedged positions became losers, and the fund took on losses. As the market rally continued, the fund ended up producing losses for the quarter. While the fund did serve as a hedge to equity market losses early in 2016, equity markets quickly recovered, and the fund overall produced its expected drag on portfolios during rising markets. We continue to believe that for conservative investors, a hedged equity strategy will allow participation in market gains while reducing the risk of a major loss.

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