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.

STOCKS ON SALE, AGAIN

The final days of the June quarter were marked by a decline that averaged 5.0% in U.S. markets as they reacted to the results of the historic United Kingdom referendum to exit the European Union. The surprise Brexit vote sparked concerns of future economic and political uncertainty in the U.K. The negative market action lasted two days with "bond proxy" assets such as dividend stocks resilient relative to the broader market. Historically, companies with persistent dividend growth have provided excess returns during periods of market volatility. Despite the global turmoil, the brief correction was followed by an immediate "risk on" rally recovering most of the decline by quarter end.

Dividend Growers vs. Non-Payers Performance During Months When VIX Increased

VIX Monthly Increase	Average Out/Under Performance of Dividend Growers
> 40%	1.7%
20-40%	0.3%
10-20%	1.1%
< 10%	0.0%
Average (across all months when VIX increased)	0.7%

Source: Ned Davis Research

Despite concerns of sluggish GDP growth and stretched equity valuations, investors took advantage of the volatility to buy equities on sale. Two market declines this year (February 11th and June 24/27th) resulted in rapid rebounds. However, given current valuations (S&P 500 index P/E 18) the risk–reward dynamic may result in the market remaining range-bound until we near the U.S. presidential election.

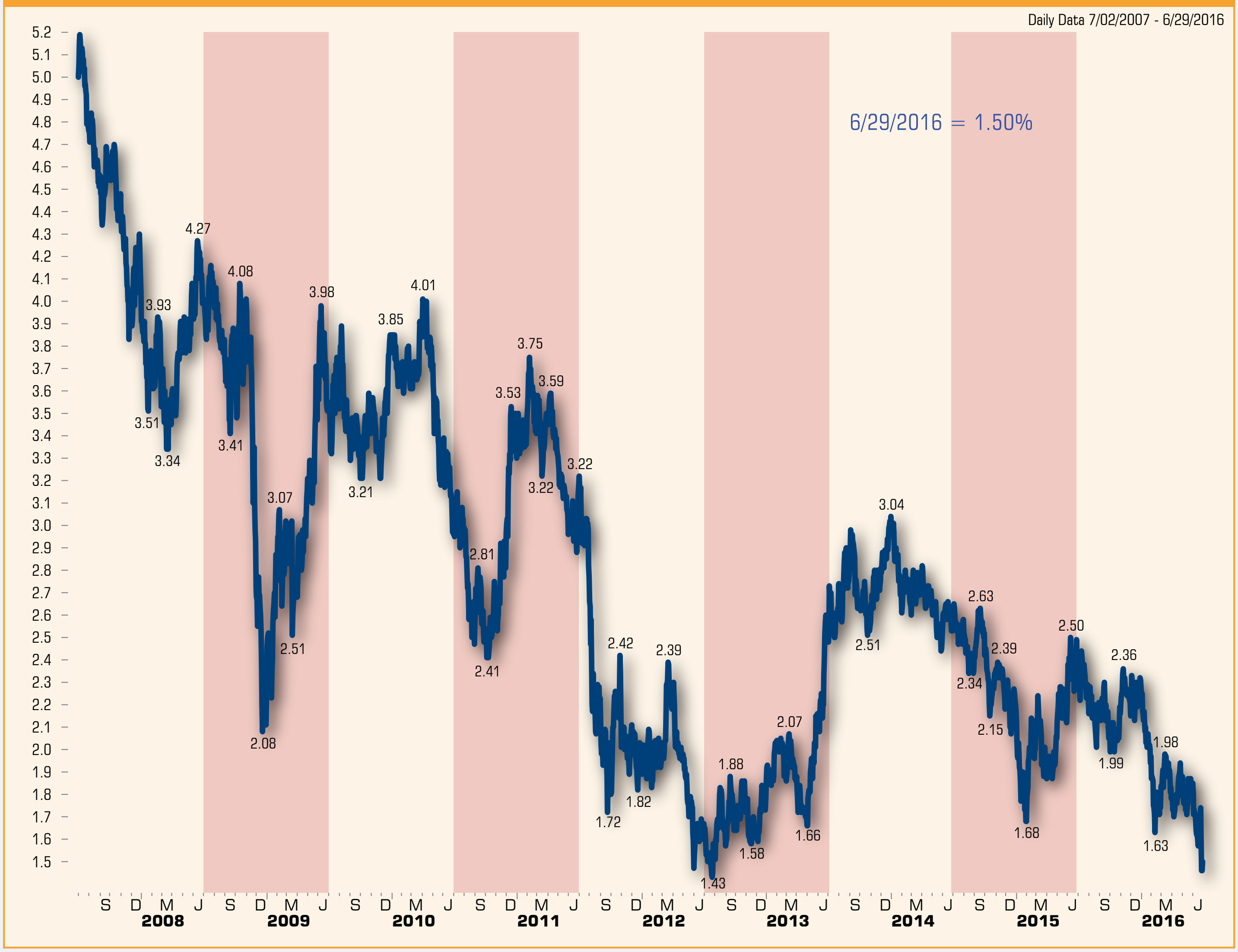
The thirty-five year decline in U.S. Treasury bond yields has resulted in a historic low yield environment with the ten-year Treasury yielding 1.46% versus the S&P 500 Index yield of 2.1% (see chart on reverse side). An even wider spread exists between bonds and more defensive stocks in the Telecom, Utilities and Staple sectors which are yielding 3.0% on average. With Brexit providing yet another reason for the Federal Reserve to postpone a 2016 rate hike, yield seekers could be motivated to continue to invest in dividend stocks versus bonds.

We believe a strong fundamental stock selection process is critical in selecting companies that demonstrate the ability to provide consistent dividend growth with a reasonable dividend payout ratio. Currently forty-four companies in the S&P 500 Index have dividend payout ratios exceeding 100% which is the highest level in ten years. Aside from the REITS which are required to pay out the majority of their taxable income, companies that pay out more in dividends than they generate in earnings could face dividend cuts going forward if earnings were to decline. Historically, dividend stocks that have an average payout ratio of 35.0% exhibited the strongest performance over the last 20 years.

Sectors

The strongest S&P 500 Index sectors during the quarter were Energy and Telecom versus the weakest performance in the Technology and Consumer Discretionary sectors. The High Dividend Equity portfolio is overweight in Energy and Staples while underweight Financials and Healthcare. Sev-

10-Year Constant Maturity Treasury Note Yields (Since 2007)



Source: Ned Davis Research

eral stocks we purchased were AT&T, Whirlpool and Intel versus sales of PNC, Lincoln Financial and Gilead. Financials were the hardest hit over investor concern that a U.S. rate hike is off the table for 2016 which we believe does not bode well for ongoing bank profitability. Going forward we see added value in the Energy sector as earnings improve with stabilization of the price of oil and the Technology sector which demonstrates consistently above average earnings growth. We are positive on select Utility and Staple stocks but cautious on a valuation basis in the short term.

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Navigator® High Dividend Equity

Maira F. Thompson, Senior Portfolio Manager

Second Quarter 2016 — Portfolio Commentary

Sources: Bloomberg, FactSet, Ned Davis

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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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The CBOE Volatility Index® (VIX®) is a key measure of market expectations of near-term volatility conveyed by S&P 500 stock index option prices and shows the market's expectation of 30-day volatility. It is constructed using the implied volatilities of a wide range of S&P 500 index options. This volatility is meant to be forward looking and is calculated from both calls and puts. The VIX is a widely used measure of market risk. 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 Barclays Capital U.S. Aggregate Bond Index is a market capitalization-weighted index, meaning the securities in the index are weighted according to the market size of each bond type. Most U.S. traded investment grade bonds are represented. Municipal bonds, and Treasury inflation-protected securities are excluded, due to tax treatment issues. The index includes Treasury securities, government agency bonds, mortgage-backed bonds, corporate bonds, and a small amount of foreign bonds traded in the U.S. The Barclays Capital Aggregate Bond Index is an intermediate term index.

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.

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