Navigator® High Dividend Equity

Maira F. Thompson, Senior Portfolio Manager

Third Quarter 2016 — Portfolio Commentary

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Senior Portfolio Manager

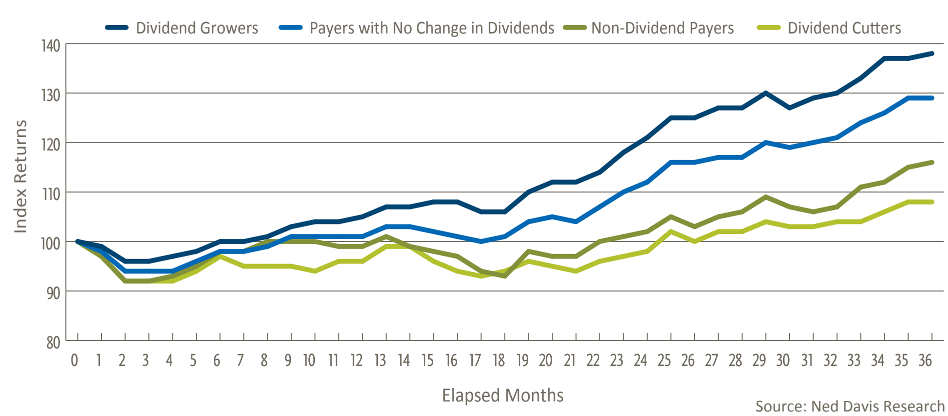
Maira is responsible for management of High Dividend Equity and customized portfolios in the Premier Portfolios group and is a member of the Clark Capital Investment Committee. Her more than thirty years of investment experience included the position of Vice President and head of the Philadelphia Investment 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.

DIVIDEND GROWERS TAKE CENTER STAGE

One of the biggest contributors to market performance this year continues to be historically low interest rates. The result has been positioning across fixed income markets and equity sectors in an effort to benefit from the current environment. In the first half of 2016, the “bond proxy” sectors such as Telecom and Utilities dramatically outperformed the S&P 500 Index until the 10-year Treasury hit a low of 1.36% in July. Since the July 8th low, the subsequent rise in yields combined with Federal Reserve comments about a possible December rate hike propelled investors out of bond proxy sectors into more growth-oriented sectors such as Technology.

Historically “dividend growth” companies demonstrating earnings growth, strong free cash flow and rising dividends have been resilient in a rising interest rate scenario. Numerous studies point to the last eight Fed fund hikes where “dividend growers” experience strong performance compared to dividend non-payers, cutters and companies that don’t consistently increase their dividend. See chart below.

Dividend Performance After the Federal Reserve Increased Rates
(Subset of S&P 500 Index; All Rate Hikes Since 1972)



Source: Ned Davis Research

The U.S. bull market continues to forge ahead looking beyond the negative S&P 500 earnings projection for this quarter of -1.1% which would be the sixth negative quarter in a row. In the fourth quarter, we believe greater stability in the dollar and oil prices should help corporate earnings beat lowered expectations. This quarter we noted a slower pace of several shareholder friendly policies such as share buybacks and dividend growth rates. Despite the shift away from share buybacks, the Materials, Industrials, Financials, Technology and Energy sectors are projected* to accelerate their dividend growth along with stronger growth prospects with improving revenues.

Past performance is not indicative of future results.

This is not a recommendation to buy or sell a particular security. Please see attached disclosures.

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As the search for yield continues into the end of the year, investors may be rewarded with S&P earnings finally turning positive and higher dividends in growth oriented sectors. Three of the four top gainers in the Dow Industrials over the past three months were Technology stocks with relatively high dividends – Apple, Intel and Microsoft – while the lowest returns were found in ExxonMobil, McDonalds and Walt Disney. For the quarter, the strongest sectors in the Navigator® High Dividend Equity portfolio were Technology +12.4%, Financials +4.0% and Industrials +3.6%, and the weakest were Utilities -6.8%, Telecom -6.6% and Staples -3.3%. Stocks purchased during the quarter included PPG Inc, Microchip Technology, Morgan Stanley, Kinder Morgan, IBM and sales were Kimberly Clark, Lyondell, Wyndham Worldwide, Public Storage and Disney.

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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