Tony Soslow, CFA®
Senior Portfolio Manager

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.

*Top Guns Manager of the Decade is a recognition from Informa Investment Solutions PSN, an independent, national money manager database. This designation may not be representative of any one client's experience because the rating reflects an average of all, or a sample of all, the experiences of Mr. Soslow's GCM clients. This information does not reflect the experience of clients of Clark Capital Management Group, Inc. and is not indicative of future performance. For the periods when the designation was made, the recognition was for the GCM All Cap Core strategy managed by Mr. Soslow. Though the strategy was in the top ten, it was not ranked first in the top ten category for each period.

EXIT STRATEGY?

Threatening to throw cold water on the Treasury market, Fed officials in June readied plans to shrink the central bank's sizable balance sheet. While a measured approach may not begin until September, Yellen and Co.'s lifting of the Fed Funds rate four times this cycle to 1.25% has clearly communicated the inappropriateness of a continued ultra-easy policy. European bankers are now in synch and are beginning to threaten more restrictive monetary policy. Supported by a Purchasing Managers Index that reached its highest level in six years, Francois Villeroy de Galhau, France's central bank governor and a board member of the European Central Bank (ECB), says he now expects the ECB to start considering changes to its seemingly never ending bond-buying scheme in the fall. Higher short term interest globally and reduced central bank accommodation has flattened the yield curve both here and abroad. Importantly, the yield spread between 2-year and 10-year government securities recently went negative in China and has narrowed here from 1.35% to 0.80% for the six months ending June 22. Despite the historical tendency for yield curve flattening to forecast slower economic growth and tougher equity market conditions, U.S. and international stock indices continued to reach new highs during the quarter.

In Our Lifetime

Buoyed by this quarter's successful passing of stress tests by the major U.S. banks, Fed Chair Janet Yellen boasted that another financial crisis was "unlikely in our lifetime." Using stronger bank balance sheets, less leverage and greater Fed tools as supporting evidence, Ms. Yellen's proud proclamation borders on hubris. Respectfully, after experiencing 31 years of bull and bear markets, recessions and recoveries, I wonder – does current monetary policy success guarantee future policy success or does past success demonstrate an ability to have future success? There is a big difference. Certainly I congratulate the Fed on navigating the last crisis and concur that our current credit condition is admirable. However, I find it difficult to imagine all of the economic challenges we will face over our lifetime. Just as "lower for longer" and "slower for longer" feel like a persistent optimal economic state of sub-2% inflation and full employment, will the natural forces of supply and demand never disrupt the status quo? Reminiscent of Alan Greenspan's famous "irrational exuberance" claim, I believe Janet Yellen's enthusiasm for our currently "well managed" banking system and economy may ultimately haunt her.

#FOMO

As an example of our investment philosophy and process at work, in June of 2016 our Navigator All Cap Strategy purchased Facebook for clients. At that time, we assessed that Facebook exhibited all of those characteristics which we seek when making a portfolio purchase (1) it was cheap, based on our earnings discount model, (2) it was high quality, based on our an-ti-fragility factors and (3) business momentum was accelerating, based on earnings and revenue trends. Although we usually avoid the most speculative/high momentum part of the equity markets due the richness of its component companies, Facebook in June of 2016 met all of our investing criteria. Fast forward to today — FANG stocks have sharply rallied with

Facebook's price having outpaced its growth in forecasted cash flows. While we recognize Facebook's growth potential, it no longer meets our investing criteria and thus we have sold it. Like many voyeuristic social media users who monitor friends' activities or portfolio managers attempting to keep up with our benchmarks, we naturally have #FOMO — or the fear of missing out. Despite this, our investment philosophy is rooted in discipline. In other words — our investment performance is derived from the continuous disciplined application of a proven investment process. As Facebook became overvalued and its business momentum began to decelerate, we have had to remove it from the portfolio and find a new company which meets our investing criteria. Certainly we are often wrong about individual investments and periodically underperform our benchmark. However discipline provides a rudder to our investment process. Without it, we would be directionless. When and if Facebook or Google or another anti-fragile, high-flying company meets our investing criteria and fits within our diversification needs, we will unemotionally add it to the most appropriate investment strategy.

SMID Maintains Performance Lead Over Russell 2500

Since inception, Navigator SMID strategy delivered annualized gains of 14.97% gross (11.61% net) vs. 11.21% annualized gains for the Russell 2500 Index. In the second quarter of 2017, Navigator SMID strategy gained 2.07% gross (1.31% net) vs. a 2.13% gain in the Russell 2500 Index. Since its inception, Morningstar performance analytics ranks this strategy in the top 3% in comparison to similar managers according to the most recently available data of March. Underweight position in Financials and overweight position in Energy helped the relative performance while overweight positions in Consumer Discretionary and Industrials sectors acted as a drag. Our holdings in Credit Acceptance Corp and World Fuel Services Corp helped performance in the quarter as positions in Methode Electronics Inc. and ON Semiconductor Corp hurt the performance. The value characteristics of the SMID Cap strategy remain compelling. Its current P/E of 17.5 is less than that of the S&P Mid Cap (22.3) or S&P Small Cap (24.9) indices with similar quality and business growth characteristics.

ClarkCapital
MANAGEMENT GROUP

Navigator®
SMID Cap Core U.S. Equity

Tony Soslow, CFA®, Senior Portfolio Manager

Second Quarter 2017 — Portfolio Commentary

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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 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 Russell 2500 Index measures the performance of the small to mid-cap segment of the U.S. equity universe, commonly referred to as "smid" cap. The Russell 2500 is a subset of the Russell 3000® Index. It includes approximately 2500 of the smallest securities based on a combination of their market cap and current index membership.

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 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.

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

The MSCI EMU Index (European Economic and Monetary Union) captures large and mid cap representation across the 10 Developed Markets countries in the EMU. The index covers approximately 85% of the free float-adjusted market capitalization of the EMU.

The MSCI All Country World ex USA Total Return (MSCI ACWI) is a market capitalization weighted index designed to provide a broad measure of equity-market performance throughout the world. The MSCI ACWI is maintained by Morgan Stanley Capital International and is comprised of stocks from both developed and emerging markets.

The S&P MidCap 400 provides investors with a benchmark for mid-sized companies. The index covers over 7% of the U.S. equity market, and seeks to remain an accurate measure of mid-sized companies, reflecting the risk and return characteristics of the broader mid-cap universe on an on-going basis.

The MSCI World ex US Index is a market capitalization-weighted index designed to measure equity performance in 22 global developed markets, excluding the United States. The benchmark for this composite is used because the MSCI World Ex US Net Index is generally representative of international equities. Index returns reflect the reinvestment of income and other earnings, are provided to represent the investment environment shown, and are not covered by the report of independent verifiers.

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.

Morningstar is the largest independent research organization serving more than 5.2 million individual investors, 210,000 Financial Advisors, and 1,700 institutional clients around the world.

For each separate account with at least a three-year history, Morningstar calculates a Morningstar Rating™ based on a Morningstar Risk-Adjusted Return measure that accounts for variation in a separate account's monthly performance, placing more emphasis on downward variations and rewarding consistent performance. The top 10% of separate accounts in each category receive 5 stars, the next 22.5% receive 4 stars, the next 35% receive 3 stars, the next 22.5% receive 2 stars and the bottom 10% receive 1 star. The Overall Morningstar Rating for a separate account is derived from a weighted average of the performance figures associated with its three-, five- and ten-year Morningstar Rating metrics.

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