Clark Capital Management Group

Navigator® High Dividend Equity

Maira F. Thompson, Senior Portfolio Manager

Third Quarter 2017 — Portfolio Commentary

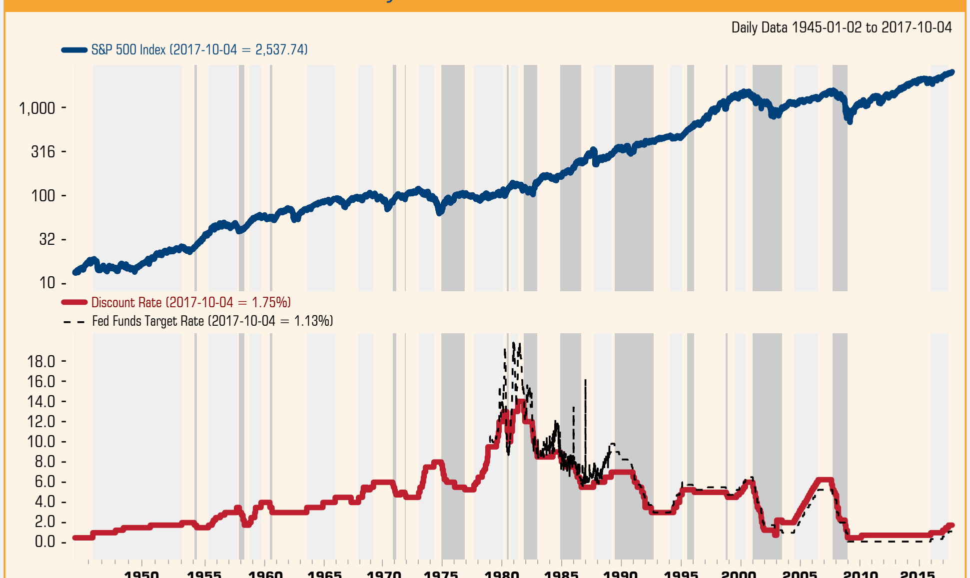
Maira F. Thompson
Senior Portfolio Manager

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.

EARNINGS AND DIVIDEND GROWTH CONTINUES INTO YEAREND

Across the S&P indices, growth stocks continued their year-to-date outperformance versus value stocks in the large-cap and mid-cap tiers. Although third quarter estimates are not as strong as the second quarter, S&P 500 Index constituents are expected to report revenue growth of 5.0% with earnings growth of 4.2%. Despite the lower estimates, a record number of companies issued improving revenue guidance in the third quarter. Fourth quarter projections resume strong double digit earnings being up 11.2% with revenue growth rising 5.7%. For the year, earnings growth is projected to be 9.6% with revenue growth of 5.7%. According to S&P 500 Dow Jones, S&P 500 companies continue to reduce stock repurchases but persist in paying record dividends to shareholders with an aggregate increase in quarterly dividends of $15.5 billion, up 6.9% over last year. Dividend growth rates should steadily rise due to continued earnings expansion, strong cash flow and possibly repatriated offshore earnings.

S&P 500 Index vs Fed Policy Rates



Dark Shaded Areas Indicate Easing Cycles
Light Shaded Areas Indicate Tightening Cycles
Easing Cycle = At Least Two Consecutive Rate Cuts Within A 12-Month Period Without An Intervening Rate Hike
Tightening Cycle = At Least Three Consecutive Rate Increases Without An Intervening Easing Cycle

*Fed changed to two-tier discount rate structure at higher rates as of 1/9/2003

S&P 500 Index Performance
Full History: 1945-01-02 to 2017-10-03

Fed Policy is	% Gain/Annum	% of Time
Tightening	4.79	34.49
Neutral	9.46	46.46
Easing	7.61	19.05
By/Hold = 7.47% Gain/Annum		

Source: Ned Davis Research

Past performance is not indicative of future results. This is not a recommendation to buy or sell a particular security. Please see attached disclosures.

Historically equity market performance is higher during a Fed easing or neutral period compared to a tightening cycle when the market experiences lower average returns. Nonetheless, no two tightening periods are alike and market performance can vary greatly based on the absolute level of interest rates and the frequency of rate hikes over a period of time (see chart S&P Index vs Fed Policy Rates on previous page).

Sectors

Eight of eleven S&P 500 Index sectors project year-over-year earnings growth led by Technology, Energy and Real Estate while an earnings decline is expected in Consumer Discretionary, Utilities and Telecom. As rates rise, sub-sectors such as banks, capital markets and insurance should gain momentum along with rate sensitive areas such as machinery, electrical equipment and construction (see Rising Rate Industries chart).

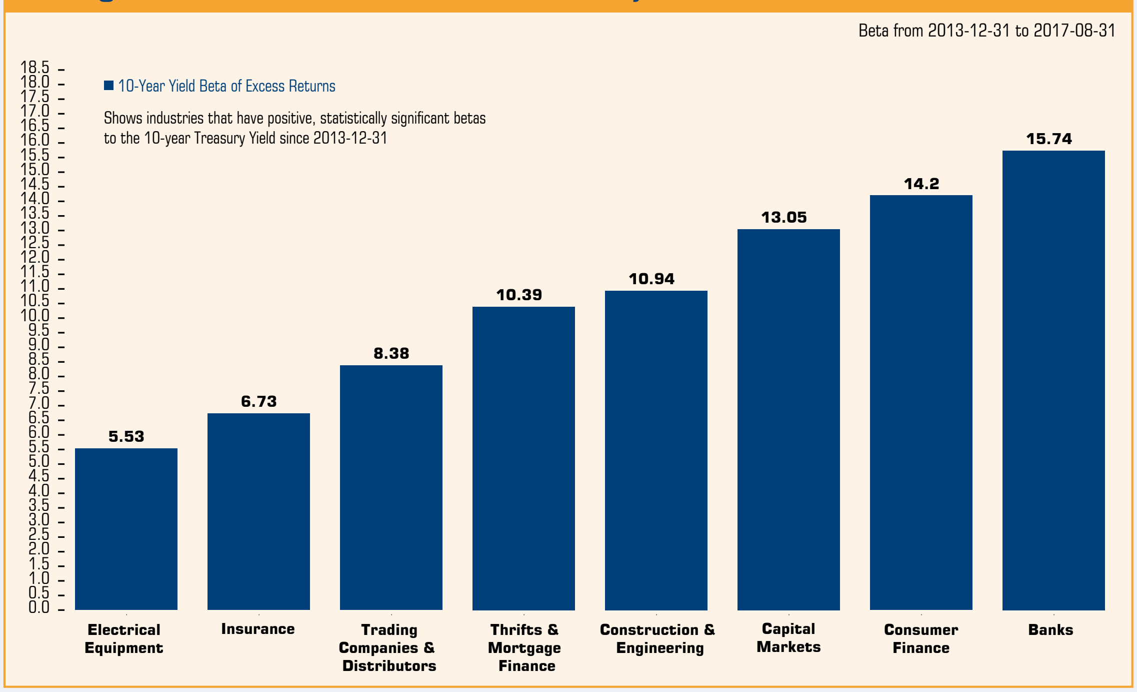
Traditional bond proxy sectors such as Utilities, Consumer Staples and REITs may experience downward pricing pressure from rising rates, although potential tax reform could benefit several sectors paying a higher tax rate. Telecoms, Industrials, Consumer Staples and Financials carry an average tax rate of 30.4% versus Real Estate, Energy, Technology and Health Care sectors which average a lower 15.5% tax bracket.

Winners and Losers

For the quarter, the best performing sectors were Technology rising 8.28%, Energy up 6.0% and Materials increasing 5.5%, while lagging sectors included Consumer Discretionary up 0.4%, Real Estate flat at 0.1% and Consumer Staples down 2.0%. Leading companies included AbbVie up 23.6%, Texas Instruments rising 17.2% and Raytheon increasing 15.5%. Companies experiencing underperformance were Quest Diagnostics down 15.4%, British Tobacco lower by 7.7% and Corning increasing a mere 0.1%.

Sources: FactSet, Ned Davis Research, S&P Capital IQ

Rising Rate Industries: 10-Year Treasury Yield Beta after 2013



Source: Ned Davis Research

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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.

Bloomberg 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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