



**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.

## FEARLESS

Four years ago, our largest local health insurance provider, Independence Blue Cross (IBC), introduced a new advertising campaign with the slogan: "Live Fearless." A series of videos featured plan participants demonstrating their courage in taking risks – jumping from high dives into pools, running marathons, etc. – and being brave as their health provider stood ready (with a team of doctors and hospitals) to provide a safety net of security and compassion. During much of the stock market's advance from 2009, many investors also felt secure – like IBC insureds – in taking risks as central bankers worldwide implicitly stood ready to inject liquidity into the system given any sign of economic injury or significant credit mishap. Now, nearly nine years into the bull market, with central bankers pivoting towards removing liquidity, investors strangely still "Live Fearless." The most recent AAI investor bullishness survey bears this out as it reached 74.7% or near its highest level since 2004. Understandably, investors have been lulled into this bullish complacency. Worldwide economic growth is strong, the U.S. is near full employment, inflation has remained contained, the S&P 500 rose every month in 2017 and large cap stocks have gone over 285 trading days without a 3% correction. Where is the risk?

### Economy, Taxes and Earnings

Fortunately, the investing mandate for our equity strategies is to remain "fully invested" as doing otherwise could have harmed our relative performance during 2017. Although the risk of lofty price/earnings ratios, a neutral/tightening monetary authority and extreme levels of investor bullishness temper my expectations for near-term stock market performance, the net present value of future cash flows – the most critical factor in estimating the value of any investment – continues to grind higher. Cash flow growth is supported by GDP gains of over 3% for the last two quarters, earnings forecasts exploring new high territory and enacted tax policy supporting additional earnings gains. Aided by new order growth, the ISM Manufacturing Index's recent rise to 59.7 in December is consistent with other robust reports such as strong ISM Purchasing Manager Indices, trade levels and housing gains – all point to fourth quarter GDP growth in excess of 3%. Additionally, prior to the enactment of the Tax Cuts and Jobs Act of 2017 (TCJA), forecasts for the next 12-month earnings of the S&P 500, the Mid Cap 400 and the Small Cap 600 all reached new highs in December. Finally, the TCJA reduction of corporate tax rates appears to outweigh the offsets of the law resulting in an overarching increase in after-tax cash flow for U.S. companies. Earnings estimates are beginning to lift higher in sympathy.

### Honoring Janet

Without much Wall Street fanfare, Fed Chair Janet Yellen winds down her four-year term on February 3rd, passing the gavel to her successor Jerome Powell. Ms. Yellen oversaw the Fed during a period of tremendous success for the U.S. economy. Over her term, economic growth averaged 2.28%, the unemployment rate fell from 6.7% to 4.1%, inflation hovered between 0.7% and 2.1% and the S&P 500 averaged gains over 15% per year. Navigating

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monetary policy from Quantitative Easing to Neutralization and now to Balance Sheet Reduction, volatility has remained low over her term as investors had a clear expectation of the Fed's next move. Potentially, Yellen's timing could not be more perfect as the forthcoming expected reduction of the balance sheet from \$4.5 trillion to about \$2.5 to \$3 trillion comes with virtually no historical context and its effect on the level of yields and shape of the yield curve are somewhat uncertain. Although Federal Reserve Board Member Powell will begin his Chairmanship during a period of robust economic growth and full employment, his leadership may be challenged if the economy overheats and compensation inflation surges through the Fed's 2% objective.

ADR Celebrates 10-Year Anniversary

The Navigator International Equity/ADR strategy delivered annualized gains of 11.06% gross (7.80% net) vs. the gain of 6.80% for the MSCI All Country World ex USA Index over five years ending December 30, 2017. For the fourth quarter of 2017, the strategy gained 4.28% gross (3.51% net) versus the 5.00% gain in the MSCI All Country World ex USA Index. Since its inception, International Equity/ADR remains in the top 2% within its Morningstar manager peer group according to the most recently available data as of September 2017. Overweight positions in Financials and Technology helped the relative performance while positions in Consumer Discretionary and Health Care acted as a drag. Our holdings in Grupo Financiero Galicia and Sberbank aided performance in the quarter as positions in Grupo Fin Santander and Check Point Software were a detriment. In the quarter, strong performance in our positions in Argentina and Russia was offset by weaker performance in Japan and Mexico. The value characteristics of the ADR strategy remain more compelling than both its U.S. and international benchmarks as the current P/E of 14.8 is less than that of the S&P 500 (20.9) and EAFE (20.4) with similar quality and business growth characteristics.

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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 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 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 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 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 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 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.

Bloomberg 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 Bloomberg 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 Bloomberg Bloomberg 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 Bloomberg 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 Bloomberg Barclays Long-Term Year Treasury Index tracks the performance of the long-term U.S. government bond market.

The Bloomberg 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 Bloomberg 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.

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