



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.

THE OLD NORMAL

Politics aside (always a dangerous opening salvo), the current administration self classifies as pro-business. Agnostically, I classify it as pro-cyclical. Before its current obsession on “fair, free trade,” the accomplishments of lower taxes and less regulation had stimulated economic growth, stock prices, CEO optimism and consumer confidence. Earnings estimates have spiked higher, the unemployment rate has reached a level unseen in 20 years and wage growth is beginning to percolate. While client statements support applause for the administration's attempt to keep the economy moving along at a higher rate, I think it's unrealistic to reuse the same stimulative tricks over and over again. Politically, it's difficult to cut taxes twice — and there's the rub. While you can use fiscal or monetary policy to inflate the amplitude of growth or stretch the length of the recovery, you cannot eradicate the cycle. Time and Trump's pro-business policies have transitioned U.S. economic growth from its post-crisis “new normal” of sluggish growth and low amplitude cyclical to the more volatile “old normal.”

From Small and Slow to YUUUGE and Fast

Janet Yellen was blessed with excellent timing. As she began her chairmanship of the Fed, previous policy makers had initiated accommodative monetary policy and stricter lending regulation to responsibly lift the economy from the heavy debts of the great recession. Taken together, this cocktail of circumstances created the new normal of low volatility and slow, non-inflationary growth, allowing the Fed to stay accommodative for a longer than normal period. After the economy regained its footing and rising asset prices solidified bank balance sheets, Yellen initiated rate hikes at a slow annual tempo. As the cycle matured and resource utilization tightened, Yellen successfully passed the baton to Jerome Powell. Powell does not have below 2% economic growth, fiscal policy constraint and Amazonian price declines but rather enjoys expansionary tax policy and tight labor markets. While gradualism meant annual 0.25% Fed Fund moves off the zero lower bound under Yellen, Powell intends to quicken the pace of rate hikes driving short rates to 3.5% by 2020. Although we are nowhere near there yet, these projected YUUUGE fast moves are transitioning my classification of Fed policy from “normalization” to “restrictive.”

It Is Only Polite to Reciprocate

Just 24 hours after the U.S. announced a proposed \$50b in tariffs against China for unfair trade policies, the Chinese responded with similar tariffs against the U.S. Per the Chinese Embassy: “As the Chinese saying goes, its only polite to reciprocate.” While trade wars are contrary to both the Trump White House's stated policy for “fair, free trade” and economic growth, aggressive initial tactics are typical of this administration's negotiating style. As we saw with both health and tax policy, Trump doesn't begin negotiations where he wants to finish. Fortunately, the unsettling “tit for tat” with the Chinese appears to have ended just a week later as China's Xi Jinping renewed his pledge to widen market access and reduce tariffs. With Chinese trade hostilities receding, equity investors should begin to refocus on declining valuation ratios, strong earnings and accelerating earnings estimates. Robust revenue growth and newly lowered

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tax rates have pushed first quarter estimated earnings growth to 17% which would be the fastest pace seen in eight years. Coupled with current P/E ratios that have declined to their lowest levels since yearend 2016, we believe investors should begin to reconsider the long term benefits of U.S. equities.

ADR Begins Second Decade

The Navigator International Equity/ADR strategy delivered annualized gains of 10.00% gross (6.77% net) vs. the gain of 5.89% for the MSCI All Country World ex US Index over five years ending March 31, 2018. For the first quarter of 2018, the strategy gained 0.15% gross (-0.60% net) versus the 1.18% loss in the MSCI All Country

World ex US 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 December 2017. Our positioning in Energy and Technology helped the relative performance while positioning in Industrials and Utilities acted as a drag. Our holdings in Orbotech Ltd and Tatneft PJSC helped performance in the quarter as positions in Manulife Financial Corp and Broadcom Inc hurt the performance. In the quarter, strong performance by our positions in the United Kingdom and Israel was offset by weaker performance in Japan and China. The value characteristics of the ADR strategy remain more compelling than both its U.S. and international benchmarks as the current P/E of 13.9 is less than that of the S&P 500 (19.3) and EAFE (16.2) 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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