ClarkCapital MANAGEMENT GROUP

Navigator®
All Cap Core U.S. Equity

Tony Soslow, CFA®, Senior Portfolio Manager

First Quarter 2018 — Portfolio Commentary

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 cyclicality 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

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.

Past performance is not indicative of future results.

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

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 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.

All Cap Starts Positive — Barely

For the first quarter of 2018, Navigator All Cap strategy gained 0.31% gross (-0.44% net) versus a 0.64% loss in the Russell 3000 index. For the five years ending March 31, 2018, All Cap gained 15.22% gross (11.85% net) versus 13.03% for the Russell 3000. For the five years ending December 2017, All Cap remains in the top 2% of Morningstar peer group managers according to the most recently available data as of December 2017. Our positioning in Real Estate and Financials helped the relative performance while positioning in Consumer Discretionary and Health Care sectors acted as a drag in the first quarter of 2018. Portfolio holdings in Grand Canyon Education Inc and MKS Instruments Inc helped the relative performance while holdings in Thor Industries Inc and Big Lots Inc hurt the performance. During the quarter, the strategy was overweight large cap companies with market capitalizations above $15 billion as small and mid-cap P/E ratios have been near peak levels over the last 10 years. The value and quality characteristics of the All Cap strategy remain solid in comparison to the S&P 500 as it possesses a lower P/E of 16.4 vs. 19.3 and lower earnings variability combined with higher gross and net profit margins with similar business growth characteristics.

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

The opinions expressed are those of the Clark Capital Management Group Investment Team. The opinions referenced are as of the date of publication and are subject to change due to changes in the market or economic conditions and may not necessarily come to pass. There is no guarantee of the future performance of any Clark Capital investment portfolio. Material presented has been derived from sources considered to be reliable, but the accuracy and completeness cannot be guaranteed. Nothing herein should be construed as a solicitation, recommendation or an offer to buy, sell or hold any securities, other investments or to adopt any investment strategy or strategies. For educational use only. This information is not intended to serve as investment advice. This material is not intended to be relied upon as a forecast or research. The investment or strategy discussed may not be suitable for all investors. Investors must make their own decisions based on their specific investment objectives and financial circumstances. Past performance does not guarantee future results.

All investments involve risk, including loss of principal and there is no guarantee that investment objectives will be met.

This document may contain certain information that constitutes forward-looking statements which can be identified by the use of forward-looking terminology such as "may," "expect," "will," "hope," "forecast," "intend," "target," "believe," and/or comparable terminology (or the negative thereof). No assurance, representation, or warranty is made by any person that any of Clark Capital's assumptions, expectations, objectives, and/or goals will be achieved. Nothing contained in this document may be relied upon as a guarantee, promise, assurance, or representation as to the future.

Gross performance shown is presented gross of investment advisory fees and includes the reinvestment of all income. Gross returns will be reduced by investment advisory fees and other expenses that may be incurred in the management of the account. Net performance includes the deduction of a 3.0% annual wrap fee, which is the highest anticipated wrap fee charged by any sponsor. Management and performance of individual accounts will vary due to differences such as the availability of securities, trading implementation or client objectives, and market conditions. For a fee schedule, please contact your advisor or refer to AssetMark's Form ADV Part 2A. If you enter into an agreement directly with Clark Capital, refer to Clark Capital's Form ADV Part 2A. The Firm's policies for valuing portfolios, calculating performance, and preparing compliant presentations are available upon request.

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

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 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.

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.

©2018 Morningstar, Inc. All Rights Reserved. The information contained herein: (1) is proprietary to Morningstar and/or its content providers; (2) may not be copied or distributed; and (3) is not warranted to be accurate, complete or timely. Neither Morningstar nor its content providers are responsible for any damages or losses arising from any use of this information.

Clark Capital Management Group, Inc. is an investment adviser registered with the U.S. Securities and Exchange Commission. Registration does not imply a certain level of skill or training. More information about Clark Capital's advisory services and fees can be found in its Form ADV which is available upon request.

The ranking shown above is not indicative of the adviser's future performance and 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 the adviser's clients.

CCM-669