Clark Capital MANAGEMENT GROUP

Navigator®
International Equity/ADR
Tony Soslow, CFA®, Senior Portfolio Manager

First Quarter 2019 — Portfolio Commentary

SLOWER BAD, SLOW GOOD

In last quarter's commentary entitled "Ignore the Deafening Noise" I urged readers to focus on the likely future of Fed policy and economic activity at the expense of the media's obsession with the current flattening of the yield curve, continued Fed tightening, expanding credit spreads, a U.S.-China trade war and slower earnings growth.

Today, the message is virtually unchanged. If you concentrate on the present — potentially negative first quarter earnings growth, slowing GDP, an unresolved US-China trade spat or the nearly inverted yield curve, you will miss out on a constructive investing environment. It's important that we distinguish between the then and now: negative earnings growth and slower economic growth — the phenomenon which the market anticipated last year and slow, non-inflationary earnings and economic growth — the phenomenon which will likely occur this year and next.

To this end, stocks have moved beyond the past and into the present to capitalize on a non-threatening Federal Reserve and non-inflationary, steady and slow growth. This has driven a sharp snap-back in the first quarter with the Russell 3000, Russell 2000 Small Cap Index and the International MSCI All Country-US index posting total returns of 14.04%, 14.58% and 10.31% respectively.

Goldilocks and Utopia

What inspires my tempered bullishness is the removal of previous market headwinds combined with reasonable equity valuations. Slowing economic growth has caused Central Banks globally to pivot policy bias from restrictive to accommodative. Apparently, the "neutral rate" was less than previously estimated.

An example of the meaningful change is best illustrated by the decline in 2-year US Treasury yields (a strong predictor of the future Fed Funds rates) from 2.97% in November 2018 to 2.26% on March 29, 2019. With the current Fed Funds rate at 2.50%, the market has adjusted its policy expectation from two one-quarter point rate hikes to a single one-quarter point rate cut.

Additionally, low quality bond yield spreads to Treasuries have narrowed from 4.85% in December to a relatively docile 3.40% at March end. This signals less fear regarding credit conditions in just three months. Finally, next-twelve-month earnings estimates for large, mid-cap and small-cap stocks, which were persistently declining from their October 2018 highs to mid-March, have now begun to firm and advance. While I am not claiming that U.S. equities are living in a utopian economic state as threats always linger, the Goldilocks scenario of "not-too-hot and not-too-cold" provides me comfort.

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 Team. 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 Second 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.

Ignore the Inversion, the Trade War and the Earnings Recession?

Responsible investors manage risk and avoid dangers. As such, I cannot carelessly dismiss the historical significance of an inverted yield curve, the costs of the potentially never-ending tariff war with China and the fact that S&P 500 earnings may be reported lower than the prior year for the first quarter. Historically, yield curve inversions have done a remarkable job of anticipating economic slowdowns and have preceded each U.S. recession (with the exception of a single instance) for the last 50 years.

Based on the spread between 3-month Treasury bill and 10-year Treasury note, the spread dipped to zero in late March for the first time in over 11 years. While the spread has widened back into positive territory at 0.15%, signifying either greater confidence in future economic growth or a more dovish Fed moving forward, I am reminded that prior recessions have started five to 17 months after an inversion based on the seven data points.

With respect to the U.S.-China trade battle, the postponement on the final set of tariffs on the remaining approximate 50% Chinese imports from the March deadline has given investors hope of a potential resolution. Up until now, the existing tariffs on $253 billion of Chinese goods and nearly all of the $130 billion of U.S. exports have raised prices and suppressed output in both countries and potentially around the globe.

Taken together with poor demographics and rising levels of global debt, anticipated non-U.S. revenue growth expectation for 2019 has declined from 4.4% at the beginning of this year to 3.3% now and down from 7.4% last year. U.S. earnings growth has also declined from the 25% growth rates of the 2018's first three quarters.

Earnings growth was just 14% in Q4 2018 and is now estimated to decline 1-3% in Q1 2019. While the first quarter's growth rate for expected earnings growth is ever so slightly negative, the Q2 consensus estimate remains ever so slightly positive, and like next-twelve-month earnings previously noted, is showing signs of bottoming just north of zero.

International Equity Continues to Shine in 2019

The Navigator® International Equity/ADR strategy delivered annualized gains of 5.98% gross (2.85% net) vs. the gains of 2.57% for the MSCI All Country World ex-USA Index over five years ending March 31, 2019. For the first quarter of 2019, the strategy had a gain of 11.52% gross (10.71% net) versus the 10.31% gain in the MSCI All Country World ex-USA Index. For the 10 years ending December 2018, International Equity/ADR remains in the top 1% of Morningstar peer group managers in the U.S. Foreign Large Blend category.

Additionally, the International Equity/ADR Strategy received its second consecutive PSN Top Guns Manager of the Decade Award from Informa Solutions for its performance for the 10-year period ending 2018. Our positioning in information technology and energy helped relative performance while positioning in communications services and materials acted as a drag.

Our holdings in LVMH Moet Hennessy Louis Vuitton and Ping An Insurance helped performance in the quarter as positions in Copa Holdings and Sony Corporation dampened performance. From a country perspective, the portfolio benefited from strong performance in our positions in Canada and Russia while performance in Hong Kong and Panama lagged. The value characteristics of the strategy remain more compelling than both its U.S. and international benchmarks as the current P/E of 14.1 is less than that of the S&P 500 (18.2) and EAFE (15.6) with similar quality and business growth characteristics.

The ranking shown above is not indicative of future returns and may not be representative of any one client's experience because it represents an average of all, or a sample of all, the experiences of an adviser's clients. 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 views expressed are those of the author(s) and do not necessarily reflect the views of Clark Capital Management Group. 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 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.

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.

The Morningstar Rating for separate accounts is a quantitative assessment of past performance—both return and risk. Percentile Rank is a standardized way of ranking items within a peer group. The observation with the largest numerical value is ranked zero. The observation with the smallest numerical value is ranked 100. The remaining observations are placed equal distance from one another on the rating scale. Note that lower percentile ranks are generally more favorable for returns (high returns), while higher percentile ranks are generally more favorable for risk measures (low risk). Separate accounts are ranked against others in the same Morningstar Category. Categories are assigned based on extensive holdings-based portfolio analysis. The rating is an objective grade of demonstrated performance. It is not designed to try to anticipate future performance.

Morningstar Foreign Large Blend Category: Foreign large-blend portfolios invest in a variety of big international stocks. Most of these portfolios divide their assets among a dozen or more developed markets, including Japan,

Britain, France, and Germany. These portfolios primarily invest in stocks that have market caps in the top 70% of each economically integrated market (such as Europe or Asia ex-Japan). The blend style is assigned to portfolios where neither growth nor value characteristics predominate. These portfolios typically will have less than 20% of assets invested in U.S. stocks.

For more information on the methodology Morningstar uses to rate separate accounts, please see The New Morningstar Rating for Separate Accounts Fact Sheet, which can be found on the Morningstar website.

©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 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 and is not indicative of the adviser's future performance.

Through a combination of Informa Investment Solutions' proprietary performance screens, PSN Top Guns ranks products in six proprietary categories in over 50 universes. This is a well-respected quarterly ranking and is widely used by institutional asset managers and investors. Informa Investment Solutions is part of Informa Financial Intelligence, a leading provider of critical decision-making solutions and custom services to financial institutions. Top Guns firms are awarded a rating ranging from one to six stars, with the number of stars representing continued performance over time. Clark Capital Management Group was named a Top Gun Manager of the Decade meaning products must have an R-Squared of 0.80 or greater relative to the style benchmark for the latest 10-year period. Moreover, products must have returns greater than the style benchmark for the latest 10-year period and also Standard Deviation less than the style benchmark for the latest ten-year period. At this point, the top 10 performers for the latest 10-year period become the PSN Top Guns of the Decade. The complete list of PSN Top Guns and an overview of the methodology is available at http://www.informais.com/resources/psn-top-guns.

CCM-671