ClarkCapital MANAGEMENT GROUP

Portfolio Commentary

Navigator® High Dividend Equity

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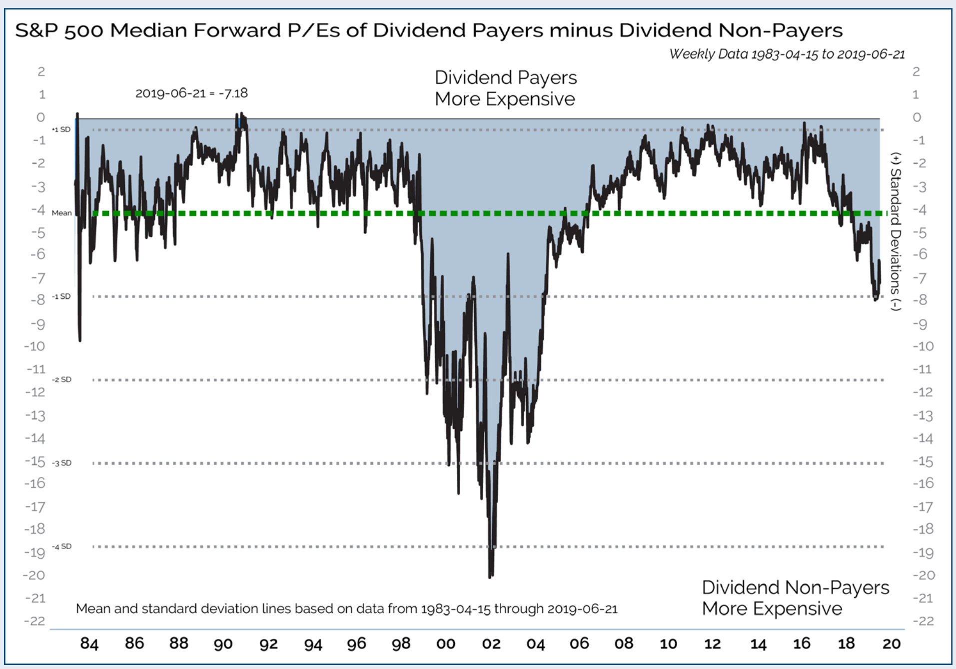
The Search for Yield Continues

Over the last decade, Federal Reserve policy has prompted historically low rates as the U.S. economy slowly recovered from the Great Recession. From 2008 to 2015, the fed funds rate was essentially zero until growth stabilized and the Fed began to normalize rates in December 2015 to late 2018. Currently, with the overall goal of "sustaining economic expansion" the Fed is now signaling its willingness to cut the fed funds rate for the first time since 2008.

In theory, lower rates are bullish for dividend stocks which offer attractive yields versus fixed income. Regardless of the market's reaction to a possible cut, longer-term dividend stocks may be in an enviable position to benefit either way.

If the market responds negatively in fear of a recession, dividend stocks possess quality characteristics like strong balance sheets and sustainable dividend growth, which historically perform well in volatile markets. On the other hand, a positive reaction may prompt dividend stocks to rise since they are trading at their cheapest levels versus non-dividend stocks in over 15 years.



Source: Ned Davis Research. For illustrative purposes only.

According to Ned Davis Research, after the first rate cut with no likelihood of a recession, dividend growers tend to outperform non-dividend payers. In the case of the last four recessions, divided growers outperformed dividend payers in the first six months followed by minimal relative strength 12 months later. Another potential strength for dividend stocks is the possible weakening of U.S. corporate profit growth.

Navigate Your Future. Enjoy the Journey.

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

As profit growth slows, dividends will be a stable source of return with the potential for dividend growth to rise faster than the rate of inflation.

Stock and Sector Attribution

For the quarter, the strongest contributing sectors were Financials, Industrials and Consumer Staples while the weakest included Consumer Discretionary, Energy and Real Estate. Historically after an initial rate cut, the Consumer Staples and Health Care sectors perform best one year later versus Utilities and commodities, which tend to be the poorest performers. Year-to-date higher valuations in the Utility, Consumer Staples and REIT sectors warrant some caution since they are elevated on a relative and absolute basis.

Ticker	Quarter Ending June 30, 2019	Average Weight (%)	Contribution to Return (%)
Top 5 Contributors			
LMT	Lockheed Martin Corporation	2.63	0.53
JPM	JPMorgan Chase & Co.	2.60	0.28
AXP	American Express Company	2.14	0.27
CCEP	Coca-Cola European Partners Plc	2.15	0.22
MSFT	Microsoft Corporation	1.67	0.22

Source: Factset. For illustrative purposes only.

The top five contributing stocks to the High Dividend Equity portfolio were Lockheed Martin Corporation, JP Morgan Chase & Co., American Express Company, Coca-Cola European Partners PLC and Microsoft. The top five detractors were Foot Locker, Inc., Simon Property Group, Inc., Philip Morris International, Inc., Lukoil PJSC Oil Company and Cinemark Holdings, Inc.

Ticker	Quarter Ending June 30, 2019	Average Weight (%)	Contribution to Return (%)
Top 5 Detractors			
FL	Foot Locker, Inc.	1.27	-0.47
SPG	Simon Property Group	1.37	-0.16
PM	Philip Morris International Inc.	1.36	-0.15
LUKOY	LUKOIL PJSC	2.00	-0.14
CNK	Cinemark Holdings, Inc.	1.44	-0.13

Source: Factset. For illustrative purposes only.