CLARK CAPITAL MANAGEMENT GROUP, INC.

navigator®

THE NAVIGATOR REPORT

SECOND QUARTER 2004

Frustrating

Frustrating, slow, boring, sleepy, non-eventful; these are all apt descriptions of the current investment and market environment. The past several years have been just the opposite so it makes this situation even more boring. After the fireworks of the past three years, the lull this year is making everyone a little crazy.

So far this year the Standard & Poors 500 has not closed below 1080 or above 1160. This narrow 8% band around the market is unusual. There have only been four other times since the early 70's when we have seen this situation. While this lull has persisted for 130 trading days so far (to the date of this report), the most persistent one began in December of 1992 and lasted for 172 trading days. Can you imagine 42 more days of torture?

"Overall we are very optimistic about the remainder of the year."

- Louis G. Navellier,
Master Program Portfolio Manager

I believe the persistent veil of uncertainty hanging over the market is perpetrating this malaise. Interest rates, oil prices, elections, Iraq, terrorism; you name it and investors will find a way to worry about it. All this flies in the face of one of the strongest economies in recent memory. Strangely enough, individual investors are still very bullish, as indicated by investor sentiment polls, but apparently unwilling to commit more until the current malaise diminishes.

When all is said and done, we come back to the notion that action so far this year is nothing more or less than what is expected in a typical election year.

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HARRY J. CLARK, CFP PRESIDENT / CHIEF EXECUTIVE OFFICER

CCMG in the News

June 9, 2004
Sean Clark appeared as a live guest to discuss exchange-traded funds and how to effectively incorporate them into your investment strategy.

June 2, 2004
Harry Clark appeared as a live guest to comment on the fear and uncertainty surrounding the financial markets.

April 20, 2004
Harry Clark appeared as a live guest to discuss ways to manage investment risk.

April 2004
Maira Thompson commented on the pros and cons of mega-mergers and the affect on investors.

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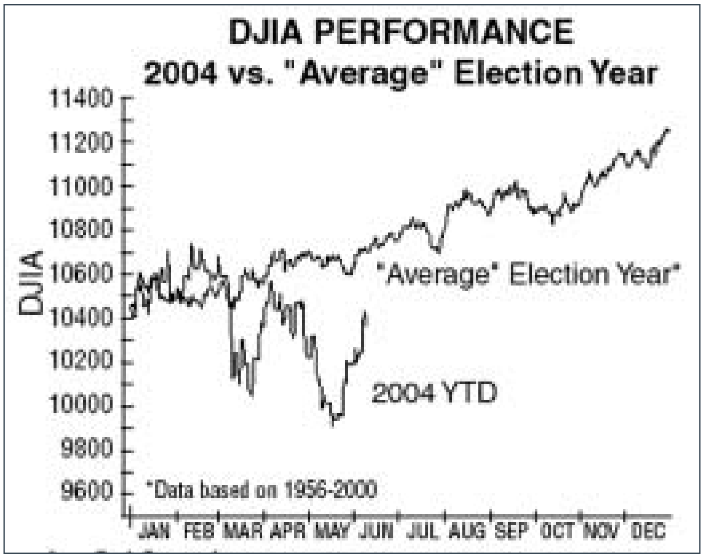
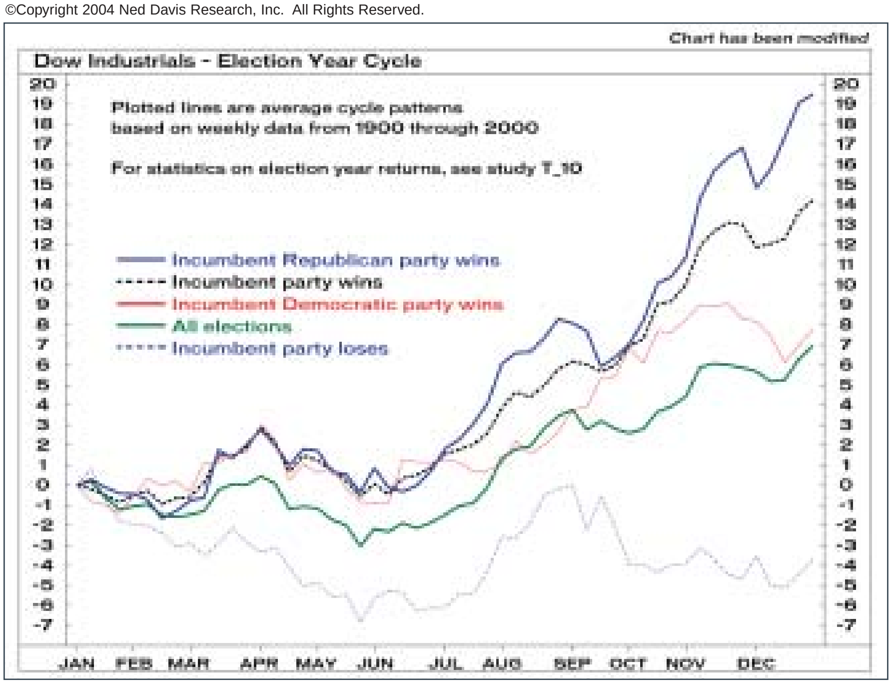
The first five months or so are normally flat to slightly down and will include a good correction just to keep investors nerves on edge. **The remainder of the year shows positive results 82% of the time.** Just how positive depends on how investors view potential election results. The chart below, from Jim Stack's InvesTech Research, shows how this year compares to an "average" election year.



The following chart was printed in the first quarter Navigator Report but is being shown again because it has so much meaning for the market over the remainder of this year. To summarize the chart: if Mr. Bush wins there is a very good chance that the market will enjoy a substantial rally, if history is a guide. If Mr. Kerry wins, again based on historical precedent, the market will not behave nearly as favorably. This is in no way meant to convey a political opinion but is only meant to relate market return following prior elections. There have been 25 presidential elections since 1900. **The incumbent has won 15 times and the market responded with an average gain of 16.4%. The incumbent lost 10 times and the market responded with an average loss of 1.4%.** The Republican Party has held the White House 8 out of 15 times while the Democrats have retained residency 7 times. A Republican return to power has resulted in an average gain of **23.5%** while a Democratic return was rewarded with an average gain of **8.4%.** Hence the average gain of 16.4%.



Whether you approve of Mr. Bush's agenda or not, investors (at least those that I have asked) would much rather see a gain of 23.5% over a loss of 1.4%. **That is the 23.5% gain predicted if Mr. Bush wins and the 1.4% loss predicted if Mr. Kerry wins.**

Other Factors

The upcoming election not withstanding, there are other signs that the market's narrow range might be near an end. The market declined into mid-March and then recovered; it declined into mid-May and recovered, it is declining now and will undoubtedly recover. I expect the low of May 17th to hold and be the low for this year. And I believe the market will recover with a bang. Internal market statistics have been far stronger than the leading indices are showing. Several reliable indicators have been saying that the market is oversold and will soon see a good upturn. Jim Stack, of InvesTech Research, tracks the ratio of New York Stock Exchange Specialists Short Sales to total Short Sales (sorry to get technical). As you may know, an investor will "short" the market or a stock expecting a decline. The specialist will "short" looking for a decline or, in his/her normal duties, to provide stability to a stock price. When this ratio has fallen below 35% in the past 50 years it has always indicated that a market turning point was at hand. The ratio is now at a 50 year low of 25%. In addition, short interest on the NASDAQ is at a 20 year high. This could help propel that index to a new yearly high very quickly.

A ratio of how many call options the public is buying compared to the number of put options being purchased is another indication of a potential market turning point. When the public is buying far more put options than call options (expecting a market decline) a market turning point is usually at hand.

Another indicator called the Arms Index is signaling a sold out period in the market. All these indicators show extreme levels of capitulation, pessimism, and disgust. **Levels that, normally, indicate a market advance in the offing.**

Other items such as corporate earnings, employment, capital spending, and many others are pointing in the right direction. If one can cut through all the election year rhetoric, it becomes evident that the economy is moving ahead in smart fashion.

Corporate earnings have never been revised upwards as often as they are being now. Positive earnings preannouncements have dwarfed negative announcements. The ratio is the lowest on record! A very positive sign! Capital spending by corporations will accelerate as the year progresses because of a favorable tax implication that expires at year-end.

A similar period in recent history is 1993. If you recall earlier in this report it was stated that one of the other long periods of narrow range in the market was in 1992. This and other similarities between now and 1993 indicate that we could indeed be at the beginning of a market upswing.

On June 2nd I appeared on the CNBC television show "Wake Up Call." At the end of the interview I was unexpectedly asked for my outlook for the market during the remainder of the year. The question was not proposed earlier where it could have been pondered a bit but was just asked outright. **I answered, without too much hesitation that the Dow Jones Average would appreciate in the low 20% range by year-end and the NASDAQ would appreciate in the mid 20% range.** The answer surprised all, including me, but if asked that question now, I would give the same answer. Seems a little far fetched at this moment but I will stick with that prediction. You must know that if the prediction comes true, I will remind everyone that I made it and if it does not you will never hear me mention it again.

The Master Program

The Navigator Master Program is a program where we employ world-class "Master" money managers. We employ the managers; monitor them for many factors including benchmark return, style shift, and personnel change. We currently use eight managers. Managers are combined in multi-discipline structured portfolios. We offer nine portfolios at this time. Three portfolios utilize two managers, three utilize three, and three utilize four managers. Minimum account size is $250,000, which is for the two manager structures.

After a portfolio is established, we employ a sub-advisor, Rampart Investment Management, to overlay a protective strategy that we call the "Sentry" strategy in the attempt to prevent large loss when markets decline. The strategy uses, for the most part, put options, which appreciate as markets decline. The appreciation in that asset, overcomes, in most cases, the majority of loss in the portfolio thus giving some measure of downside risk management. **The Master's Program objective is to give S&P 500 results, or better, during positive markets while preventing large loss during negative markets.**

We are going to feature two managers in each Navigator Report. The purpose is not to recommend the managers but to give you their outlook on the economy and markets. This should be of interest to all clients because it never hurts to see other opinions from recognized sources. It should be of special interest to those clients who participate in the Master Program.

Navellier & Associates, Inc.

NAVELLIER LARGE CAP GROWTH PORTFOLIO

Comments by Louis G. Navellier

"Looking forward, the mood of the consumer will be crucial to the continued health and prosperity of the U.S. economy. There are a variety of reasons that consumer confidence is at a two year high. Home prices remain surprisingly firm, despite higher mortgage rates. Since last August, the U.S. economy has created 1.5 million jobs, so a lot of new consumers with purchasing power have been added. Finally, the news out of the Middle East that was depressing so many consumers (and voters) has changed dramatically. The initial smooth transition of power in Iraq and the start of Saddam Hussein's trial are changing the tone of the news from pessimism to optimism. The more investors look forward the better they will feel, because the future truly looks bright. The only event that could dampen consumer optimism at this point would be another terrorist attack."

"For the quarter, the Russell 1000 Growth Index posted a respectable gain of 1.9% while the Navellier Large Cap Growth Portfolio enjoyed an excellent quarter on an absolute, 4.7% and a relative 2.7% basis."

"Overall, we are very optimistic about the remainder of the year. The fundamentals of our portfolio are the strongest they have been in the portfolio's history. Our average earning growth is 48%, our average sales growth is over 25%, and our average operating margins are over 12%. Second quarter earnings are coming in well above analysts' expectations and we believe that third quarter earnings will be just as strong. As earnings season progresses, we should see quality stocks driven higher as the market once again begins to favor stocks with strong underlying fundamentals."

Navellier is a quality Master portfolio manager and we are pleased to have him as a manager on our Master platform. His result year to date, in the Large Cap Growth portfolio that we utilize in our program, is 8.64% (net of fees). This manager's benchmark is the Russell 1000 Growth index which returned 1.9. %

Global Capital Management

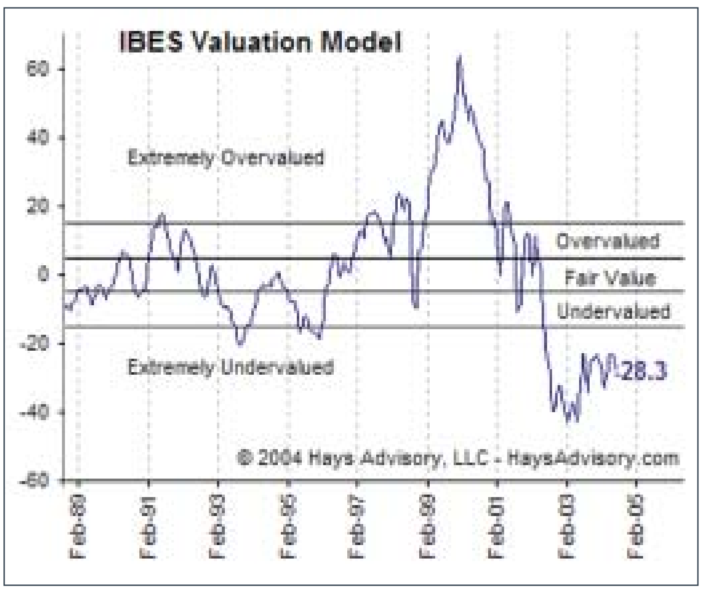
GLOBAL CAPITAL MANAGEMENT SMALL CAP PORTFOLIO

Comments by Anthony W. Soslow, CFA, President

Mr. Soslow gives us a sense of his philosophy as a money manager instead of a market outlook.

"We believe that an Investment Manager's skill is defined by the size and consistency of one's excess returns relative to the appropriate benchmark. As such, the cornerstone of our investment philosophy is to deliver constant excess return. Our research has shown that three factors influence equity return - Quality, Value and Business Prospects. We add value by performing a disciplined, repetitive analysis of these three factors across both current portfolio holdings and investment opportunities. Since excess investment performance does not reside with one investment style - exclusively Growth or exclusively Value - our inclusive process creates portfolios which diversify across sectors and styles. Finally, we believe that our disciplined, repetitive analysis of those factors generates performance that clearly differentiates us as a skillful investment manager."

This portfolio managers' process seems to work very well. Result for the year to date is 9.28% (net of fees) compared to the Russell 2000 benchmark of 6.76%. The five year annualized return is 17.40% (net of maximum fees) compared to 6.64% for the benchmark. This portfolio has outperformed the benchmark 19 out of 22 quarters.



Summary

We have been waiting for the market to get in gear now for six months. The time is near when the election effect will take hold and, I believe, propel the market substantially higher.

The chart on this page from Hayes Advisory, shows that the market is still in the extremely undervalued area although not as much so as this time last year. We are fully invested, expecting a good rest of the year.

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Bloomberg TELEVISION

June 18, 2004
Sean Clark appeared as a live guest to discuss the hard times the market could face in the short term.

SmartMoney

June 18, 2004
Sean Clark discussed how a rate hike could favorably impact the market.

Registered Rep.

April 1, 2004
Harry Clark discussed the 'family' atmosphere at Clark and impact on the firm.

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