



FOURTH QUARTER 2005

WE ARE MOVING

CCMG is moving in several ways. First, we did just move. The firm has been headquartered at the Mellon Bank Center in downtown Philadelphia for the past fourteen years. We moved there from the 51st floor of One Liberty Place in 1991 because we needed more space. Well, we need more space again and are moving back to the 53rd floor of One Liberty Place. Our new address is on the back of this

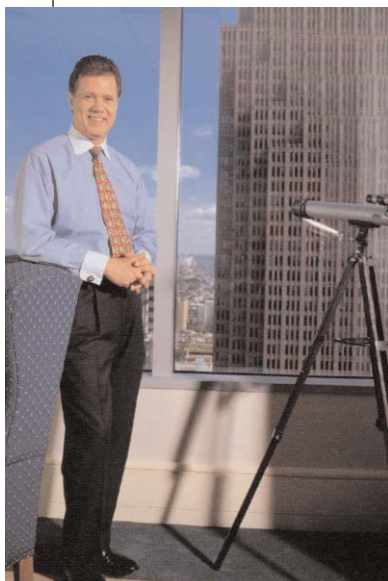
Report. Telephone numbers remain the same. The new space is spectacular and we will be posting pictures on the Web Site when construction is complete.

CCMG is also moving in another way. We have acquired the firm of RTE Asset Management. I have known David Rights, the

founder of RTE, for many years. He is a fine gentleman, a true investment professional, and will be a valuable addition to this firm. All personnel, programs, and systems will

be maintained going forward to insure the combination is as seamless as possible. Benefits to clients of RTE will be many. In addition to statements from custodians, clients will begin to receive quarterly performance reports at the end of the first quarter along with this quarterly Newsletter. In addition, clients will have access to their accounts via the CCMG web site. Clients of RTE will also have access to Navigator

As John K. Glalbraith says "There are two kinds of forecasters: those who don't know and those who don't know they don't know!"



HARRY J. CLARK, CFP PRESIDENT / CHIEF EXECUTIVE OFFICER

CCMG IN THE NEWS

December 8, 2005

CNBC "On the Money"

President Harry Clark appears as a guest to assert that a market rally will occur until February of 2006 at which time investors should expect a strong correction.



November 2, 2005

CNBC "Power Lunch"

Sean Clark, Chief Investment Officer of Clark Capital Management, comments on the Fed's decision to raise rates.



October 10, 2005

Forbes "Fed Preps for More Bloodletting"

"According to research by Harry Clark of Clark Capital Management, over the past 80 years, the Fed has embarked on a series of at least three rate increases on 14 different occasions, which led to 12 recessions and 11 bear markets."



Investment programs and clients of CCMG will have access to RTE programs. We welcome the clients of RTE and are anxious to begin servicing their investment needs.

The staff of RTE will be relocated from their Jenkintown office to CCMG corporate headquarters in Philadelphia. In addition to David Rights, former President of RTE, who is joining CCMG as Executive Vice President in our Portfolio Management group, Mason Wev, a Chartered Financial Analyst, will also join the Portfolio Group. Thomas Finnegan will become our in-house graphic designer for literature as well as a web-site administrator. Agnes Houlne will join the Business Development group; Janet Bradley and Joyce DeAmicis will add to the customer service group and Ruth Wait will assist Denise Clark Williams, our Chief Operations and Compliance Officer. We welcome them and wish them success as they join our growing staff.

THREE YEARS AND COUNTING

In the first quarter Newsletter in '05, I said that "less than a third of bull markets reach their third birthdays and even then returns are almost always in the single digits. Only three bull markets over the past 40 years have lasted three years before a major correction began."

I also mentioned that there had not been a down year in the Dow Jones Industrial Average in a year ending in 5 since 1895. I guess records are meant to be broken and that one was in 2005 with the Dow Jones declining .61%. That decline was only the fourth time in the Dows 110-year history that it moved less than 1% and the smallest move since it gained .34% in 1926. The others were in 1902 and 1911. For the record, while the Dow lost .61%, the S&P 500 gained 3% and the Nasdaq gained 1.4%. Volatility was also much subdued with the Dow not even traveling 10% between highs and lows for the year; an unusually narrow range.

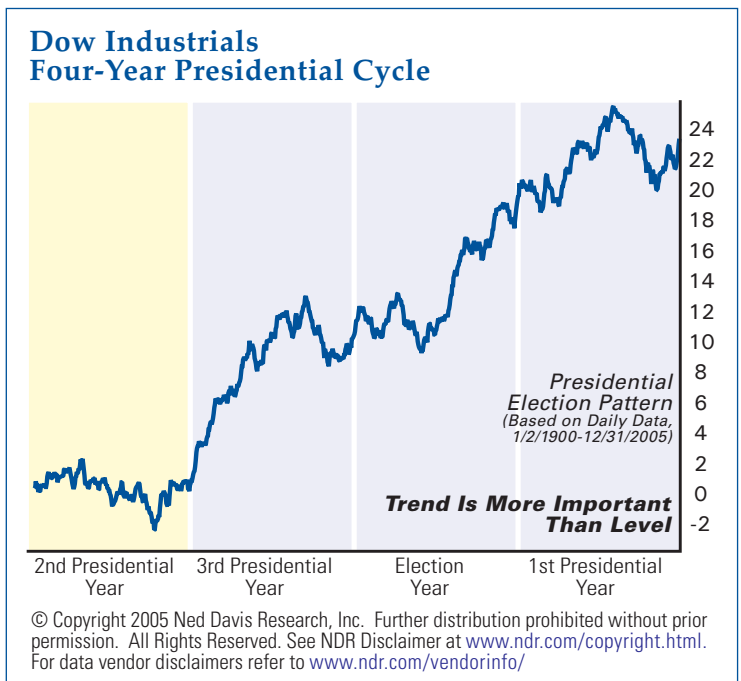
We have just had three years of a bull market. Am I wrong or just not with it because the past two years have been anything but exciting. Being that as it may, this bull market began at the depths of the last Bear market in October 2002 at 768 on the S&P 500 and has gained 62% over 37 months. The average bull (S&P 500) lasts 34 months so this one is entering old age. Since 1942 gains have averaged 38% in the first year, 12% in the second, and 3% in the third year. The current bull market return has been 26.9% in the first year, 8.9% second year, and 3% third year. **The good news is that if the Bull lasts a full three years (as this one has) it has a pretty good chance of going another year and gaining 14% or so!** Over the past 75-years and 14 bull markets, 6 lived to be four years old. Of those six, five managed gains averaging 14.9% in the fourth year. But those gains, in most cases, were preceded by some pretty hefty pain. The pain being in the form of an interim recession

or hefty market decline that set the stage for the 4th year gain. Confusing? Yes, I suppose it is so lets look at how 2006 might play out.

A POSSIBLE SCENARIO

There are several factors that are going to impact the coming year. We will look at each one to try to discern the pattern for this year. As stated above, the past two years have resulted in single digit returns; 8.9% in '04 and 3% (4.9% with dividends) in '05. Two years in a row of single digit gain has only happened twice since WWII. **The possibility of three years of single digit returns is very remote** (please keep this in mind for later). In addition, low volatility years (last year was the lowest in 10 years) are usually followed by years of much more volatility. Should be interesting at least!

This is the second year in the four year Presidential Election Cycle. **This cycle seems to always have a significant impact on the markets.** The graph below from Ned Davis Research shows the typical four-year cycle.

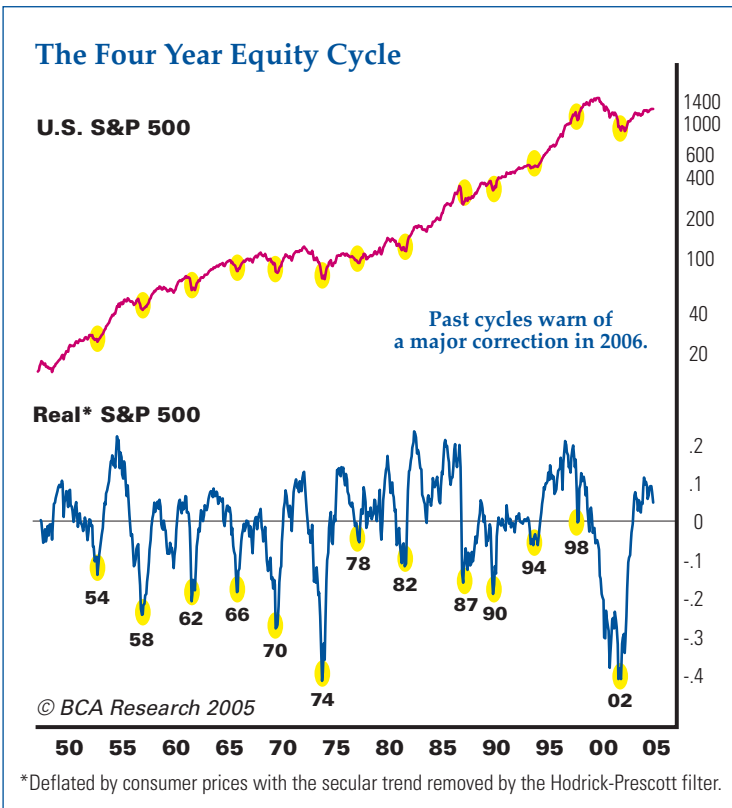


Notice how the second year features a market bottom later in the year. Since 1888 the average election year (4th year of the cycle) has shown a gain of 8.4%. That equates to the 8.9% gain in the election year 2004. The average 1st year, or post election year, of the cycle has shown a gain of 2.9%. This equates to the 3% gain of 2005 (amazingly close). The average gain in the 2nd year (2006) has been only 3.3%. Pretty disappointing don't you think? The large gains always come in the pre-election year, as you can see, and that was the 26.9% gain in 2003. Now for the good news! Notice the very steep rise from the bottom of the 2nd year to the top of the 3rd year. **That gain has average 51% (yes I said 51%) since 1934!** The smallest of those gains was

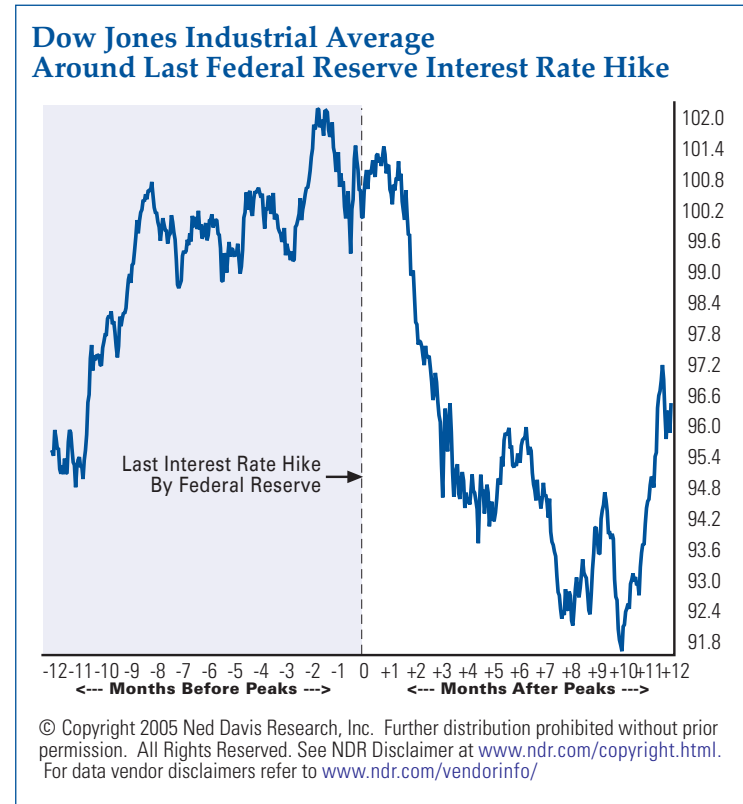
14.7% in 1946-47; the next smallest was 28.0% in 1978-79. The largest was 87.1% in 1954-55. The most recent cycle low was on October 2002. That bottom and subsequent rally produced a gain of 43.1% to the high of 2003. Don't those gains sound wonderful?

can't stop until the economy shows signs of a slowdown." And in fact they (the Fed) have almost always continued to raise rates until something (the economy) breaks. There have been 14 occurrences of significant Fed tightening over the past 80 years resulting in 12 recessions and 11 bear markets. Yes! There is a chance that they get it right for the third time out of 15 tries. We will have to wait and see for that one.

But even if they stop raising rates soon, there is still a good chance that we will have a significant correction in the markets. Look at the graph below. It shows what has happened, on average, after the Fed stops the tightening cycle. After the last increase the market typically has a little celebration before selling off for about 10-months.



Now look at the second graph which clearly shows market bottoms being formed with surprising regularity around this four-year cycle. This is not a fluke or some kind of technical mumbo jumbo. **These cycles are based on fundamental factors in the economy as controlled by the political party in power and the Federal Reserve Board.**



So the question remains, "what will cause the pain before the gain?" The pain I am referring to will not, in my opinion, be a real bear market which requires a loss of 20% or greater. **But there will be a correction of some sort to set the stage for the best buying opportunity of the next several years.**

The average decline is in the 10% to 12% range. Again, nothing is absolute! The market declined in 12 out of 16 instances but advance on 4 occurrences. The first rate cut is typically 5-months after the last increase with the second cut 5 months after the first. This, and the four-year cycle, will produce the market low point and rally we are expecting.

INTEREST RATES & THE ECONOMY

As you have read here before, the Federal Reserve has increased interest rates over the past months 13 times. The next chance they have to post another is January 31st. The consensus is that they will again raise rates by .25% at that meeting. Interest rate futures are giving another increase at the March meeting a 75% probability. I will go out on the limb here and say that I believe there is a good chance that rates will not be increased at the March meeting.

The economy is perking along at a good clip. I do believe though that we will begin to see the GDP begin to weaken in either the first or second quarter. Corporate earnings have been fantastic. If they increase at a double-digit clip through the third quarter of this year it will be an all time record for consecutive double-digit earnings gains. I do not believe it will happen. I look for single digit growth beginning in the second quarter.

George Soros, a very successful hedge fund manager, says, "Almost inevitably the Fed has got to overshoot because they

S&P 500 Index Performance from Mid-Term Election Year Lows to Following Year Highs since 1934

| Low Date | S&P 500 Value | High Date | S&P 500 Value | Gain Over Period |
|--------------|---------------|------------|---------------|------------------|
| 7/26/1934 | 8.36 | 11/19/1935 | 13.46 | 61.0% |
| 3/31/1938 | 8.50 | 1/4/1939 | 13.23 | 55.6% |
| 4/28/1942 | 7.47 | 7/14/1943 | 12.64 | 69.2% |
| 10/9/1946 | 14.12 | 2/8/1947 | 16.20 | 14.7% |
| 1/14/1950 | 16.65 | 10/15/1951 | 23.85 | 43.2% |
| 1/11/1954 | 24.80 | 11/14/1955 | 46.41 | 87.1% |
| 1/2/1958 | 40.33 | 8/3/1959 | 60.71 | 50.5% |
| 6/26/1962 | 52.32 | 12/31/1963 | 75.02 | 43.4% |
| 10/7/1966 | 73.20 | 9/25/1967 | 97.59 | 33.3% |
| 5/26/1970 | 69.29 | 4/28/1971 | 104.77 | 51.2% |
| 10/3/1974 | 62.28 | 7/15/1975 | 95.61 | 53.5% |
| 3/6/1978 | 86.90 | 10/5/1979 | 111.27 | 28.0% |
| 8/12/1982 | 102.42 | 10/10/1983 | 172.65 | 68.6% |
| 1/22/1986 | 203.49 | 8/25/1987 | 336.77 | 65.5% |
| 10/11/1990 | 295.46 | 12/31/1991 | 417.09 | 41.2% |
| 4/4/1994 | 438.92 | 12/13/1995 | 621.69 | 41.6% |
| 1/9/1998 | 927.69 | 12/31/1999 | 1469.25 | 58.4% |
| Mean Gain: | | | | 51.0% |
| Median Gain: | | | | 51.2% |
| 10/9/2002 | 776.76 | 12/31/2003 | 1111.92 | 43.1% |

jections are off base. I believe we will have a decline during this year to the mid to low 9000 area on the Dow. That will scare weak holders into selling just as the market makes a bottom in late summer or early fall. **That bottom, no matter when it comes during the year, will be the best buying opportunity of the next few years.** If the bottom comes early enough, we could get a rally that lifts the market to a double-digit gain by year-end. Perhaps 12% to 14% would do it. This would be above the norm for the second year of the cycle but I believe there are circumstances that could cause such a gain. While the Fed had increased interest rates a lot, they have not made money tight. Liquidity is still very available and this could lighten any economic slowdown. The slowdown will be just that, a slowdown, not a recession. The market correction will be just that, a correction, not a bear market. No bear market has ever begun over the past 58-years when long-term interest rates have been falling as they are now. Also, It would be very rare to see a bear market begin when market advance/decline figure are as positive as they are today.

So a correction it is, into the best buying opportunity we have seen since 2002!

CONCLUSION

First, let me apologize for the technicality of this report. No fun this time. I guess I am just a frustrated prognosticator, which is not always a good thing. I prefer to think of myself as a market historian and not a forecaster. As you know, I believe the markets repeat themselves over time; not exactly, but close enough to get a sense of things to come.

So far this year I have seen projections for up to a 30% gain and for as much as a 25% decline. I believe both of these pro-



December 26, 2005

Business Week "A Better Way to Go Abroad"

Sean Clark, Chief Investment Officer at Clark Capital Management, discusses ETF's and the expectations that they would open up a whole set of possibilities as people are looking for alternative asset classes.



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