



CLARK CAPITAL
MANAGEMENT GROUP, INC.

First Quarter 2009

THE navigator™ REPORT

Harry J. Clark, CFP Chief Executive Officer, Editor in Chief

IT IS FINALLY OVER!!



There is a sigh of relief among millions of investors who are thankful that at last the stock market has stopped going south and my personal sigh of relief that the bear market of 2007-08 (I am praying as I say this) is over!

The last Report said that 2008 had the worst single year return since at least 1931 and some indices actually set new records for a decline. The fourth quarter of 2008 saw the seventh worst quarterly return at -22.5% measured by the S&P 500. Now the first quarter of 2009 has the fifth worst return of any *first* quarter at -11.7%. While the bear market loss as of the end of last year was -51.6%, as of March 9th the loss was 56.8%. Overall, from the market top on October 9, 2007 to the market bottom on March 9, 2009, this bear was the worst in over 70 years. **Yes! I said “was the worst” because I believe that it really is finally over.**

First, let me show you why I am so optimistic that we have seen the final bottom of the recent bear market and then we will discuss the current bull market rally and why it is the real thing!!

At major market junctions, psychology plays a very big part in judging just where we are in a market cycle. In our own case, judging by the number of clients that had been moving to cash, moving down the risk spectrum, or just giving up near the end of February, I felt that the bottom must be very near. It is very discouraging, given that we have performed so well during the entire bear market, to see clients give up at this late stage just when a potential **“buy of a lifetime” was upon us!!!!** So let me convince you that we have seen the bottom of the worst bear market of the past 72 years and potentially longer.

Although we do much of our own research, we also subscribe to several major research providers, such as **Ned Davis Research** and **InvesTech Research**. Many of the charts and diagrams you will see here are from these providers. InvesTech Research is available to non-institutional investors and if you would like to subscribe to an incredibly insightful independent source of market research, you cannot go wrong with Jim Stack's InvesTech (406-862-7777). (This is a totally unsolicited

opinion and we have absolutely no connection whatsoever with either of these fine services other than as a subscriber.)

BEAR MARKET MYTHS

Myth: The stock market cannot bottom until unemployment stops rising.

Fact: Unemployment will continue higher for several months after the stock market bottoms. The best case was in 1982 when unemployment peaked three months after the market bottom and the worst was in 1990 when it took 20 months to peak.

Myth: The recession must end before the stock market bottoms.

Fact: Recessions do not end until three to six months after the stock market bottoms. The exception was 2002 when the recession ended 11 months before the market bottom. Clearly not the case today.

Myth: Consumer confidence must improve before a stock market bottom.

Fact: Consumer confidence will not pick up for two to 11 months after the market bottoms.

Myth: Corporate earnings must improve before the market does.

Fact: That would be a rare event indeed!!

GENERATIONAL BEAR MARKETS

As the word “generational” indicates, a generational bear market should be a once in a lifetime event. We have now seen two such bears in the past ten years. So what gives? Before this decade, the past generational bear markets were in 1920, 1932, 1938, and 1974. To see the devastation that we have witnessed this decade have a look at the chart on the next page from InvesTech Research.

As Mr. Stack relates, it is very common to invest equal amounts in each security but yet everyone compares their returns to the S&P 500 which is cap-weighted. That is, the higher-capitalization stocks have far more weight in the index

than lower-capitalized stocks. The chart below compares the equal-weighted and cap-weighted S&P 500 indexes.

While the bear market of 2002 resulted in a decline of 49.1% on the regular (cap-weighted) S&P 500 index, the loss was only 28.8% for the equal-weight index. Yes, while that bear market seemed terrible at the time, the most recent bear market seemed **far worse** because on an equal-weighted basis the index is **down over twice as much as the 2002 bear: 60% vs. 28.8%**. That should help explain the excessive pain that the 2007-08 bear market has inflicted.

As an aside, you may be wondering why I keep referring to the last bear market as the one of 2002 instead of 2003 when the market began to recover. Or why the current bear market will be referred to as the bear of 2008 and not 2009? That is because the “internal” bottom occurred in 2002 when the panic bottom occurred in October. The panic bottom this time was on October 9th with a secondary bottom on November 20th. The bottoms since, while quite a bit lower, do not have the internal damage of the ones in October and November. **So if the final bottom was on Monday, March 9th, this bear will still be referred to as the bear market of 2007-08.**

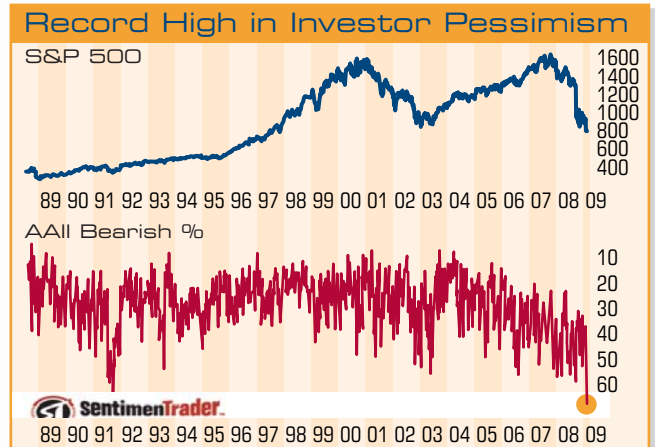


INVESTOR PESSIMISM

Investor sentiment is one of the most important psychological indicators of market cycles available. The chart below shows this indicator back to its origin in 1987.

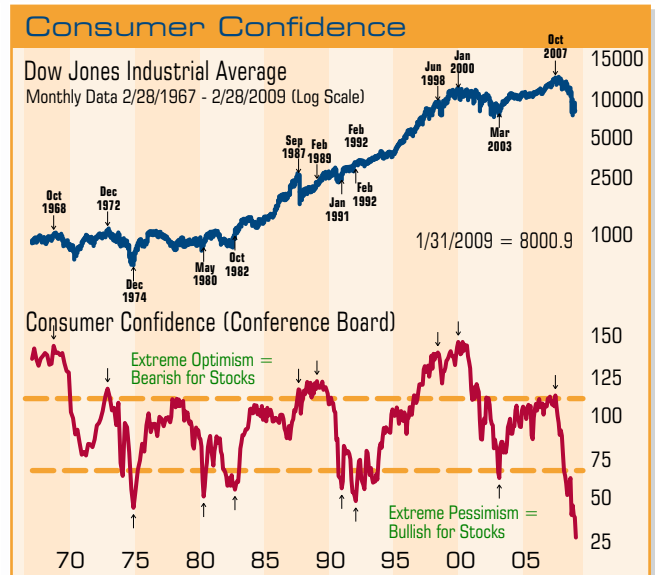
As a comparison to prior important market bottoms, it reached 42% bearish on December 4, 1987, 67% bearish on October 19, 1990, 58% bearish on February 20, 2003, and it

now stands at 70% bearish today. **The prior three low points proved to be the three best buying opportunities in over 20 years. I believe that we are there today as well!**



CONSUMER CONFIDENCE

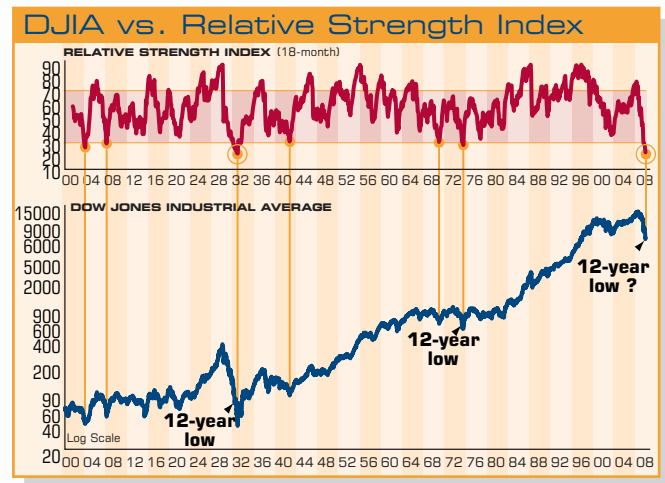
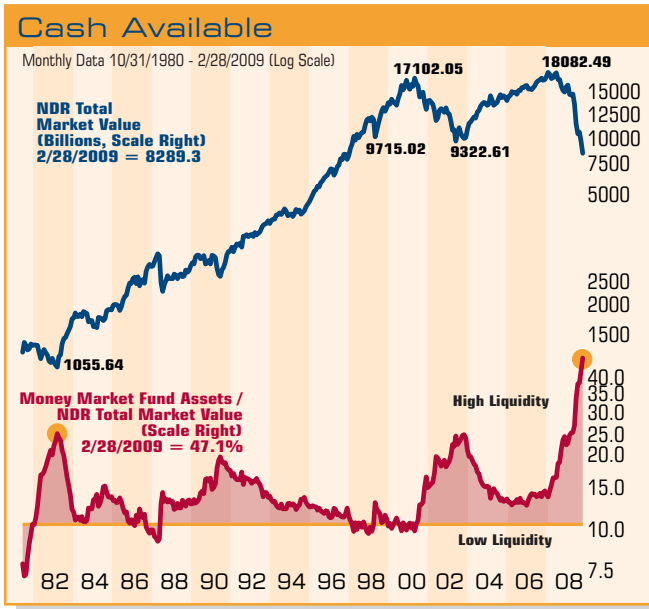
In the same manner, consumer confidence is another psychological indicator that has proven invaluable at predicting, or showing, important market bottoms.



While it is true that you never really know what the exact extreme will be until after the fact and the chart reverses, the absolute level of pessimism today is unprecedented.

CASH AVAILABLE

Cash available to enter the market is an important indicator of potential market bottoms and resultant major bull markets. Notice the extreme amount today and the prior peaks in 2003, 1991, and 1982. The 1982 peak led to the greatest bull market of the past 80 years.



stock market extremes. You can see that the only other time that this indicator was at this extreme low was at the 1932 bottom. Other low points, below -30, are shown and pinpoint other very rewarding extreme buying junctures.

As you can see, this method has highlighted several major buying opportunities of the past century.

I hope the above has convinced you that better days are ahead in the stock markets and in the economy.

SINCE THE BOTTOM

Now that you are thinking that maybe, just maybe, the bottom really did happen on March 9th, irrespective of what the media and talking heads on TV are saying, what has happened since and where might we be going?

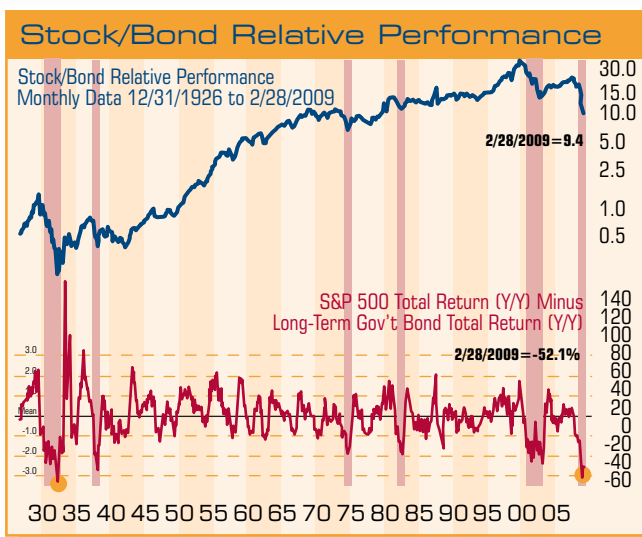
One way to measure the strength, or weakness, of any market is by comparing the number of stocks that move up or down in a day and the respective volume of each movement. On March 10th, the day after the market bottom, the number and volume of stocks trading up compared to those trading down **set a fifty year record!!!** Two weeks later the ratio of stock volume moving higher compared to that moving lower **set a sixty year record.**

As of April 3rd, the stock market has given its **best performance over any four week period since 1933** with the S&P 500 advancing 24.5%. These are very impressive statistics! Bear market advances can be very strong and showy and can trick a lot of people into investing just before the market moves back down. But this advance has also been very broad in terms of sector participation with the financial sector, the very worst performing sector of last year, leading the pack with a gain of 51%.

According to Mr. Stack of InvesTech, **there have only been two "fake-out" rallies in bear markets over the past seventy years.** One was in the 2000-02 bear market, lasting from September 21, 2001 to January 4, 2002 and gaining 21.4%. The other was just last year from November 20, 2008 to January 6, 2009 which gained 24.2%. That particular rally allowed the year end loss on the S&P 500 to come in at only -37% for the year while it was at -48% shortly

STOCK/BOND PERFORMANCE

This chart is a measure of fear! When fear is rampant, investors tend to move to government bonds for protection. Notice the only time that the disparity became this large was in 1932 and 1938, very important market bottoms. What does this say about the current March 9th bottom?

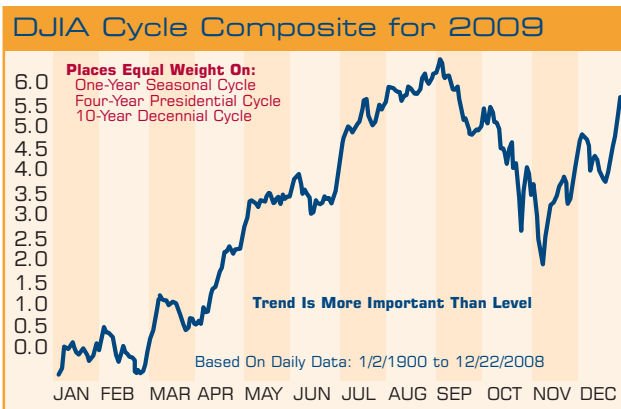


ANOTHER INDICATION

The chart below is from InvesTech and shows that we just may be at "a buy of our lifetime." The Relative Strength Index (RSI) is a technical gauge that shows if the market is theoretically overbought (too high) or oversold (too low). It is one of the tools we use in our sector and country rotation models but with a much shorter time frame. The chart is of long term, 18 months, relative strength. Extremes in the RSI, as in many others, are excellent indications of

before. It really gave a false impression of the overall loss that occurred in 2008. **So bear market rallies that exceed a 20% gain and then go back down again have been very rare.** *Let's hope that this type of rally remains a rare event and that this rally will continue and move considerably higher.*

The chart below was shown in the last report but is here again to show what the potential is for the rest of this year.



There have been ten “waterfall” declines over the past century. A “waterfall” decline is when a market moves considerably lower without any intervening rally. Another waterfall decline occurred during the fourth quarter of 2008 when the market declined by 31% during the first ten days of October. The prior ten waterfall declines were eventually followed by rallies that averaged 64% over seven and a half months. *If the current rally is only an average one it would put the S&P 500 at about the 1,100 mark and the Dow Jones at about 11,200 by September or October of this year.*

HOW HAVE WE DONE ?

While we cannot print all returns for all programs in this Report, here is a sample of moderate risk portfolios in five of our most popular Navigator Investment Solutions for the first quarter (these are composite returns, net of fees).

Navigator Unified Solution

Level III Taxable Core with Sentry	-3.93%
Global Opportunity	-8.53%

Navigator Master Solution

Global Growth & Income with Sentry	-4.35%
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Navigator ETF Solution

ETF with Sentry	-2.15%
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Navigator Premier Solution

Diversified Equity	-9.38%
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Benchmarks

S&P 500	-11.01%
MSCI EAFE	-14.27%

SUMMARY

During 2008 the stock market made two distinct bottoms, October 9th and November 20th. I had stated, and hoped, that the November low would be the final low but, alas, it was not to be. Market bottoms are usually not simple events but occur over time in a bottoming process. It appears that it took from the panic low on October 9th to, what I believe to be the final low, March 9th for the bottoming process to run its course. The low of October 9th was where the most damage was done, while the low points since have all been less severe in terms of stocks making new lows.

Will the stock market go lower after we reach the proposed highs at the end of the summer? No one knows the answer to that but I believe that there could be one more down draft left that would extend into 2010 before we begin the next secular, long-term, bull market. If our economy is going to recover and begin a multi-year growth spurt, then we most likely have seen the last major decline for some time. However, if the economy gets bogged down with all the recovery programs, taxes, excessive spending, etc., then we might see another good decline into 2010. Only time will tell!

If, indeed, there is another leg down coming, our Sentry program will limit any losses to tolerable (subjective) levels. That is why we encourage clients to remain properly invested and to always maintain the protection that the Sentry program offers.

IN THE NEWS



Harry Clark, CEO of Clark Capital Management Group, Inc. appeared on CNBC's “Closing Bell” on March 3, 2009.



Sean Clark, CIO of Clark Capital Management Group, Inc. appeared on CNBC's “Squawk on the Street” on March 30, 2009.

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comparable results in the future. The cited data have been prepared utilizing a methodology consistent with industry standards. The cited performance data assumes the reinvestment of all dividends and capital gains distributions and reflects the deduction of the maximum management fee charged by Clark Capital for the referenced program. Historical performance is available upon request.