

A faded, blue-tinted image of a city skyline with various skyscrapers serves as the background for the central text.

Prepared for:  
**Valued Client**

ANALYTICS

PERSONAL FUND

TAX TRANSITION

On behalf of:

**Valued Advisor**

# Executive Summary

- Portfolio Value: \$4.7 million    Stock/Bond Allocation: 44%/56%    Profile: Moderate risk profile
  - Portfolio Construction: 17 positions; Funds (ETF & MF) (99%) and cash/mmf (1%)
  - Mutual funds open investors to an added layer of fees as well as the impact of other shareholders activities, which could result in potentially adverse tax consequences. We favor individual security ownership as the core of a client's portfolio.
- Equity Allocation: 44%
  - International Equity Allocation: 29% as a percentage of the Equity Allocation; within CCMG target range of 25%-35%. International stocks have significantly underperformed U.S. stocks in 2018, primarily due to strength in the U.S. dollar. However, a more accommodative monetary environment combined with suppressed asset valuations and a steady earnings outlook create a potentially attractive climate for international stocks, which drives our allocation to international equities.
  - Market Cap Allocations: Large 74%, Mid 20%, and Small Cap 6%
  - Style Orientation: Growth 32%, Core 31% and Value 37%
  - Sector Allocations: Overweight to Financials and Healthcare stocks. Under-weight to the IT and Communication Services sectors
  - Active and tactical equity portfolio management can target various market caps, styles, and sectors to position the portfolio in what we believe to be the more attractive pockets of the market, as well as those exhibiting better relative strength.
- Fixed Income: 56%
  - We favor active management of individual bonds versus funds for the core of a client's fixed income portfolio because bonds mature, but funds do not. However, we also believe a tactical approach to fixed income – utilizing funds – can complement core bond holdings in what we believe will be a rising interest rate environment.
  - In our opinion, the current fixed income climate favors active bond management versus a bond ladder. We want to be able to invest at specific spots on the yield curve where we find the most value and do it at the time we find most advantageous compared to simply buying a bond when another bond matures.
  - Credit Quality: A2 Average – Higher credit quality can limit yield opportunities and income generation
  - Modified Duration: 5.4 Years – Longer duration can subject portfolio to increased interest rate risk
  - Cash allocations offer a limited income stream.
  - Clark Capital favors credit over interest rate risk in the current environment.

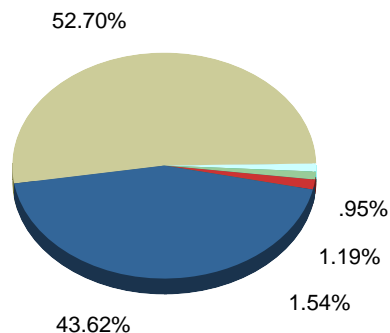
# Portfolio Overview: Total

**Portfolio :** Valued Client  
**Benchmark :** MSCI All Country World  
**Currency :** U.S. Dollar

**Analysis from :** 3/29/2019 - 5/31/2019  
**Holdings as of :** 5/31/2019  
**Holdings Type:** Direct Holdings

## Asset Allocation

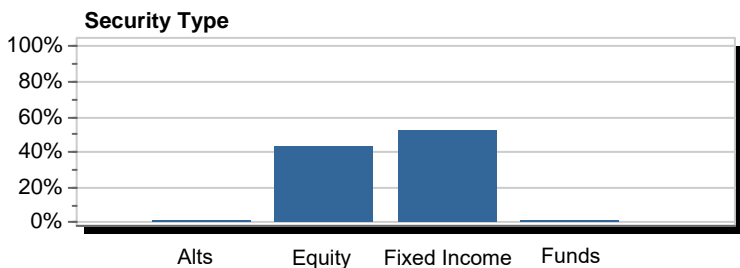
	Mkt Value(\$)	% of Port
Fixed Income	2,476,946	52.70%
Equity	2,049,993	43.62%
Alternatives	72,228	1.54%
[Cash]	55,791	1.19%
Funds	44,765	0.95%
<b>Invested Total</b>	<b>4,699,723</b>	<b>100.00%</b>



## Geographic Allocation

United States	71.25%
United Kingdom	4.72%
Japan	3.95%
Switzerland	2.02%
Germany	1.96%
France	1.85%
Netherlands	1.84%
Hong Kong	1.65%
<b>Invested Total</b>	<b>100.00%</b>

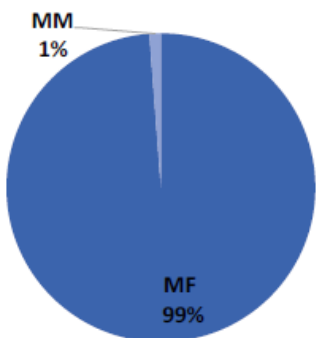
## Asset Type



## Portfolio Characteristics

	Portfolio
FI Yield	4.35
Equity Yield	2.33
Portfolio Yield	3.21
Port. MPT Beta	0.45
Yield to Maturity	3.17
Est. Annual Income	95,556

## Portfolio Breakdown



## Top 10 Holdings

	% Weight	Mkt Value(\$)
SEI Tax Exempt Trust - Intermediate-Term M...	36.40	1,690,215
SEI Institutional Managed Trust Tax-Manage...	19.75	917,348
SEI International Equity Fund Class F	9.56	443,886
SEI Tax Exempt Trust Tax-Advantaged Income...	8.56	397,702
SEI Institutional Managed Trust Core Fixed...	4.33	200,953
SEI Multi-Asset Accumulation Fund Class F	4.11	191,011
SEI International Trust Emerging Markets D...	4.05	188,076
SEI Tax-Managed Small/Mid Cap Fund Class F	3.55	165,024
SEI International Trust Emerging Markets E...	1.91	88,863
SEI Insti Mgd Tr, Large Cap Fund Class F	1.91	88,785

# Portfolio Overview: Equity

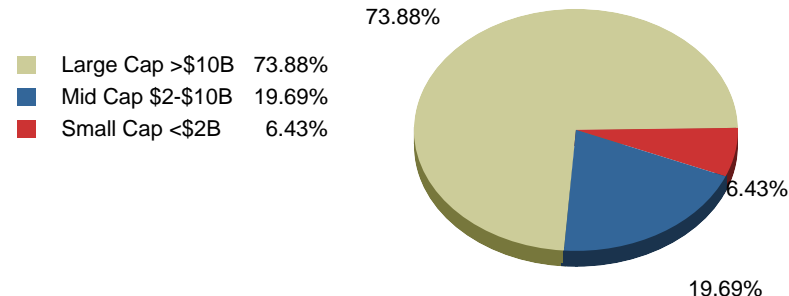
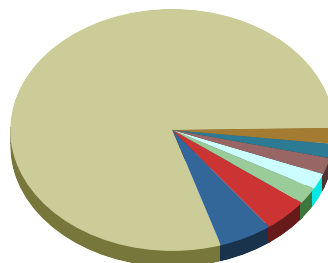
**Portfolio :** Valued Client  
**Benchmark :** MSCI All Country World  
**Currency :** U.S. Dollar

**Analysis as of :** 5/31/2019  
**Holdings as of :** 5/31/2019  
**Holdings Type:** Direct & Indirect Holdings

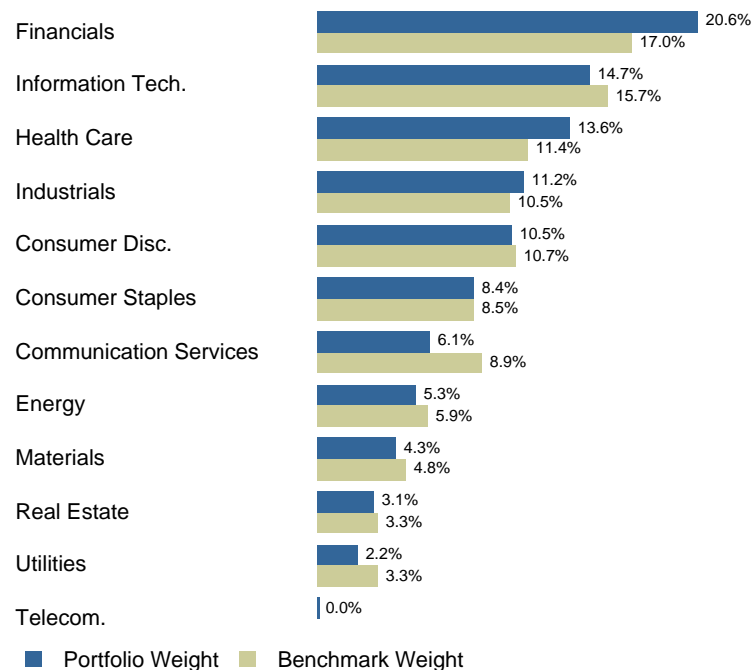
## Asset Allocation

United States	71.25%
United Kingdom	4.72%
Japan	3.95%
Switzerland	2.02%
Germany	1.96%
France	1.85%
Netherlands	1.84%
Hong Kong	1.65%
<b>Invested Total</b>	<b>100.00%</b>

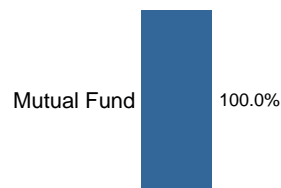
## Equity Market Cap Exposure



## Equity Sector Weights



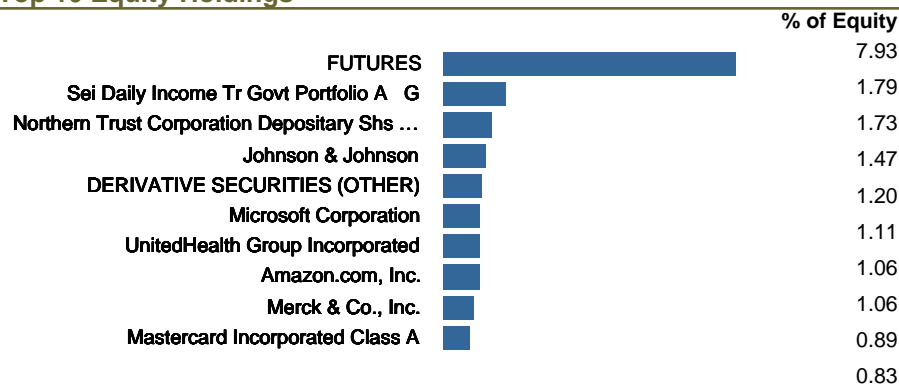
## Equity Breakdown



## Portfolio Characteristics

	Portfolio	Benchmark
Div Yld	2.33	2.56
Div Growth	14.77	13.21
Div Payout Ratio	77.11	81.53
P/E Ratio	16.04	16.36
EPS Growth (Est)	14.12	12.15
EPS Growth	50.02	25.57
Port. MPT Beta	0.97	1.00
ROE	19.52	18.87
Est. Annual Income	44,438	

## Top 10 Equity Holdings



# Portfolio Overview: Fixed Income

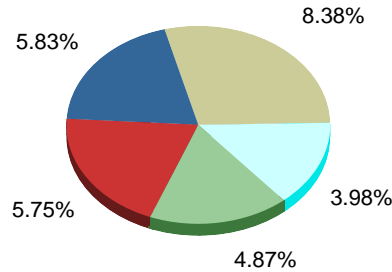
**Portfolio :** Valued Client  
**Benchmark :** Bloomberg Barclays US Aggregate  
**Currency :** U.S. Dollar

**Analysis as of :** 5/31/2019  
**Holdings as of :** 5/31/2019  
**Holdings Type:** Direct Holdings

## Asset Allocation

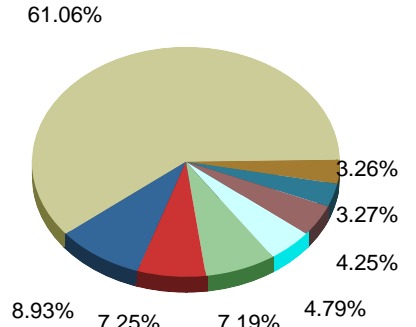
	% of Port
Municipal	81.01%
Corporate	7.80%
Global Fixed	7.30%
[Cash]	2.16%
Other	1.74%
<b>Invested Total</b>	<b>100.00%</b>

■ Texas ■ Illinois ■ California  
■ New York ■ Florida

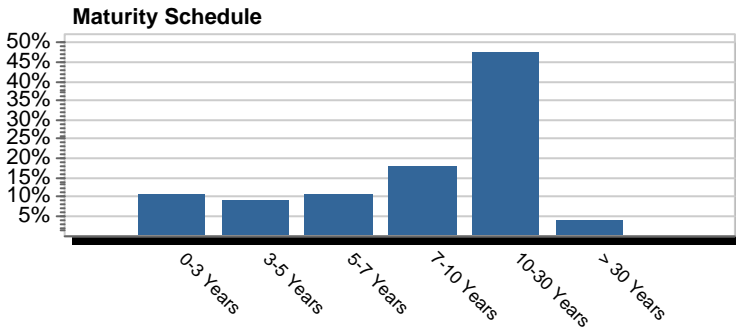


## Fixed Income Sector Exposure

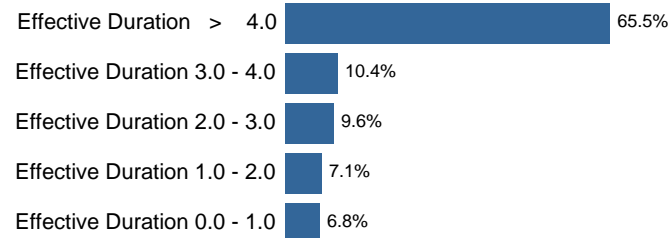
Financials	61.06%
Groups < 3.3%	8.93%
Communication Se	7.25%
Energy	7.19%
Health Care	4.79%
Industrials	4.25%
Consumer Staples	3.27%
Consumer Disc.	3.26%



## Fixed Income

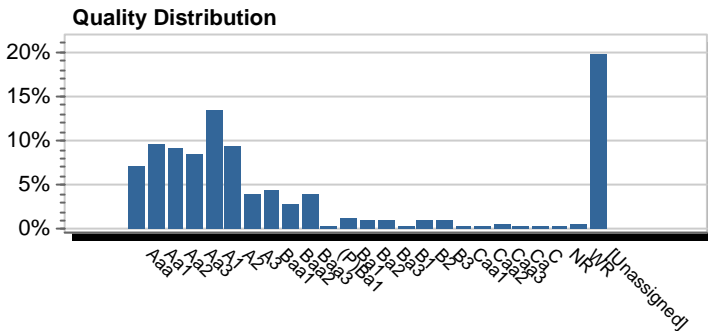


## Effective Duration



## Fixed Income Characteristics

	Portfolio	Benchmark
Coupon Rate	4.83	3.15
Current Yield	4.35	2.96
Credit Rating	A2	Aa3
Yield to Maturity	3.17	2.62
Yield to Worst	2.50	2.62
Years to Maturity	12.58	8.90
Port. Ending Modified Duration	5.40	6.51
Est. Annual Income	106,538	

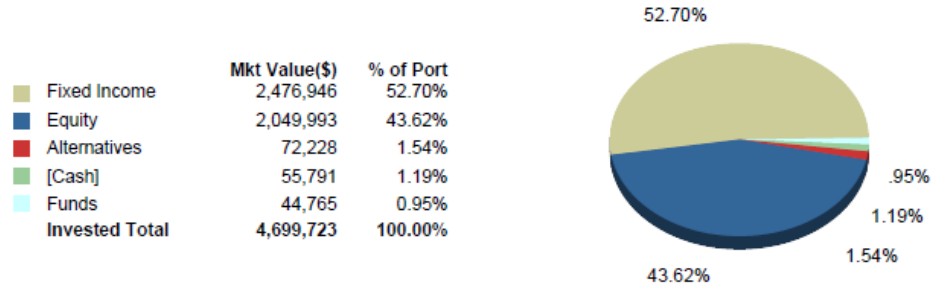


\*Fixed Income data is based on a clean market value unless an accrual factor is uploaded to Factset

# Diversification Analysis

## Overlap and Diminished Diversification Benefit Evaluation

Some portfolio overlap — No specific concentration risks



### Potential Overlap and/or Concentration

	% Weight	Mkt Value(\$)
SEI Tax Exempt Trust - Intermediate-Term M...	36.40	1,690,215
SEI Institutional Managed Trust Tax-Manage...	19.75	917,348
SEI International Equity Fund Class F	9.56	443,886
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### Fund Use/Effect

Overlap and Diminished Diversification Benefit: Owning multiple funds does not always produce the anticipated diversification benefits. Several securities (e.g. MSFT and JNJ) are held directly or through multiple funds.

There is no resulting concentration in the portfolio. The largest equity holding, JNJ, represents just over 1.4%.

Direct and indirect stock holdings in the portfolio total over 4,200 and the fixed income holdings total over 10,200. Adding value over benchmarks is difficult given the extensive number of holdings. Small allocations to various strategies indicate that stock selection is not particularly a strong source of portfolio performance.

# Cost of Ownership Analysis

## Underlying Expenses for Use of Funds

Unseen costs can negatively impact returns

Fund	Ticker	Last Year's Cost of Ownership	Weight
SEI Intermediate-Term Municipal F	SEIMX	0.7%	36.0%
SEI Tax-Managed Large Cap F	TMLCX	1.4%	19.5%
SEI International Equity F	SEITX	1.7%	9.4%
SEI Tax-Advantaged Income F	SEATX	1.1%	8.5%
SEI Core Fixed Income F	TRLVX	1.7%	4.3%
SEI Multi-Asset Accumulation F	SAAAX	1.3%	4.1%
SEI Emerging Markets Debt F	SITEX	1.6%	4.0%
SEI Tax-Managed Small/Mid Cap F	STMSX	5.8%	3.5%
SEI Emerging Markets Equity F	SIEMX	2.7%	1.9%
SEI Large Cap F	SLGAX	1.9%	1.9%
SEI Multi-Asset Inflation Mgd F	SIFAX	1.2%	1.5%
SEI Dynamic Asset Allocation F	SDYAX	0.9%	1.0%
SEI Multi-Asset Income F	SIOAX	1.8%	1.0%
SEI High Yield Bond F	SHYAX	1.0%	1.0%
SEI Multi Strategy Alternatives F	SMSAX	4.3%	0.8%
SEI Small Cap F	SLLAX	5.2%	0.6%
<b>Weight-Adjusted Additional Cost to Portfolio</b>		<b>1.7%</b>	

Source: Personal Fund, Inc.

## Cost of Ownership Analysis

Personalfund.com calculates cost of ownership based on all fees and transaction costs, including the impact of portfolio turnover. Personal Fund only covers open-end mutual funds and ETFs. Other investment vehicles could increase cost.

### Expense Impact:

Funds can add an unnecessary layer of expense, as opposed to direct ownership of securities through separately managed accounts.

In addition to the fees, the clients could run the risk of embedded cap gains that precede their ownership. Securities have significantly appreciated since the markets bottomed in March 2009. As managers rebalance portfolio positions, taxable gains may be realized by the investor.

The analysis is executed independent of any potential tax impacts. We encourage clients to consult with their personal tax consultant for any tax related guidance.

**The projections extrapolate historical costs. These are estimates and should be used only as a starting point.**

# Moving Beyond Mutual Funds

## Average Costs of Mutual Funds

Trading Costs	Total Annual Operating Expenses	Taxes
Including "loads" or brokerage commissions and market impact costs	Management fees, distribution (12b-1) fees, and other expenses, expressed as a percentage of average net assets	Equity funds on average give up 1.4% each year to taxes
Average Trading Costs = 1.4%*	Average Expense Ratio = 1.2%*	Fixed income funds on average give up 2.3% each year to taxes**

## Advantages of the Separately Managed Account structure

**Investor's and Portfolio Manager's Interests Are Aligned:** Separately managed account (SMA) fees are based on the assets in the account and do not carry upfront or back-end commission fees. Portfolio Managers are not paid solely on performance and have the flexibility to manage individual accounts to align with the investor's objectives.

**Individual Ownership Prevents Disruption from Other Investors:** Unlike the case with mutual funds, the investor owns the individual securities and the holdings are not subject to the cash flows of others. In mutual funds, portfolio managers must sell the underlying securities if investors wish to sell out of the fund, which can have a negative impact on remaining fund investors.

**Transparency & Simplicity:** With a SMA, you'll receive regular statements that outline your individual holdings.

**Potential Tax Advantages:** Unlike mutual funds, SMAs have no embedded capital gains. The portfolio managers' priority is to manage the portfolio according to the investor's preferences. This may include managing the portfolio in a way that mitigates tax liability. Other tax benefits include the ability to gift appreciated securities to the charities of your choice and the ability to make tax-related transactions to limit tax liabilities.

**Personalization:** In many instances, SMAs may be tailored to your goals and objectives. The portfolio manager manages the account according to your goals and together with your financial advisor can adjust the strategy if your life situation changes. If there are certain securities or groups of securities you wish to avoid, they can be excluded from your portfolio.

**Portability:** Because you own the securities, you have the flexibility to transfer your assets between financial institutions, without needing to liquidate, or sell, your securities.

## Advantages and Disadvantages: Owning Mutual Funds

For many investors, mutual funds are a convenient way to invest in a diversified group of companies with low investment minimums.

When evaluating whether to invest in a mutual fund, it helps to understand their advantages and disadvantages. Investors should be aware of mutual funds' potential high costs, tax inefficiencies and lack of personalization.

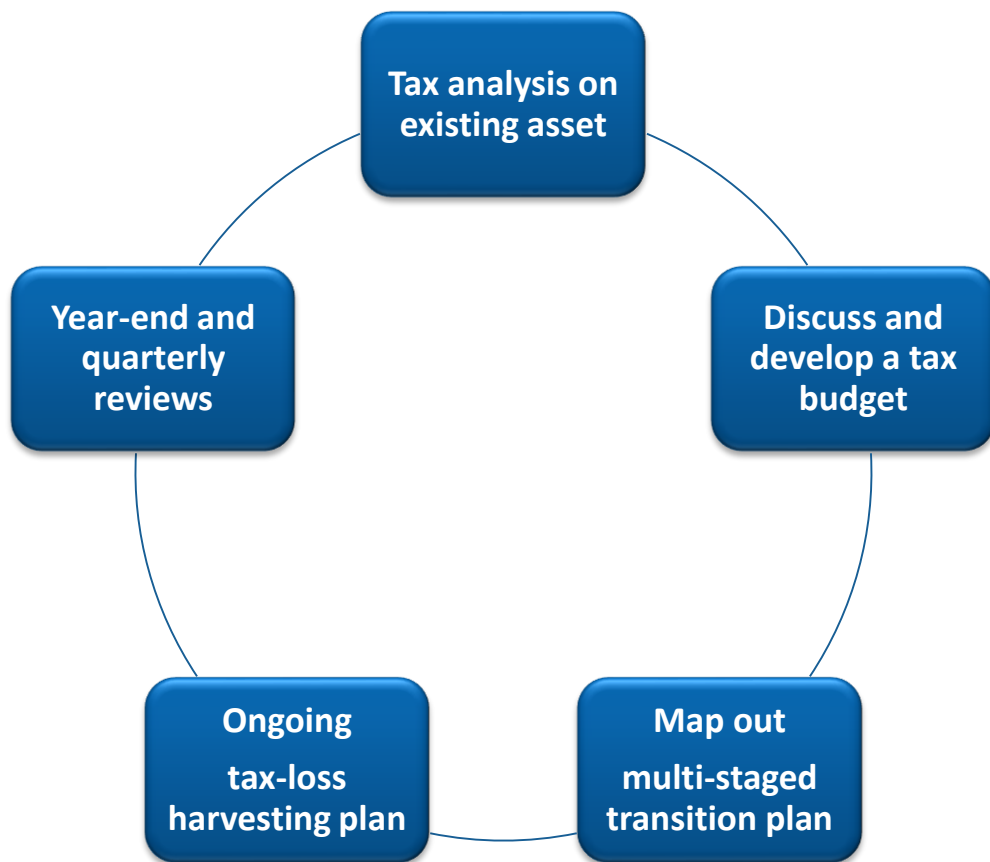
Mutual fund managers are paid based on the performance they generate. This means that considerations such as taxes and capital gains most likely do not factor into their decision making process.

\*Edelen, Roger M., Evans, Richard B. and Kadlec, Gregory B. "Scale Effects in Mutual Fund Performance: The Role of Trading Costs." (March 17, 2007).

\*\*Taxes in the Mutual Fund Industry – 2007, Lipper.



# Importance of Tax Management



- Reducing tax burdens can help improve cash flow, reduce risk and increase the long-term value of the overall portfolio
- Effective tax management strategies can add 0.7 to 2.5% per year in performance

# Tax Transition

## Benefit

Distribute realized gains out over multiple calendar years

Valued Client				Method:	Ticker	Ticker	Ticker
Asset Description	Asset ID	Quantity	Market Value	Unrealized Net G/L	2019	2020	2021
Government Fund (SEOXX)	SEOXX	2,914	\$ 2,914	\$ -	\$ -		
Tax-Managed Small/Mid Cap Fund (STMSX)	STMSX	5,774	\$ 120,324	\$ 2,711	\$ 2,711		
Tax-Advantaged Income Fund (SEATX)	SEATX	27,963	\$ 290,540	\$ 9,811	\$ 9,811		
Emerging Mkts Debt Fund (SITEX)	SITEX	10,938	\$ 107,958	\$ 3,869	\$ 3,869		
Intermediate-Term Muni Fund (SEIMX)	SEIMX	101,971	\$ 1,209,381	\$ 47,145	\$ 47,145		
International Equity Fund (SEITX)	SEITX	24,571	\$ 258,240	\$ 24,735	\$ 24,735		
Emerging Mkts Equity Fund (SIEMX)	SIEMX	4,289	\$ 47,269	\$ 5,550	\$ 5,550		
Tax-Managed Large Cap Fund (TMLCX)	TMLCX	25,497	\$ 681,793	\$ 128,998		\$ 64,499	\$ 64,499
<b>Gains</b>					\$ 93,821	\$ 64,499	\$ 64,499
<b>Proceeds</b>					\$ 2,036,626	\$ 340,896.28	\$ 340,896

## Tax Transition

This approach illustrates how Clark Capital would attempt to maximize the amount of assets immediately managed within a proposed investment, while spreading realized gains out over time. Gain estimates are relevant to incoming securities only and do not reflect gain/loss from regular trading of Clark Capital investment.

In the first year it is possible to target specific tickers for liquidation/incorporation, a percentage of the remaining unrealized gains, or a dollar value. Subsequent years will target identified tickers, unless otherwise indicated. If requesting a percentage of gains, the balance must be realized in Year 3. The approach demonstrated here targets specific tickers for liquidation/ incorporation into our investment models.

Positions that are held are not monitored or evaluated on an ongoing basis. They would be liquidated or incorporated early in the given year. If there is a desire to liquidate ahead of schedule, client direction would be required.

Gain/loss estimates are based on cost basis data provided to Clark Capital. Actual gains/loss at time of liquidation will vary.

Securities listed within a given year will either be liquidated or incorporated into the Clark Capital investment strategy.

# Disclaimer

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