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Senior Portfolio Manager

Tony serves as a portfolio manager in the Premier Portfolios group and is a member of the Clark Capital Investment Committee. He has over 25 years of portfolio management experience utilizing both a quantitative and fundamental process. From 1997 to 2013 Tony was the President and Chief Investment Officer of Global Capital Management which he founded. He was cited as a Top Guns Manager in 2006 and 2007 and was named Manager of the Decade in 2011 by PSN. From 1986 through 1997, Tony was Director of Portfolio Management at RTE Asset Management where he was responsible for portfolio management across all asset classes. Tony is a graduate of the Wharton School of the University of Pennsylvania and holds the CFA designation.

TRAFFIC JAMS

Gaper's Delay

No, I am not talking about the recent traffic jam caused by geese crossing Philadelphia's Schuylkill Expressway, but rather the rubbernecking associated with Greece crossing the Germans. In no way, am I professing to have forecast the contractual resolution of the most recent Greek crisis. Instead, I am arguing that due to the relative size of either the Greek economy or its debt outstanding to European or global GDP, the likely outcomes were not going to cause a meaningful change in the net present value of future cash flows for the vast majority of companies in our portfolios. Nearly resolved, in our view traffic should now flow normally as investors re-focus on future inflation, interest rates, earnings growth and relative prices. Speaking of normal, U.S. near-term economic growth expectations are locked in at a tame 2 to 3% growth rate. Moreover, non-threatening wage growth is just 2% despite joblessness at the lowest level in seven years at 5.3%.¹ A low labor participation rate must be the culprit. Now, at the lowest rate since October 1977, low labor participation acts as a pent-up supply ceiling to wage growth. It's a little bit of a catch-22. Higher wages would likely seduce more workers into the workforce, yet the excess supply of ready participants acts as a lid to those higher prices.

Executive Summary

Near-Term U.S. economic growth expectations stand at a modest 2-3%, likely due to low labor participation.

The Fed remains eager to normalize monetary policy, yet has not taken steps to re-enter a normal interest rate environment.

All in all, the second quarter was boring and an opportune time to shine as an active equity manager.

Traffic Lights and Stop Signs

In their public comments, U.S. Fed policy makers remain eagerly poised to "normalize" monetary policy by raising short term-interest rates from their current negative real rate to the typical neutral or positive real rate history. By removing traffic lights and stop signs, motorist speed surely accelerated. Asset prices generally rose, most leveraged balance sheets were healed and investors were encouraged to invest. During the credit crisis of 2008 to 2009, this strategy worked famously. Strangely, the Fed has been very slow (read reluctant) to normalize (read tighten) policy. It took five years of rising equity prices before the Fed first began tapering the size of the Quantitative Easing it initiated in 2009. Now five years into the economic recovery – with unemployment at a cyclical low and little signs of recession on the horizon – the Fed should be ready to take the next step. Dual mandate accomplished – full employment and contained inflation! Does the Fed have a fear of failure or a fear of change? In either case, I think normalization is safer and will ultimately cause fewer accidents. Like stop signs and traffic lights, a normal interest rate environment (short rates in excess of the inflation rate)

1. Bureau of Labor Statistics.

Past performance is not indicative of future results.

This is not a recommendation to buy or sell a particular security. Please see attached disclosures.

Second Quarter 2015 — Portfolio Commentary

causes investors to pause and consider the risk of reckless investing. Normalizing policy sooner rather than later, in our opinion, will slowly reduce the size of the Fed's balance sheet, enhance growth and provide more flexibility for future monetary expansionary policies. Or, maybe I am wrong – the Fed can have a balance sheet of infinite size for an infinite period.

Cattle Chute

Confined to just one lane, broad-based measures of U.S. equity returns were between plus and minus 1% for the second quarter of 2015. Regardless of size, equity performance remained within a 2% cattle chute. Mixed economic news throughout the quarter – ie, strong housing offset weak personal spending and retail sales, steady 2% wage inflation and less volatile energy prices all served to provide little incentive for big moves here. Even international equity indices like the EAFE and All Country ex-U.S. Index were little changed for the quarter – despite a bear market decline in China. The data dependent Fed policy would thus be little changed and there were no material measures in fiscal or tax policy to create overall volatility. All in all, the second quarter was boring and an opportune time to shine as an active equity manager.

Despite China Exposure, International/ADR Gains

The Navigator ADR/International Equity strategy gained approximately +1.21% gross (+0.45% net) for the second quarter ending June 30, 2015, outpacing both the EAFE (+0.62%) and the broader MSCI All Country World ex-U.S. Index (+0.53%). For the past two years, this strategy has gained +16.88% annualized gross (+13.46% net) or 9% per year ahead of the broad market benchmark. Despite our overweighting in China, the strategy performed well against broad-based benchmarks. Performance was harmed by the decline in Hong Kong Apparel Manufacturer Michael Kors, Argentinean bank Grupo Financiero Galicia and Telecom Argentina which all fell approximately 15% for the quarter. Much of our outperformance for the quarter came from our overweighting in technology. This was highlighted by gains in software firm Globant, payment processor Net 1 UEPS and Chinese online gaming and dating firm NetEase. We remain significantly overweight Ireland, China and Canada and underweight European Countries and Australia versus the benchmark. While I have the utmost confidence in this strategy to provide excess returns over a market cycle by investing in high quality, undervalued foreign businesses with improving business prospects, I do not anticipate the magnitude of our relative two year performance to persist. Although our investment process naturally reduces its allocation to deteriorating sectors and industries, we will almost always have some positions in large economic sectors. Thus, at a minimum, we will suffer some decline when those groups experience large losses. The value characteristics of the ADR strategy remain far more compelling than both its U.S. and international benchmarks as the current P/E of 13.6 is far less than that of the S&P 500 (17.8) and EAFE (16.3) with similar quality and business growth characteristics.

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Returns are presented gross of investment advisory fees and include the reinvestment of all income. Gross returns will be reduced by investment advisory fees and other expenses that may be incurred in the management of the account. For example, a 0.50% annual fee deducted quarterly (.125%) from an account with a ten year annualized growth rate of 5% will produce a net result of 4.4%. Actual performance results will vary from this example. The Firm's policies for valuing portfolios, calculating performance, and preparing compliant presentations are available upon request.

Net returns are shown net of 3%, the highest fee that could potentially be charged including investment advisory fees, trading, custody, investment advisory fees and any other expenses that may be incurred in the management of the account. Actual performance results will vary from this example. The Firm's policies for valuing portfolios, calculating performance, and preparing compliant presentations are available upon request.

The S&P 500 measures the performance of the 500 leading companies in leading industries of the U.S. economy, capturing 75% of U.S. equities.

The S&P SmallCap 600 measures the small cap segment of the U.S. equity market. The index is designed to be an investable portfolio of companies that meet specific inclusion criteria to ensure that they are liquid and financially viable.

The Russell 2000 Index measures the performance of the 2000 smallest U.S. companies based on total market capitalization in the Russell 3000, which represents approximately 11% of Russell 3000 total market capitalization.

The Dow Jones Industrial Average is a stock market index that shows how 30 large publicly owned companies based in the U.S. have traded during a standard trading session in the stock market.

The MSCI EAFE Index is a free float-adjusted market capitalization index that is designed to measure the equity market performers of developed markets outside the U.S. and Canada.

The MSCI Emerging Markets Index is a free float adjusted market capitalization index that is designed to measure equity market performance in the global emerging markets.

There is no assurance that any securities, sectors or industries discussed herein will be included in or excluded from an account's portfolio. It should not be assumed that any of the securities transactions, holdings or sectors discussed were or will prove to be profitable, or that the investment recommenda-

tion or decisions we make in the future will be profitable or equal to the investment performance of the securities discussed herein. All recommendations from the last 12 months are available upon request.

The Russell 3000® Index measures the performance of the 3,000 largest U.S. companies based on total market capitalization, which represents approximately 98% of the investable U.S. equity market.

The CBOE Volatility Index (VIX) is a forward looking index of market risk which shows expectation of volatility over the coming 30 days.

The volatility (beta) of a client's portfolio may be greater or less than its respective benchmark. It is not possible to invest in these indices.

Barclays U.S. Government/Credit Bond Index measures the performance of U.S. dollar denominated U.S. Treasuries, government-related and investment grade U.S. corporate securities that have a remaining maturity of greater than one year.

The Barclays U.S. Aggregate Bond Index covers the U.S. investment-grade fixed-rate bond market, including government and credit securities, agency mortgage pass-through securities, asset-backed securities and commercial mortgage-based securities. To qualify for inclusion, a bond or security must have at least one year to final maturity and be rated investment grade Baa3 or better, dollar denominated, non-convertible, fixed rate and publicly issued.

The B of A Merrill Lynch U.S. High Yield Index tracks the performance of below investment grade U.S. dollar-denominated corporate bonds publicly issued in the U.S. domestic market.

The Barclays 7-10 Year Treasury Index tracks the investment results of an index comprised of the U.S. Treasury bonds with remaining maturities between seven and ten years.

The Barclays 20+ Year Treasury Index tracks the investment results of an index comprised of the U.S. Treasury bonds with remaining maturities greater than twenty years.

The Barclays Long-Term Year Treasury Index tracks the performance of the long-term U.S. government bond market.

The Barclays U.S. Corporate High-Yield Index covers the U.S. dollar-denominated, non-investment grade, fixed-rate, taxable corporate bond market. Securities are classified as high-yield if the middle rating of Moody's, Fitch, and S&P is Ba1/BB+/BB+ or below.

The Barclays U.S. Treasury Bond Index is an issuances-weighted index measuring the performance of the U.S. Treasury bond market, one of the largest and most liquid government bond markets in the world.

Index returns include the reinvestment of income and dividends. The returns for these unmanaged indexes do not include any transaction costs, management fees or other costs. It is not possible to make an investment directly in any index.

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