ClarkCapital MANAGEMENT GROUP

Commentary

# Navigator® Market Update


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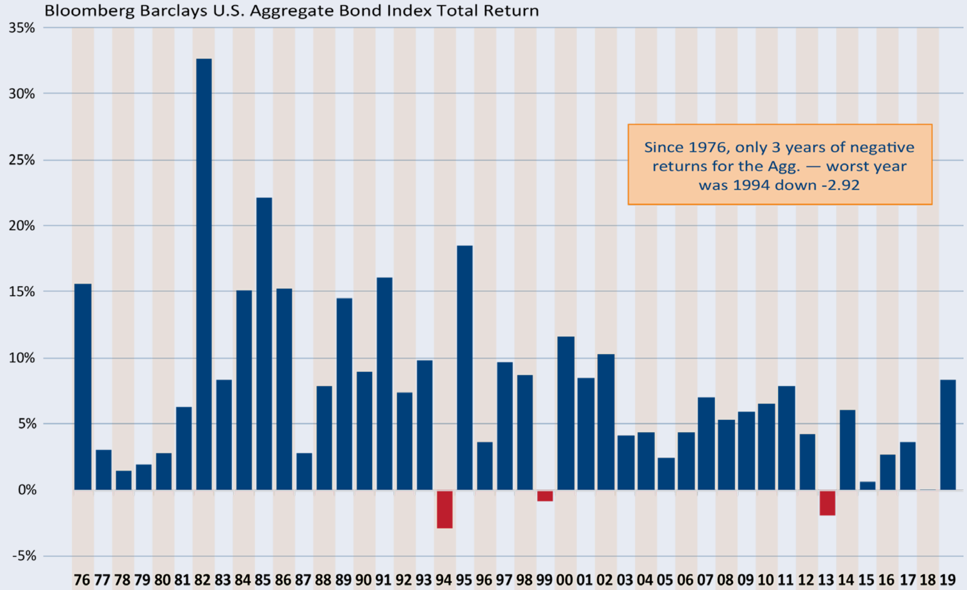
## The Bond Blues

Investors turn to bonds to provide stable cash flow and offset the volatility of stocks. Bonds are viewed as investors' safe money, and with good reason. The graph below shows that since the inception of the Bloomberg Barclays U.S. Aggregate Bond Index in 1976, there have only been 3 calendar years in which the Index had a negative total return—the worst of which was in 1994, which experienced a negative return of -2.92%.

The beauty of owning individual bonds is that if they are held to maturity and the issuer doesn't default, one can determine the cashflow each bond will generate down to the penny and sleep better at night knowing that their return should be positive.

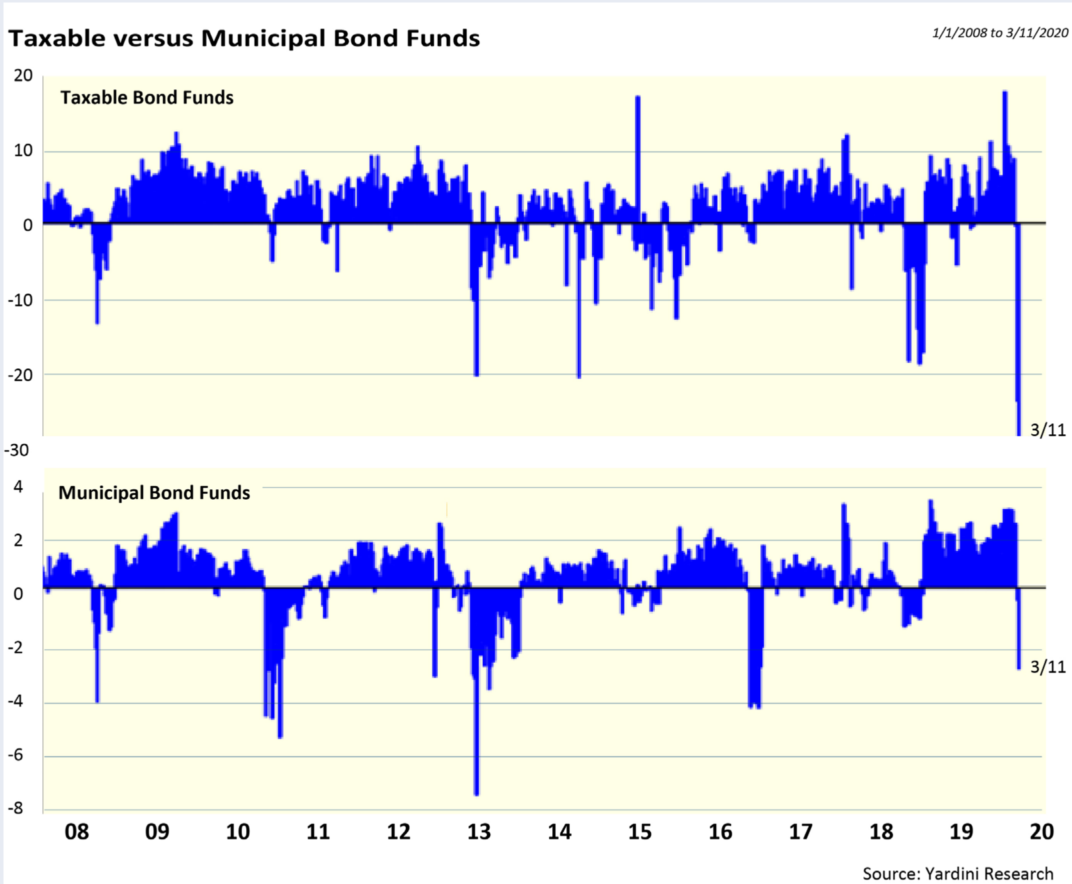
**A Bond Bear Market Is Not Like a Stock Bear Market**
Bloomberg Barclays U.S. Aggregate Bond Index Total Return

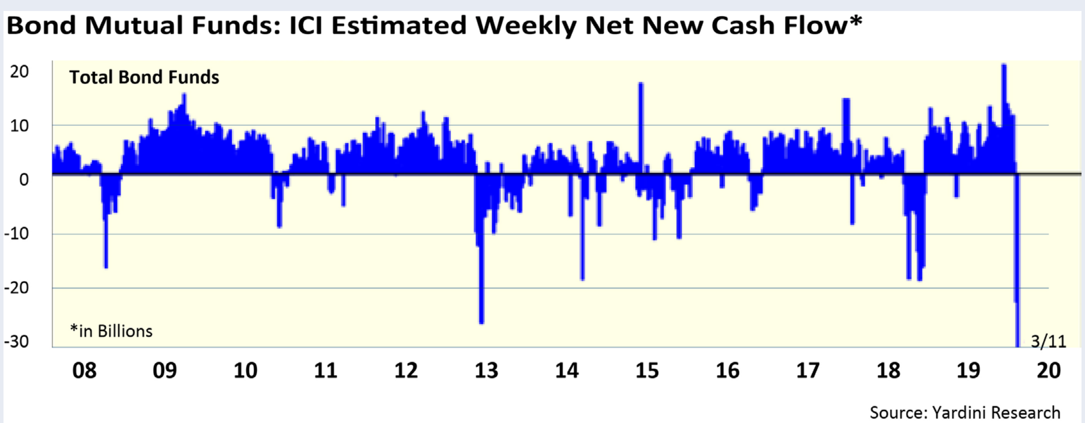



*Source: Bloomberg*

This doesn't mean that there haven't been periods of time when bonds have struggled—there certainly have been. During times of panic, bonds can be scary, too. Fundamental shifts like a rise in interest rates or the deterioration of an issuer's credit profile can cause bonds to decline in value. Sometimes, bonds can decline in value when investors panic and redeem their fixed income mutual funds. When this happens, fund managers are forced to sell. As the following graphs indicate, there has been a great deal of involuntary selling being done by mutual fund managers.

*Past performance is not indicative of future results.*
*This is not a recommendation to buy or sell a particular security. Please see attached disclosures.*




We believe the current dislocations in the bond market, which have been brought about by mutual fund selling, create opportunities for active managers like Clark Capital, who own individual bonds. Similar opportunities were created in the panic selling during the energy driven sell-off in corporate bonds in 2015 and early 2016, after the election in 2016, and in the fourth quarter of 2018.

In our opinion, investment grade corporate bonds and high-quality municipal bonds have been sold in order to calm panicked investors' frayed nerves. In essence, investors have thrown the baby out with the bath water, and as an active manager, we have the opportunity to be there to catch it.

A sell-off in the fixed income markets or a rise in rates may lower the account value for the individual bond holder. However, if held to maturity, and the issuer does not default, the bonds mature at par value.

We believe an actively managed, individual bond portfolio may offer important benefits during temporary dislocations in the marketplace, allowing managers to opportunistically buy attractively priced bonds. As always, we believe the best way for investors to achieve their financial goals is by sticking to their long-term investment plan and not letting swings in the market steer them off course.