Clark Capital
MANAGEMENT GROUP

Navigator® High Dividend Equity

A discussion with Maira F. Thompson, Senior Portfolio Manager

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Senior Portfolio Manager

Maira is responsible for management of High Dividend Equity and Diversified Equity portfolios in the Premier Portfolios group and is a member of the Clark Capital Investment Committee. Her more than thirty years of investment experience included the position of Vice President and head of the Philadelphia Investment Group for Meridian Asset Management. After Delaware Trust became part of Meridian, Maira managed their Trust Investment Group in Wilmington, Delaware. In the 1980s Maira managed assets for high net worth clients and co-managed a small cap fund for Fidelity Bank in Philadelphia. She began her career as a trader with Prudential Bache Securities and a licensed broker for Legg Mason Wood Walker. Maira is a graduate of Ohio Wesleyan University and undertook additional studies in economics at the London School of Economics. She joined Clark Capital in 1997.

What is the goal of the strategy?

Navigator High Dividend Equity is a conservative total return equity strategy focusing on companies with sustainable dividend policies and strong fundamentals for capital appreciation.

The portfolio is a core conservative growth portfolio with above average dividend yield and below average volatility. The goal is to provide the client with consistent dividend income and capital appreciation.

What is CCMG's investment approach to the equity market in the High Dividend Equity portfolio?

The strategy utilizes a "bottom up" fundamental investment approach which emphasizes consistent growth of earnings as well as dividend growth. We believe it is prudent to focus on earnings and dividend growth through fundamental analysis and the ability of a company to maintain their stated competitive advantage.

On average, we hold 45 to 60 stock positions and seek out companies with higher yield and lower beta than the S&P 500. If corporate earnings, dividends and/or competitive advantage substantially deteriorate, we would look to trim or sell the position.

How is the portfolio diversified?

On average, the portfolio is usually invested in at least eight of the ten S&P 500 market sectors. There may be certain market conditions which cause us to overweight or underweight certain sectors for a period of time.

The strategy can invest up to 15% in publicly traded REITS, preferred stock, limited partnerships or master limited partnerships by way of exchange traded funds (ETFs). These vehicles are sometimes used in an effort to increase the overall yield as well as possibly lower the overall volatility.

Where does this portfolio fit in a diversified asset allocation?

The portfolio is a core conservative growth portfolio with above average cash flow. It is appropriate for equity investors to utilize this portfolio as one of the core equity portfolios and then utilize more aggressive growth strategies such as small cap or international to increase the beta of the overall client holdings.

Can the portfolio be customized?

Yes. Portfolios can be customized to satisfy the client's unique requirements and goals, income needs and individual tax requirements.

Legacy concentrated equity positions can be transitioned into the portfolio over time to help mitigate tax consequences.

Covered call writing strategies can be utilized in an effort to increase portfolio total return and provide a cushion from downside movement in the portfolio.

Hedging can be incorporated in an effort to lower overall portfolio volatility and to ensure that potential losses in a portfolio are constrained to acceptable levels.

How could rising interest rates affect the portfolio?

Historically rising interest rates have often signaled economic growth. Companies that sustainably grow their earnings as well as dividends are an attractive long term alternative. The portfolio focuses on companies that we believe have the ability to grow earnings as well as their dividend to achieve superior returns with above average cash flow.

Why is the strategy appropriate for today's climate?

Since the 1930s, dividends represented over 40% of the total S&P 500 Index return. We feel that dividend yielding stocks with the potential for capital appreciation can provide opportunities in all market environments. Dividend paying stocks offer periodic cash flow, which may mitigate the impact of capital losses.

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