



ClarkCapital
MANAGEMENT GROUP

PREMIER SOLUTIONS

Navigator® Tax-Free Fixed Income

A discussion with Sean Clark, CIO of Clark Capital Management Group, Inc.



K. Sean Clark, CFA
Chief Investment Officer

As Clark Capital's Chief Investment Officer, Sean oversees all of the Firm's investment activities and heads the Firm's portfolio team. Sean joined the Firm in 1993 and is responsible for asset allocation and investment selection for Navigator Investment Solutions as well as directing ongoing market research and contributing to the development of proprietary products. Sean is a member of the Clark Capital Management Committee and the Board of Directors. He graduated from the University of Delaware, earning a B.S. and an M.A. in Economics. Sean is a Chartered Financial Analyst and a member of the CFA Institute (formerly AIMR) and the Financial Analysts of Philadelphia, Inc. Sean is considered an industry expert and is often asked to appear on CNBC and Bloomberg television to share his views on the market. In addition, Sean was featured in an article in Barron's and has been quoted in a number of articles in nationally distributed business journals and newspapers.

What is Clark Capital's approach to the fixed income markets in the Tax-Free Fixed Income strategy?

The strategy's approach begins with fundamental, technical and quantitative analysis of the interest rate environment. Portfolio construction then follows a "bottom up" approach, as the individual security characteristics are the dominant factor in the selection process. Attractive opportunities in the current economic and market environment are actively sought.

What fixed income sectors are in the portfolio's investable universe?

We screen the following fixed income sectors and their underlying issues for potential inclusion in the strategy: general obligation bonds, essential service revenue bonds (i.e., water, sewer authorities), revenue bonds (i.e., turnpike, toll road, airport, hospital, sales tax bonds), tobacco bonds, pre-refunded and escrowed bonds.

What is the targeted duration and credit quality of the portfolio?

We target a duration of four to six years to maturity, depending on the fixed income environment. It has been our experience that intermediate duration bonds generally exhibit relative stability in all phases of the interest rate cycle. We target a credit quality of A or better. Tobacco bonds, which represent less than 1% of our entire holdings, must be rated B or better.

What is the objective of the strategy?

The strategy seeks to evaluate pricing inefficiencies created by bond market investors and their changing expectations and deliver value to clients. It seeks to provide excess returns through sector and security selection. The overall objective is to build the optimal portfolio throughout market cycles.

What will happen to the portfolio if interest rates begin to rise?

Individual bond holdings may lose value as a result of changes in interest rates; however, we seek to invest in issues that will retain par value and continue to make coupon payments until maturity. In our view, this strategy is appropriate for a client seeking income with below average risk. Intermediate maturities are selected in an effort to provide attractive yields at a lower level of risk than longer-term securities.

Why is the strategy appropriate in today's climate?

We see many advantages to holding a separate account comprised of individual bonds, particularly in a rising rate environment. Individual bonds offer regular fixed payments. Unless there is a default, and current default rates are close to historical lows, the investor's principal will be returned incrementally when each bond matures. We believe the strategy's flexibility and active management may add value in today's low interest rate environment and also add value in the future's potentially rising rate environment.

Where does this portfolio fit in a diversified asset allocation?

Premier fixed income is a core fixed income holding, designed to deliver income with below average risk. Premier fixed income portfolios may be appropriate for a taxable allocation or for a tax free allocation for a conservative investor seeking income.

Can the portfolio target a specific income requirement for clients?

Yes. The portfolio may be personalized in an effort to meet a client's income need, time horizon and risk tolerance.

What is the portfolio's exposure to risk?

The Tax-Free Fixed Income strategy is based on the conviction that fundamental analysis provides greater value than speculating through interest rate forecasting. We believe this neutralizes interest rate risk and credit risk, allowing the portfolio management team to focus on identifying yield curve inefficiencies and undervalued maturities.

Past performance is not indicative of future results. This material is not financial advice or an offer to sell any product. The relative strength measure is based on historical information and should not be considered a guaranteed prediction of market activity. It is one of many indicators that may be used to analyze market data for investing purposes. The relative strength measure has certain limitations such as the calculation results being impacted by an extreme change in a security price. Not every client's account will have these exact characteristics. The actual characteristics with respect to any particular client account will vary based on a number of factors including but not limited to: (i) the size of the account; (ii) investment restrictions applicable to the account, if any; and (iii) market exigencies at the time of investment.

Clark Capital Management Group, Inc. reserves the right to modify its current investment strategies and techniques based on changing market dynamics or client needs. The information provided in this report should not be considered a recommendation to purchase or sell any particular security, sector or industry. 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 investment recommendations or decisions we make in the future will be profitable or will equal the investment performance of the securities discussed herein.

Clark Capital Management Group, Inc. is an investment adviser registered with the U.S. Securities and Exchange Commission. Registration does not imply a certain level of skill or training. More information about Clark Capital's advisory services can be found in its Form ADV which is available upon request.