ClarkCapital MANAGEMENT GROUP

NavigatorInsights

Navigating a Rising Rate Environment

K. Sean Clark, CFA
Chief Investment Officer

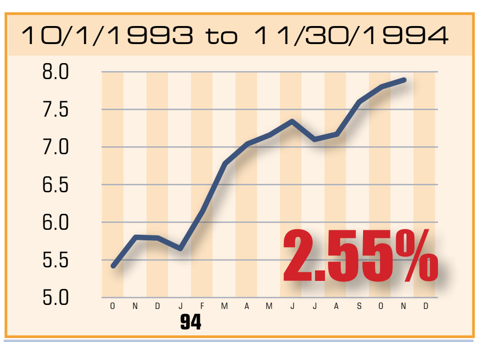
As Clark Capital's Chief Investment Officer, Sean oversees all of the Firm's investment activities and heads the Firm's portfolio team. Sean joined the Firm in 1993 and is responsible for asset allocation and investment selection for Navigator Investment Solutions as well as directing ongoing market 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.

*Source: Morningstar Direct

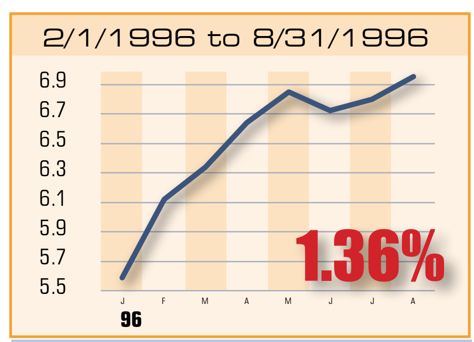
Despite record low interest rates and the S&P up over 120% since the 2009 lows investors have continued to pile into bonds. According to Morningstar, an estimated $911B has flowed into taxable bond funds since 2009 while at the same time $240B has left U.S. equity funds. Consequently, chatter about the impending bursting of the bond bubble has reached a crescendo. In addition to the bursting of the bond bubble talk is the fear of the "great rotation" out of fixed income and into equities.

We believe that the fixed income markets are at an inflection point where treasury yields stop going down and risk of rising interest rates becomes a possibility. In other words we don't think the bubble will burst but rather have a slow leak. The below charts offer a historical perspective of the effects of a modest rise in interest rates on high quality bonds. Each of the six time periods* reflect the performance of fixed income sectors when the 10 year treasury yield rose by more than 1% over the last 30 years.

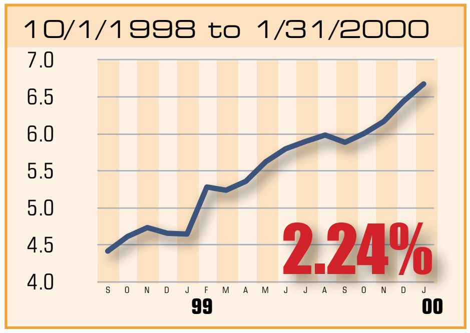
For many investors, abandoning fixed income is not an option. For these investors the high yield fixed income sector may have mitigated some of the interest rate risk.



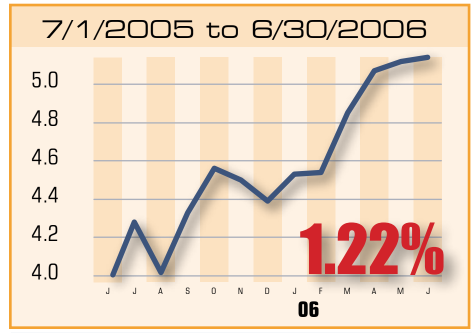
Barclays U.S. Corporate High Yield	**1.97**
Barclays U.S. Treasury 30Yr	-15.78
Barclays U.S. Treasury 10Yr	-10.17
Barclays U.S. Treasury 5 Yr	-4.78
S&P 500 TR	2.15



Barclays U.S. Corporate High Yield	**3.25**
Barclays U.S. Treasury 30Yr	-10.80
Barclays U.S. Treasury 10Yr	-5.82
Barclays U.S. Treasury 5 Yr	-2.68
S&P 500 TR	3.92

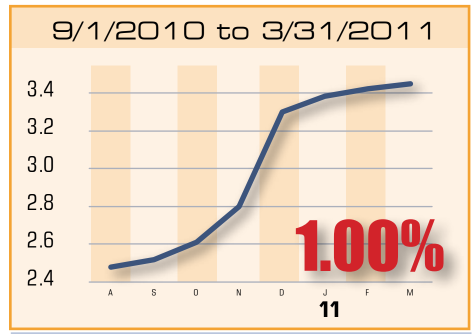


Barclays U.S. Corporate High Yield	**4.12**
Barclays U.S. Treasury 30Yr	-15.69
Barclays U.S. Treasury 10Yr	-10.18
Barclays U.S. Treasury 5 Yr	-3.73
S&P 500 TR	39.44



Barclays U.S. Corporate High Yield	**4.80**
Barclays U.S. Treasury 30Yr	-11.18
Barclays U.S. Treasury 10Yr	-5.78
Barclays U.S. Treasury 5 Yr	-2.45
S&P 500 TR	8.63

Barclays U.S. Corporate High Yield	**58.21**
Barclays U.S. Treasury 30Yr	-25.88
Barclays U.S. Treasury 10Yr	-9.76
Barclays U.S. Treasury 5 Yr	-1.35
S&P 500 TR	26.46



Barclays U.S. Corporate High Yield	**10.46**
Barclays U.S. Treasury 30Yr	-13.55
Barclays U.S. Treasury 10Yr	-6.04
Barclays U.S. Treasury 5 Yr	-2.17
S&P 500 TR	27.78

*Source: Morningstar Direct

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