Clark Capital MANAGEMENT GROUP

NavigatorInsights

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.

Average Returns ≠ Compound Returns

Volatility of return has an important, perhaps overlooked, effect on the returns investors actually earn. The chart below illustrates the return of the S&P 500 for a 15 year period. During this period, the S&P 500 had a cumulative return of 92.82%. However, the question is how many investors stayed invested for that whole period and achieved that return? Money flow data from Morningstar as well as the Dalbar studies indicate that investors were fooled again and again during this time period. We believe that the culprit causing investors to bail out of the market is volatility. Volatility and the emotions associated with it stands between us, as investors, and our desired financial goals.

In addition, investors all too often focus on average returns of an investment. However, investors do not receive the average return; rather they receive the compounded result of the return stream. In other words, average return does not equal compounded returns. The difference between the average and the compounded returns is volatility. The greater the volatility – the greater the difference between the two.

This concept is illustrated in the chart below. The S&P 500 had an average return of 6.33% for this 15 year period. However, investors only realized a compounded return of 4.47%. This difference has large implications for investors. If an investor had (hypothetically) received a 6.33% compounded return, the cumulative return on their investment would have been 151.09% compared to the actual return of 92.82%.

Therefore it is easy to see how volatility is potentially one of the, if not the biggest, impediments to investors realizing their goals and dreams. We recognize that successful investing requires taking some risk and volatility cannot be eliminated entirely. We believe that investors should adopt a low volatility equity strategy that seeks to minimize this risk.

Source: Morningstar Direct; All returns include the reinvestment of dividends

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