

Portfolio Perspectives

Navigating Rising Rates in a Complex Bond Market

We believe the fixed income markets are approaching a period of rising rates. As we've stated in the past, we envision a "slow leak" scenario rather than a bursting bubble. We think it's a matter of "when" rather than "if."

The table below shows each of the four rising rate periods of 100 bps or more since the inception of Clark Capital's Navigator® Fixed Income Total Return strategy in January of 2005.

We feel these are three key takeaways:

- High yield bonds may offer a better risk/return profile than Treasuries in a rising rate environment.
- A manager's stability and ability to provide consistent returns is a vital factor when making an allocation decision.
- Protecting principle via the flexibility to move to cash is necessary when navigating a rising rate environment.

| Name | 7/1/2005 to 6/30/2006 | 1/1/2009 to 12/31/2009 | 9/1/2010 to 3/31/2011 | 8/1/2012 to 12/31/2013 |
|--|-----------------------------|------------------------------|-----------------------------|------------------------------|
| Navigator Fixed Income Total Return (Pure Gross) | 4.28% | 41.33% | 12.11% | 6.69% |
| Navigator Fixed Income Total Return (Net 3.00%) | 1.21% | 37.26% | 10.19% | 3.55% |
| Barclays U.S. Treasury 10 Year | -5.78% | -9.76% | -6.04% | -6.21% |
| Barclays U.S. Corporate High Yield | 4.80% | 58.21% | 10.46% | 9.58% |
| PIMCO Total Return Admin | -1.07% | 13.55% | 0.80% | 0.18% |
| Eaton Vance Multi-Strategy Absolute Ret A | 4.38% | 33.14% | 2.95% | -0.31% |
| MainStay Unconstrained Bond I | 1.78% | 27.77% | 5.82% | 7.11% |
| AllianceBernstein Unconstrained Bond I | 4.02% | 19.61% | 2.96% | 1.56% |
| BlackRock Strategic Income Opps Instl | N/A | 25.23% | 2.97% | 5.21% |
| JPMorgan Strategic Income Opps A | N/A | 18.68% | 4.84% | 4.31% |

Source: Morningstar Direct

Performance of fixed income sectors is shown above for the time periods when the 10-year Treasury yield rose by more than 1%. For many investors, abandoning fixed income is NOT an option. For these investors, the high yield sector and the individual performance of a seasoned investment manager may help mitigate interest rate risk.

When choosing an active fixed income solution, it's important to consider the philosophy, methodology, and consistency of the manager.

Navigate the Future of Fixed Income

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