Clark Capital MANAGEMENT GROUP

Taking a Tactical Approach

Why Consider a Tactical Approach?

Because high yields are correlated to the equity markets, they may help mitigate interest rate risk in a rising rate environment.

High yield bonds and Treasuries are negatively correlated.

Source: Morningstar Direct; 12/31/2006 to 12/31/2016

In a Changing Interest Rate Environment, Focus on Flexibility

For over 30 years, the fixed income markets have been in a declining or low interest rate environment. In a rising rate environment, high yields may offer investors the ability to generate positive total returns.

The table below shows each of the rising rate periods of 100 bps or more since 1993.

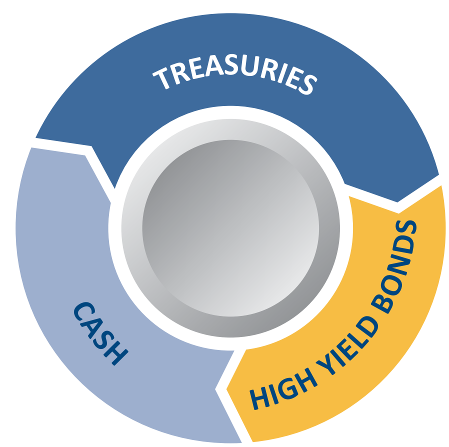
In each of those periods, high yield bonds had positive returns.

Rising Rate Periods	10-Year Treasury Rate Increase	Barclays 10-Year U.S. Treasuries	Barclays U.S. Corporate High Yield
07/05/2016 to 11/25/2016	1.00%	-7.26%	4.76%
08/01/2012 to 12/31/2013	1.50%	-6.21%	9.58%
09/01/2010 to 03/31/2011	1.00%	-6.04%	10.46%
01/01/2009 to 12/31/2009	1.65%	-9.76%	58.21%
07/01/2005 to 06/30/2006	1.22%	-5.78%	4.80%
10/01/1998 to 01/31/2000	2.24%	-10.18%	4.12%
02/01/1996 to 08/31/1996	1.36%	-5.82%	3.25%
10/01/1993 to 11/30/1994	2.55%	-10.17%	1.97%

Source: Morningstar Direct

Takeaways

- High yield bonds may offer a better risk/return profile than Treasuries in a rising rate environment.
- The ability to rotate one's investment allocation between high yields, Treasuries, and safer short-term asset classes like cash may help investors navigate challenges in the fixed income markets.



To learn more about taking a tactical approach to fixed income, please call 800.766.2264 and ask to speak to a Relationship Manager.