



**ClarkCapital**  
MANAGEMENT GROUP

PREMIER SOLUTIONS

## Navigator® Taxable 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 Taxable Fixed Income strategy?**

The strategy employs a "bottom up" investment approach on the premise that individual security characteristics should be the dominant factor in the bond selection process.

### **What is the objective of the strategy?**

The objective is to use active management in order to exploit undervalued opportunities and to seek to provide superior returns through sector and security selection.

### **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, they will retain par value and continue to make coupon payments until maturity. 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.

### **What fixed income sectors are utilized in the portfolio?**

We screen the following fixed income sectors and their underlying issues for potential inclusion in the strategy: treasury bonds and agency bonds, mortgage backed securities, taxable municipal securities, investment grade corporate bonds, and high yield corporate bonds. We may also incorporate fixed income ETFs to manage the cash in the portfolio.

### **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. Our credit quality target zone is a range between BB to AAA. We use S&P and Moody's to evaluate bonds from an investment banker standpoint. In addition, we subscribe to Egan Jones, an independent rating service that provides ratings from an investor's point of view. We may have some exposure to B credits if Egan Jones has a rating differential from Standard and Poor's and Moody's.

### **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 Taxable Fixed Income is a core fixed income holding, designed to deliver income with below average risk.

### **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 Taxable 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.

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