



Portfolio Commentary

Navigator® All Cap Core U.S. Equity

Portfolio Manager



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Top Contributors as of December 31, 2020

Company Name	Avg. Weight (%)	Contribution to Return (%)
Morgan Stanley	2.32	0.91
Applied Materials, Inc.	2.05	0.90
Lam Research Corporation	2.06	0.86

Top Detractors as of December 31, 2020

Company Name	Avg. Weight (%)	Contribution to Return (%)
Regeneron Pharmaceuticals, Inc.	1.72	-0.28
Amgen Inc.	0.49	-0.23
Emergent BioSolutions Inc.	1.26	-0.21

Source: Factset. For illustrative purposes only. Past performance does not guarantee future results. The holdings identified do not represent all of the securities purchased, sold or recommended for advisory clients. In the chart above, "weight" is the average percentage weight of the holding during the period, and "contribution" is the contribution to overall performance during the period. To obtain the calculation methodology and a list showing every holding's contribution to the overall composite during the period, contact: PortfolioAnalytics@ccmg.com.

Bitcoin Vigilantes

Market Review

Anticipating strong economic and earnings gains in 2021 after the COVID inspired recession in 2020, broad stock indices continued their hefty rally in 2020's fourth quarter. We believe resolved political, economic, tax and virus uncertainties inspired investors to the riskier, cyclical and ignored parts of the market like small-caps (Russell 2000 up 31%) and value (Russell Large Value 16.2%).

From the March 23rd, 2020 lows to January 8th, the S&P 500 and NASDAQ are up 70.9% and 92.4%, respectively, reaching record highs. Historically, increased visibility/less uncertainty has provided fuel to markets as it is easier to make business decisions and model cash flows.

To this end, moderate Democrat Joe Biden has begun his peaceful transition to the White House and will lead a unified Democratic Congress, likely leading to additional fiscal stimulus, a greater push towards green infrastructure/energy, and potentially higher taxes.

Moderna and Pfizer COVID-19 vaccines (both with over 90% efficacy per Phase 3 results) began administration in December and bode well for a return to normalcy. Finally, monetary policy also appears clear as Fed Chairman Powell has offered no indication of reversing the current stimulative approach to fulfill the Fed's full employment mandate. Taken together, vaccine administration, increased mobility, strong economic fundamentals, earnings, employment gains and stimulative fiscal and monetary policy should provide a solid foundation for equity investors.

Fourth Quarter Performance Highlights

- For the fourth quarter of 2020, the Navigator® All Cap strategy had a return of 14.52% (13.70% net) vs. a 14.68% gain in the Russell 3000 Index.
- For the five years ending December 2020, All Cap gained 9.37% gross on annualized basis (6.04% net) vs. 15.43% for the Russell 3000.
- Our positioning in Information Technology and Financials helped relative performance while our positioning in Healthcare and Industrials acted as a drag.
- Portfolio holdings in Morgan Stanley and Applied Materials helped relative performance while holdings in Regeneron and Amgen hurt performance.
- During the quarter, the strategy was positioned approximately 65% in large-cap companies with the balance in small-cap/mid-cap companies and cash.

Positioning and Outlook

Big punchbowl often attract irresponsible behavior. Improving economic expectations have increased the slope of the U.S. Treasury yield, lifting the 10-year Treasury from its record low of 0.51% in August to 1.13% by early January. This yield advance nearly mirrors the outperformance of cyclical and financial stocks versus the previ-

Past performance is not indicative of future results.

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ously dominating large-cap companies as part of the latter's previous gains can be attributed to their high duration characteristics.

Blockchain tool Bitcoin has also exploded from \$4,904 to \$40,858 since global monetary authorities have expanded their balance sheets and driven real rates negative thus reducing the relative cost of owning zero cash-flow assets.

Just as bond vigilantes protested monetary or fiscal policy,

which was considered inflationary by selling bonds thus driving up interest rates, my (newly coined) "**Bitcoin Vigilantes**" are driving down the dollar index in protest to an excess of fiat currency issuance around the globe. While stimulative fiscal and monetary policy have historically been effective counter-cyclical tools during periods of excess capacity/recession, I have a longer-term fear that a unified Congress and a Fed which has indicated a willingness to allow the economy to "run hot," may ultimately drive asset prices to bubble levels.

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The volatility (beta) of a client's portfolio may be greater or less than its respective benchmark. It is not possible to invest in these indices.

Index returns include the reinvestment of income and dividends. The returns for these unmanaged indexes do not include any transaction costs, manage-

ment fees or other costs. It is not possible to make an investment directly in any index.

The Russell 2000 Index measures the performance of the 2000 smallest U.S. companies based on total market capitalization in the Russell 3000, which represents approximately 11% of Russell 3000 total market capitalization.

The Russell Large Cap Value Index is a subset of the broader Russell 1000 Index that seeks investment results (before fees and expenses) that correspond to the total return (which includes capital appreciation and income) of the Russell Top 200® Value Index.

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