



Portfolio Commentary

Navigator® MultiStrategy

Portfolio Manager



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2020: Better for Our Money Than for Us

Market Review

2020 is gone—and good riddance. It was a year of unprecedented turbulence, volatility, and vivid dangers to our financial, physical, and mental health. The coronavirus pandemic ravaged across the world and markets in the first quarter, crashing stocks and high yield bonds, leaving only U.S. Treasuries as a defense.

Since the market bottomed in March, the rally has been quite impressive, but in the fourth quarter, it turned out that the greatest risk to investors was being too fearful. A resolution to the election, and more importantly, the announcement of successful vaccines, eased deeply held fears and fueled a massive surge in equities, and to a lesser extent, in credit.

Small-caps (with participation from both value and growth stocks) finally provided leadership, gaining a stunning 31.3% on the quarter. High yield credit returned 6.4%, while Treasuries took a modest loss. The removal of election uncertainty, coupled with successful vaccine rollouts, unleashed an upside that the Fed's remarkably accommodative monetary policy has so far exhibited zero capacity or interest in capping (and any such cap may not come into play for years yet).

Fourth Quarter Performance Highlights

- In the beginning of the quarter, the MultiStrategy portfolios focused on large-cap and growth stocks exclusively, but by the end of the quarter, we had largely exited them and moved into mid-cap and small-cap stocks, the new relative strength leaders.
- There was no particular trend towards value or growth stocks, but instead, we saw a broad bias towards cyclicity/beta, or leverage to economic recovery.
- The top contributors were mid-cap growth (MDYG) and small-caps (IJR), while momentum (MTUM) and buybacks (PKW) were top detractors.

Positioning and Outlook

Large-cap growth stocks led markets in 2020 before, during, and after the pandemic-induced crash, and it took until the fourth quarter post-election for that leadership to wane. Prior to the election, we established a position in mid-cap growth (MDYG), but only after the election did we witness performance trends truly change, and our rankings matrix saw mid-cap and small-cap stocks surge. Coming into November, the MultiStrategy portfolios were entirely positioned in large-cap stocks, but by November 23rd, we had moved out of large-cap growth, with 68% of assets in mid-cap and small-caps. By the end of the year, we had largely exited the S&P 500.

Given the unique events of 2020 and the pandemic, the critical question became “what areas would benefit from an economic re-opening?” The winners were not broadly value or growth stocks by category, but cyclicals from all areas, and particularly, those leveraged to the economy.

Past performance is not indicative of future results.

This is not a recommendation to buy or sell a particular security. Please see attached disclosures.



For the quarter, the S&P 500 value (SPYV) was up 14.5%, while large-cap growth (SPYG) lagged, but still was up 10.6%. Small-cap value (IJS) soared by 32.8%, and small-cap growth gained 29.7%. Momentum and minimum volatility lagged, with momentum (MTUM) up 7.0% and minimum volatility (USMV) up 9.6%.

Looking forward to 2021, lofty valuations show that investors expect the economy to approach a full re-opening by the second half of the year. The S&P 500 one year forward P/E ratio has risen to 27.0, which is 37% above where we began 2020 and nearly double the dramatic March low of 14.0.

Given such lofty expectations, cheaper value stocks may yet have their day. Our rankings have us neutral regarding value versus growth, with market capitalization currently driving leadership instead. We believe the main risk still remains the coronavirus. We will be closely watching our credit-based models to see if market confidence falters appreciably. As of now, credit markets remain robust, providing a strong, stable backdrop for the ownership of risk assets.

MultiStrategy 25-75 Top Contributors as of December 31, 2020

Company Name	Avg. Weight (%)	Contribution to Return (%)
Navigator Tactical Fixed Income Fund Class I	71.94	3.84
iShares Core S&P 500 ETF	8.43	0.77
SPDR S&P 400 Mid Cap Growth ETF	3.24	0.75

MultiStrategy 25-75 Top Detractors as of December 31, 2020

Company Name	Avg. Weight (%)	Contribution to Return (%)
SPDR S&P 400 Mid Cap Value ETF	1.82	0.28
iShares MSCI USA Momentum Factor ETF	2.73	0.12
Invesco Buyback Achievers ETF	0.09	0.03

MultiStrategy 50-50 Top Contributors as of December 31, 2020

Company Name	Avg. Weight (%)	Contribution to Return (%)
Navigator Tactical Fixed Income Fund Class I	46.29	2.51
iShares Core S&P 500 ETF	16.67	1.52
SPDR S&P 400 Mid Cap Growth ETF	6.45	1.50

MultiStrategy 50-50 Top Detractors as of December 31, 2020

Company Name	Avg. Weight (%)	Contribution to Return (%)
SPDR S&P 400 Mid Cap Value ETF	4.02	0.54
iShares MSCI USA Momentum Factor ETF	5.38	0.24
Invesco Buyback Achievers ETF	0.18	0.07

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.

MultiStrategy 75-25 Top Contributors as of December 31, 2020

Company Name	Avg. Weight (%)	Contribution to Return (%)
SPDR S&P 400 Mid Cap Growth ETF	10.19	2.41
iShares Core S&P Small Cap ETF	12.26	2.25
iShares Core S&P 500 ETF	24.13	2.16

MultiStrategy 75-25 Top Detractors as of December 31, 2020

Company Name	Avg. Weight (%)	Contribution to Return (%)
SPDR S&P 400 Mid Cap Value ETF	6.20	0.85
iShares MSCI USA Momentum Factor ETF	8.43	0.38
Invesco Buyback Achievers ETF	0.24	0.09

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.

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