

## Navigator® SMID Cap Core U.S. Equity

### Portfolio Manager



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Senior Portfolio Manager

#### Top Contributors as of December 31, 2020

Company Name	Avg. Weight (%)	Contribution to Return (%)
Atkore International Group Inc.	2.20	1.61
Timken Company	2.95	1.26
Evercore Inc Class A	2.04	1.14

#### Top Detractors as of December 31, 2020

Company Name	Avg. Weight (%)	Contribution to Return (%)
Emergent BioSolutions Inc.	1.41	-0.28
Exelixis, Inc.	0.41	-0.23
Sprouts Farmers Markets, Inc.	2.14	-0.14

*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

- In the fourth quarter of 2020, the Navigator® SMID Cap strategy had a gain of 23.69% gross (22.82% net) vs. 27.41% gain in the Russell 2500 Index.
- For the five years ending December 2020, the strategy delivered annualized gains of 8.83% gross (5.63% net) vs. 13.26% annualized gains for the Russell 2500 Index.
- Positioning in Industrials and Real Estate helped relative performance, while positioning in Materials and Consumer Discretionary hurt performance.
- Our holdings in Atkore and Timken helped performance in the quarter as positions in Emergent BioSolutions and Exelixis acted as a drag. SMID is nearly evenly split between investments in mid-cap (\$5-\$15b) and small-cap companies.
- In anticipation of an improving an economy in 2021, we added mobility beneficiaries to the portfolio JetBlue and restaurant Cracker Barrel, removing long-time technology distributor Synnex and its spin-off Concentrix, both of which had big quarter advances.

*Past performance is not indicative of future results.  
This is not a recommendation to buy or sell a particular security. Please see attached disclosures.*



## 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 previously 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 S&P 500 measures the performance of the 500 leading companies in leading industries of the U.S. economy, capturing 75% of U.S. equities.

The NASDAQ Composite is a stock market index of the common stocks and similar securities listed on the Nasdaq stock market.

The Russell 2500 Index is a broad index, featuring 2,500 stocks that cover the small- and mid-cap market capitalizations. The Russell 2500 is a market capweighted index that includes the smallest 2,500 companies covered in the Russell 3000 universe of United States-based listed equities.

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, management 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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