Portfolio Commentary

Navigator® High Dividend Equity

Portfolio Manager

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Senior Portfolio Manager

Top Contributors as of March 31, 2021

Company Name	Avg. Weight (%)	Contribution to Return (%)
Bank of America Corp	2.38	0.63
JPMorgan Chase & Co.	3.04	0.60
Caterpillar Inc.	1.72	0.45

Top Detractors as of March 31, 2021

Company Name	Avg. Weight (%)	Contribution to Return (%)
Apple Inc.	1.54	-0.13
Science Applications International Corp.	1.03	-0.12
Qualcomm Inc.	0.60	-0.11

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.

The Broad Market Rally Continues in Q1

Market Review

The pro-cyclical rotation continued in Q1 with the pandemic winners taking a back seat to economically sensitive stocks. The Russell 1000 Value Index outpaced the Russell 1000 Growth Index by over 1,000 basis points. In March, Technology and Consumer Discretionary weakened as bond-proxy sectors Utilities, Staples and Healthcare staged a strong rally.

Dividend-payers outperformed non-payers by the widest margin in the last 12 months. During the quarter, the lower beta rotation represents a broadening market rally with the S&P 500 rising 6.2% in tandem with the Russell 1000 Value up 11.2%. Dividend stocks continue to be undervalued with S&P 500 Index forward P/Es of dividend-payers versus non-dividend payers at their lowest levels in ten years. While the reopening and economically sensitive stocks are not expensive on a two-year forward P/E basis, we believe that 2021 will bring renewed interest in quality companies with dependable sales and earnings growth.

Year to date, Energy remains the best performer up over 30%, but it slowed in March as OPEC and inventory concerns tempered its outlook. Financials continue to benefit from a steeper yield curve and lower valuations versus other S&P 500 sectors. In December 2020, the Fed eased restrictions allowing banks to resume stock buybacks starting this quarter, but extended dividend restrictions. The most recent Fed announcement is good news for dividend investors with restrictions on dividends and share repurchases ending for most banks after June 30th, post the next round of stress tests.

Earnings remain key to continuing the upward trend in the market. Since the vaccine rollout, the significant rotation into lower quality stocks and small-caps could weaken as valuations rise. S&P 500 earnings for Q1 are projected to increase 23.3% year-over-year after a Q4 decline of -9.2%.

Historically, the S&P 500 Index peaks when earnings peak, which may not occur until 2022. At the sector level, Information Technology has the highest number of companies issuing positive earnings per share (EPS) guidance and revenue guidance of all 11 sectors. Dividend growers in the Consumer Discretionary sector that possess strong inventory profiles also stand to benefit from the current environment of excess stimulus.

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

First Quarter Performance Highlights

- Top contributing sectors in the portfolio were Communications, Financials and Staples. Underperforming sectors included Technology, Industrials and Basic Materials.
- After strong 2020 performance, Technology was the worst-performing sector in March and the second worst in Q1.
- The strongest individual contributors were concentrated in the interest rate sensitive Financials including Bank of America Corp., J.P. Morgan & Chase Co., Caterpillar, Inc., Equitable Holdings, Inc., and Truist Financial Corp.
- Detractors during the quarter included Apple, Inc., Science Applications International Corp., Qualcomm, Inc., Coca Cola Co., and V.F. Corp.

Positioning and Outlook

Navigator® High Dividend Equity is positioned with approximately 99% in developed countries with the remainder in cash. The U.S. is the largest country weight at 89.7%, followed by Britain at 3.1% and Switzerland at 2.5%. 85.5% of the portfolio is positioned in large-cap, 10.1% in mid-cap, and 3.7% in small-cap, with the remainder in cash. Financials remain the largest sector weight at 22.0% which is overweight vs the benchmark at 20.6%. The next two largest weights are Industrials and Healthcare at 14.2% and 10.5%, respectively.

We continue to invest in dividend growers that are undervalued such as healthcare giant, Cigna Corp., which initiated a quarterly dividend and projects a long-term EPS growth rate of 10-13%. Danaher Corp., a life sciences diagnostics company, is also expecting stronger growth with margin expansion tailwinds.

Our cyclical exposure was increased in the Financials, Energy, Communications and Consumer Discretionary sectors with the additions of Goldman Sachs Group, Inc., Exxon Mobil Corp, Gentex Corp, The Williams Companies, Inc., ConocoPhillips, Constellation Brands, Diamondback Energy, Nexstar Media Group, Synchrony Financial, and Sysco, Corp. Sales during the quarter included Digital Realty Trust, Eaton, Enbridge, Qualcomm, Inc., Royal Bank of Canada, Pfizer, and Willis Towers Watson, Ltd.