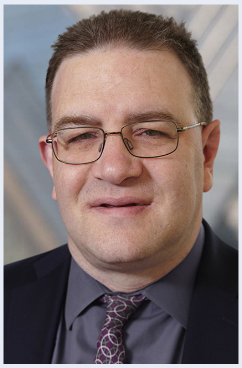
Portfolio Commentary

Navigator® Global Tactical

Portfolio Manager



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Portfolio Holdings as of December 31, 2021

Company Name	Avg. Weight (%)	Contribution to Return (%)
SPDR Portfolio S&P 500 ETF	50.42	5.37
iShares Core S&P Small Cap ETF	20.91	1.17
iShares Core MSCI Total International Stock ETF	18.01	0.38
Vanguard FTSE All-World ex-US Small-Cap ETF	8.54	0.20
Cash	2.12	0.00

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.

2022 Should Bring a Strong Economy, But More Formidable Market Obstacles

Market Review

While markets and the economy were strong in 2021, the 3rd quarter proved to have the weakest economic growth since the onset of the pandemic. That did not bother stocks, which began the quarter oversold and rallied into November, when fears of the Omicron variant and the Fed speeding up its tapering caused a consolidation.

However, Santa Claus delivered his usual year-end rally, and the worst of investors' fears appeared to ebb. The quarter was dominated by the change in the narrative surrounding inflation. Inflation began the quarter as a phenomenon the Fed viewed as "transitory," but as the year ended, the Fed changed its tone, and bond markets now anticipate four interest rate hikes in 2022.

Markets are often anticipatory, and it seemed markets had expected November's dramatic 6.9% inflation point, as interest rates hardly budged, and real interest rates hit new lows. Technology and Real Estate led markets, buoyed by growth and pricing power, while Energy and Financials trailed. International stocks produced only modest gains on the quarter as a strong dollar, slower growth and crackdowns in China, and the Omicron variant served as a drag.

Fourth Quarter Performance Highlights

- The portfolio favored equities, as it did throughout all of 2021. Once again, U.S. large-caps led the way and enjoyed a double-digit gain. U.S. small-caps produced an over 5% gain, while international stocks produced only 2% gains. The following were portfolio weights and 4th quarter returns: S&P 500 Index ETF (SPLG – 48% weight; up 11.1%); S&P 600 Small Cap ETF (IJR – 21% weight; up 5.6%); broad International Ex-U.S. ETF (IXUS – 20% weight; up 1.9%); and International Small Cap ETF (VSS – 9% weight; up 2.2%). In contrast, the U.S. 7-10 Year Treasury ETF produced a 0.1% gain for the quarter, and a 3.3% loss for all of 2021.
- As 2022 begins, our models still favor Treasuries as the defensive vehicle we would employ. However, with three projected interest rates on the horizon and rate hikes projected to come as early as March, the portfolio could end up moving to cash if it plays defense, preserving capital as much as possible during a rising rate environment.
- When our models favor stocks, the portfolio allocates 70% to U.S. equity and 30% to international equity; for each region it gives 70% weight to large-caps and 30% to small-caps. The resulting portfolio is very broad, with a global reach.

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

The Global Tactical portfolio enters risk-on positions when its credit-driven models favor risky assets (equities); it sells equities and moves into Treasuries or cash when the models indicate negative broad credit trends. The portfolio has owned equities for over 17 months now (since July 30th of last year) and our credit models have held on, producing bullish readings and have yet to waiver or signal concern. We come into 2022 with our credit-based models making new highs near year end, so we remain solidly bullish for the intermediate-term.

Since July 30th of last year, the portfolio's four holdings have produced strong returns as detailed below (through 12/31/21): S&P 500 Index ETF (SPLG – up 49.9%); S&P 600 Small Cap ETF (IJR – up 63.5%); International Ex-U.S. ETF (IXUS – up 28.0%); and Vanguard FTSE All-World ex-US Small-Cap Index ETF (VSS – up 36.9%). These returns generally compare favorably to a benchmark ETF, the MSCI All Country World Index ETF (ACWI – up 39.3%). For reference, our models examine credit trends to manage equity risk, and since last July, the High Yield Bond ETF (HYG) has outshined Treasuries, gaining 8.1%, while the iShares 7-10 Year Treasury ETF (IEF) is down 5.2%.

Looking forward, we expect solid economic growth in 2022, but the impressive top line numbers will have a harder time being rewarded given rising interest rates and dramatically slowing earnings growth from a 71.7% S&P 500 earnings growth rate in 2021. Historically, stocks provide mediocre returns when the rate of earnings growth is falling, as they certainly will be in 2022. Inflation in both input costs and wages could impact corporate margins, and rising interest rates will present a more hostile monetary backdrop.

While this coming year will present more obstacles than the last few (despite the pandemic), we do not want to overstate the bearish case. Inflation expectations may well have peaked, and the supply chain issues driving the sharpest inflation should ease into the second half of the year. Despite slowing growth, the economy is on track for above average growth, and we do not foresee signs of a recession. Fixed income markets will prove much more challenging, as the 10-year Treasury yields -3.45% in real terms. Bond investors will have a hard time avoiding losses, at least until the upcoming Fed rate hikes begin to take hold. However, bond markets should provide a big boost to stocks, as the concept of TINA (There Is No Alternative) could bring cross-asset flows from bonds into stocks.

Finally, while the Fed has signaled a strong possibility of rate hikes, our view is that this Fed is quite wary of making a policy error and driving the economy into recession. This tightening cycle is likely to be a slow and reluctant one, and that should put a floor on the downside for stocks. While we expect mid-single-digit stock market returns when all is said and done, given the array of headwinds ahead, we believe this year's markets will provide more volatility and mean reversion than in years past, and a larger correction and defensive allocations could well come into play.

The Global Tactical portfolio's philosophy is driven by the belief that we can add value to our clients' portfolios by wisely and opportunistically reducing risk. We are absolutely content to turn cautious in order to avoid serious, capital-destroying bear markets, like the COVID decline of March 2021. Valuations only exceeded by 1999 bubble highs and peaking corporate earnings warn that sometime over the next few years, risk management and capital preservation will become essential again. We remain bullish for now as the coast appears clear, but always stand ready to pull in the reins if and when our credit-based indicators of market confidence turn south.

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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 S&P SmallCap 600® seeks to measure the small-cap segment of the U.S. equity market. The index is designed to track companies that meet specific inclusion criteria to ensure that they are liquid and financially viable.

The MSCI All Country World is a market capitalization weighted index designed to provide a broad measure of equity-market performance throughout the world.

The Vanguard FTSE All-World ex-US Small-Cap ETF (VSS) attempts to track the performance of the FTSE Global Small Cap ex US Index. It provides a convenient way to get broad exposure across developed and emerging non-U.S. small-cap equity markets around the world.

The 10 Year Treasury Rate is the yield received for investing in a US government issued treasury security that has a maturity of 10 year. The 10 year treasury yield is included on the longer end of the yield curve. Many analysts will use the 10 year yield as the "risk free" rate when valuing the markets or an individual security.

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.

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