

Portfolio Manager



Maira Thompson
Co-Head of Equity

Top Contributors as of September 30, 2022

Company Name	Avg. Weight (%)	Contribution to Return (%)
ConocoPhillip	1.34	0.15
Charles Schwab Corp.	1.38	0.14
Automatic Data Processing, Inc	1.11	0.07

Top Detractors as of September 30, 2022

Company Name	Avg. Weight (%)	Contribution to Return (%)
AT&T, Inc.	1.10	-0.30
Verizon Comm., Inc.	1.10	-0.29
Comcast Corp.	1.10	-0.25

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.

Dividend Stocks Continue to Play Defense

Market Review

U.S. equities declined for a third straight quarter as the Federal Reserve tightening cycle continued. The dollar index spiked over 7%, its fifth straight quarterly gain and the largest since the first quarter of 2015. Following a strong first half of the year, dividend stocks lagged in July when the market moved sharply higher on hopes of a Fed pivot, only to regain momentum in August and September as rate hike expectations increased volatility. In the third quarter, growth outperformed value across all market caps, but year to date, value is ahead by a wide margin. Rising rates prompted a rotation out of the highest yielding equities into dividend growers and non-dividend paying stocks in anticipation of a growth rally when the Fed eventually pauses. The number of S&P 500 Index dividend stocks yielding above the 10-Year Treasury shrunk dramatically from 78% in March 2020 to below 20%.

At this stage of the economic cycle, we continue to focus on dividend growers versus the highest yielders in both cyclical and growth sectors. Although second quarter earnings were better than anticipated, we believe third quarter consensus estimates appear too high given the combination of margin pressure, slowing consumer demand and a strong dollar. In a declining earnings growth environment, we believe dividend growers possess characteristics that may contribute to positive relative performance such as lower beta, return on equity (ROE), and earnings per share (EPS) growth and less exposure to negative factors like high beta, negative earnings, and long-term volatility. Entering the fourth quarter, positive developments for the market may include peak inflation combined with lower equity valuations versus January 2022.

Third Quarter Portfolio Highlights

Navigator® High Dividend Equity holds approximately 98.4% in developed countries with the remainder in cash. The United States is the largest country weight at 89.7%, followed by The United Kingdom at 4.4% and Switzerland at 2.3%. 89.6% of the portfolio is in large-caps, 8.0% of the portfolio is in mid-caps, 0.9% is in small-caps, and the remainder is in cash. Financials represent the largest sector weight at 19.8% and slightly below the benchmark 20.0%. The next two largest portfolio weights are Healthcare and Information Technology at 19.0% and 10.6% respectively. Largest contributors to Q3 performance were Financials, Real Estate and Utilities versus detractors Consumer Staples, Technology and Consumer Discretionary. Individual contributors were ConocoPhillips, Charles Schwab Corp and Automatic Data Processing, Inc. versus detractors AT&T, Inc., Verizon Communications, Inc., and Comcast Corp.

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

In Q3, we increased exposure in Communications, Technology and Healthcare sectors, with additions to Omnicom Group, Inc., Applied Materials, Inc., Texas Instruments, Inc., Thermo Fisher Scientific, Inc., and Eli Lilly and Co. S&P Global, Inc., a data analytics company that we believe has strong long-term earnings momentum and a 5-year dividend growth rate of 16% was purchased as an initial holding. We reduced Fidelity National Information Services Inc., Johnson & Johnson and Garmin, Ltd. Tyson Foods, Inc. was sold due to weaker margins and the

economic slowdown in China. Despite rising risks of a recession, higher quality consumer stocks continue to report better-than-expected sales and profits. The portfolio is underweight rate "sensitive" sectors such as Utilities and Real Estate, which normally carry higher debt loads and are often vulnerable to higher financing rates, versus Financials which we believe could benefit from stronger net interest income.

Sources: Bloomberg, Morgan Stanley, and NDR

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Equity securities are subject to price fluctuation and possible loss of principal. Stock markets tend to move in cycles, with periods of rising prices and periods of falling prices. Certain investment strategies tend to increase the total risk of an investment (relative to the broader market). Strategies that concentrate their investments in limited sectors are more vulnerable to adverse market, economic, regulatory, political, or other developments affecting those sectors.

The U.S. Dollar Index is a measure of the value of the U.S. Dollar relative to six (6) foreign currencies which include the Euro, Swiss Franc, Japanese Yen, Canadian Dollar, British Pound, and the Swedish Krona. The index is affected by macroeconomic factors including inflation/deflation in the dollar and foreign currencies, as well as recessions and economic growth in those countries.

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 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.

International Securities means securities listed on a foreign stock exchange and includes, but is not limited to stocks, shares, bonds, debentures or other debt securities, notes, rights, units, options and any other instruments representing rights to receive, purchase or subscribe for same

Return on equity (ROE) is a measure of financial performance calculated by dividing net income by shareholders' equity. Because shareholders' equity is equal to a company's assets minus its debt, ROE is considered the return on net assets.

Earnings per share (EPS) is calculated as a company's profit divided by the outstanding shares of its common stock. The resulting number serves as an indicator of a company's profitability.

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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