

Portfolio Manager



Tony Soslow, CFA®
Co-Head of Equity

Top Contributors as of March 31, 2023

Company Name	Avg. Weight (%)	Contribution to Return (%)
STMicroelectronics NV ADR RegS	2.33	0.90
Baidu Inc Sponsored ADR Class A	2.37	0.81
LVMH Moet Hennessy Louis Vuitton SE Un-sponsored ADR	2.31	0.55

Top Detractors as of March 31, 2023

Company Name	Avg. Weight (%)	Contribution to Return (%)
Tenaris S.A. Sponsored ADR	1.80	-0.42
Capri Holdings Limited	1.52	-0.30
Chubb Limited	2.16	-0.28

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 and the last 12 months, contact: PortfolioAnalytics@ccmg.com.

The Bullish Rate Hike

Market Review

The collapse of Silicon Valley Bank (SVB) last month likely serves as a financial history watershed moment for both economic expectations and the Fed's policy reaction to it moving forward. SVB's quick implosion, coupled with accelerated disintermediation across the banking sector, was the first tangible evidence that the aggressive 12-month 5% Fed policy tightening could inspire depositors to demand higher interest rates and highlight the contractionary effects of an inverted yield curve.

Just as the low inflation and interest rate environment of the 10-year period ending 2021 helped large-cap growth stocks at the expense of value, March and year-to-date performance have favored these longer duration, higher quality assets. Large-cap growth's nearly 7% gain in March and 14% gain year to date have been supported by both a 0.40% decline in 10-year Treasury rates this quarter and increased profit margin efforts by the big growers in a slowing economic environment. Lifting their sustainable margins, Apple, Microsoft, Google, Amazon, Meta, and other companies use slowdowns to "trim the fat" and bear markets to pursue accretive merger transactions.

While large-cap growth rallied 14% this quarter in the month, large-cap value barely budged up only 1% and the lower quality, less economically flexible and financing dependent small-caps rallied 3%. Foreign stocks continue to benefit from their relative value opportunity and strong business momentum, gaining 7% for the quarter. As current P/E ratios for SMID-cap and international equities are 5 turns below large-caps, we believe the near end of this Fed tightening regime provides support for these asset classes moving forward.

First Quarter Portfolio Highlights

- Navigator® International Equity/ADR is positioned with 18.3% in emerging markets with the balance in developed economies and cash.
- Britain, Canada, France, Japan, and Switzerland are the strategy's largest country weights, all ranging between 8% and 12%.
- During the quarter our three most recent additions were CGI Inc., BNP Paribas, and Inmode Ltd. The three most recent exits were Capri Holdings, Commonwealth Bank of Australia, and Tencent Holdings.
- ADR's exposure to China is now 6.4%, slightly below the 8.1% weighting in the MSCI All-Country World less US benchmark.
- Communication Services, Consumer Discretionary, Financials, Industrials and Information Technology are our largest sector weights.
- Our positioning in Communication Services helped relative performance while positioning in Energy acted as a drag.
- From a country perspective, the portfolio benefited from our relative positioning in China and India while performance was hurt by our positioning in Luxembourg and South Korea.
- The top three contributors to absolute portfolio return in the quarter were

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



STMicroelectronics NV, Baidu Inc., and LVMH Moët Hennessy Louis Vuitton SE. The top three detractors to absolute portfolio return in the quarter were Tenaris SA, Capri Holdings Ltd., and Chubb Ltd.

Positioning and Outlook

A sharply inverted yield curve and its implications for future economic growth swayed portfolio positioning in the first quarter and shed light on the likely path of earnings and economic growth through the rest of 2023. Although we believe recessionary economic growth and lower inflation on the surface appear to threaten earnings in all sectors, we are beginning to tilt portfolios more towards growth and higher duration sectors.

Just as Technology and Consumer Discretionary stocks suffered in 2022 in anticipation of lower earnings in 2023, we believe the likely near end to Fed tightening provides confidence in

these now attractively priced sectors. We have slightly "upped our beta" - modestly shifting from Consumer Staples to Discretionary, increasing our overall exposure to Technology and Communication and reducing exposure to Financials dependent on deposit stickiness and those Industrials overly exposed to commercial real estate.

Markets look forward; thus, we believe equity investors should not be dissuaded by forthcoming poor earnings reports as they reflect the effects of 5% of interest rate increases and tight labor conditions. We anticipate that both headwinds to the next few earnings reports will dissipate as companies adjust. Just as we have seen the largest antifragile tech companies begin cost-cutting initiatives to sustain margins in an economic downturn, we anticipate that this behavior will spread as the slowdown rolls across economic sectors.

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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 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. The securities of mid-cap companies may be subject to more abrupt or erratic market movements and may have lower trading volumes.

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. 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.

Antifragile companies are those which possess a large majority of strong balance sheet, income statement and other metrics such as debt-to-equity, gross margins, earnings variability - which have shown to demonstrate less stock price volatility on a going forward basis. Companies with poor credit metrics, high financial and operating leverage high historically been more fragile to adverse changes in economic and earnings conditions.

The 10-year Treasury yield is the yield that the government pays investors that purchase the specific security. Purchase of the 10-year note is essentially a loan made to the U.S. government.

The MSCI ACWI is a stock index that tracks nearly 3,000 stocks in 48 developed and emerging market countries. The MSCI ACWI index is used as a benchmark for global equity funds and as a guide to asset allocation.

The price-to-earnings ratio is the ratio for valuing a company that measures its current share price relative to its earnings per share (EPS). The price-to-earnings ratio is also sometimes known as the price multiple or the earnings multiple.

Foreign markets are any markets outside of a company's own country. Selling in foreign markets involves dealing with different languages, cultures, laws, rules, regulations and requirements.

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