Portfolio Commentary

Navigator® High Dividend Equity

Portfolio Manager

Maira Thompson
Co-Head of Equity

Top Contributors as of June 30, 2023

Company Name	Avg. Weight (%)	Contribution to Return (%)
PulteGroup, Inc.	2.12	0.64
Broadcom Inc.	1.44	0.49
Eli Lilly and Company	1.50	0.47

Top Detractors as of June 30, 2023

Company Name	Avg. Weight (%)	Contribution to Return (%)
Target Corporation	0.91	-0.21
Walt Disney Company	1.65	-0.20
AT&T Inc.	0.90	-0.17

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.

Market Rally Broadens as Inflation Trends Lower

Market Review

Economic concerns and the Federal Reserve's persistent rate increases did not deter the S&P 500 from posting its best first half since 2019, rallying 17%. The narrow, large-cap Technology rally showed signs of broadening in June, with S&P mid-caps rising 9.1% and small-caps stocks up 8.2%.

Year to date, the factor return spread between growth and value, S&P 500 weighted index versus equal weight, and low beta versus high beta, was significant by historical standards. After a strong 2022 performance, lower beta dividend stocks underperformed in the first half, posting their worst performance versus non-dividend paying companies since 2009, according to Ned Davis Research. If the trend continues, we expect dividend growers and cyclicals to participate in a more defensive market and profit taking throughout the summer.

Dividend growers outpaced the highest dividend yielding companies, which historically underperform in a rising rate environment. Earnings in the quarter appear to have troughed with fewer estimate cuts this quarter versus the last two quarters.

Second Quarter Portfolio Highlights

- Navigator® High Dividend Equity is positioned with approximately 98.9% in developed countries with the remainder in cash. The United States is the largest country weight at 90.2%, followed by Britain at 3.4% and Ireland at 2.5%.
- 92.1% of the portfolio is positioned in large-cap, 5.9% is positioned in mid-cap, 0.9% is positioned small-cap, and the remainder is in cash.
- Financials represent the largest sector weight at 17.9% versus the benchmark of 20.1%. The next three largest portfolio weights are Healthcare, Information Technology, and Industrials at 15.5%, 13.1%, and 12.5%, respectively.
- Our positioning in Information Technology and Healthcare contributed to relative performance while our exposure to Communication Services and Real Estate were a detractor to performance.
- The top three contributors to absolute portfolio return in the quarter were PulteGroup Inc., Broadcom Inc., and Eli Lilly & Co. The top three detractors to absolute portfolio return in the quarter were Target Corp., The Walt Disney Co., and AT&T Inc.

Positioning and Outlook

All cyclical and defensive sectors underperformed the S&P 500 Index with Staples, Utilities and Energy all declining in the second quarter. Market breadth was narrow with only 32% of the S&P 500 beating the index over the last three months.

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

During the quarter, to benefit from improving business fundamentals, the most recent addition to the portfolio was CSX Corp., which engages in the provision of rail-based freight transportation services. Its services include rail service, the transport of intermodal containers and trailers, rail-to-truck transfers, and bulk commodity operations. Union Pacific was sold to fund the CSX Corp. purchase.

Since the start of the year, the portfolio has been overweight Technology, which we believe is one of the strongest sectors for earnings growth potential over the next several years. In addition, a new focus on artificial intelligence could drive capital spending growth and productivity for the sector and the economy over the next decade.

We continued to reduce overall exposure in commodity-oriented stocks by selling Celanese Corp., and ConocoPhillips.

Our focus remains on owning companies that we believe demonstrate strong business momentum, cash flow, and rising dividends. We also believe the current trend towards growth will prevail over value this year due to strong fundamentals and earnings growth expectations.

Sources: Ned Davis, Bloomberg