

Portfolio Manager



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Co-Head of Equity

An Uneven Path

Market Review

Driven by the level and direction of both inflation and the unemployment rate, expectations for U.S. central bank easing have dramatically changed since the end of 2023. In December, the quick decline of Core PCE from 5.60% to 2.90% in 22 months had investors forecasting six Fed rate cuts by the end of 2024. Now just three months later, the previously anticipated 1.50% reduction in the Fed funds rate has been trimmed to just 0.60%.

Following up on his comments in March, Fed Chairman Jerome Powell characterized a solid growth economy in which a rebalancing labor market and inflation were moving toward 2% on a sometimes bumpy path. In late March, despite their public prognostications that the overall declining inflation story was still intact, the monetary policymaker surprisingly raised 2024's inflation projection. To this end, some measures of inflation, like goods prices, have rapidly declined due to the easing of COVID-driven supply chain constraints; however, other components such as housing costs and wages have proven to be sticky, or decelerating at a slower rate.

Despite less monetary support on the horizon, equity prices, led by the momentum style factor, have pushed higher this year, and extended their streak to five consecutive months. Since October, large-cap momentum has rallied 36.7%, outpacing the robust large-cap growth and Russell 2000 small-cap gains of 29%. At the end of March, most broad equity indices rested near all-time highs as expectations for the S&P 500's next 12-month earnings reached new highs on near-record profit margins. For the first quarter, U.S. large-cap indices provided healthy returns between 9.0-11.4% while U.S. small-caps and international equities rallied more than 5%.

First Quarter Portfolio Highlights

- Navigator® All Cap is positioned with approximately 74.0% in large-cap stocks and the remainder in mid/small-cap companies and cash.
- The portfolio continues to balance portfolio holdings between dominant large-cap companies with high cashflow margins and those anti-fragile large, small, and mid-cap companies with high cashflow yields and accelerating business momentum.
- Our current weighting in the big six free cash flow margin monopolies – Amazon, Apple, Google, Microsoft, Meta, and Nvidia – is 24.4% vs. approximately 23.9% in the Russell 3000.
- Albeit underweight to the benchmark, Information Technology remains the largest sector weight in the strategy at 24.4%.
- Our positioning in Industrials and Consumer Discretionary helped relative performance while our positioning in Consumer Staples and Energy acted as a drag.
- The top three contributors to absolute portfolio return in the quarter were NVIDIA Corp., EMCOR Group Inc., and Meta Platforms Inc. The top three detractors to absolute portfolio return in the quarter were Apple Inc., Tesla Inc., and Adobe Inc.
- During the quarter, to benefit from improving business fundamentals, the three most recent additions to the portfolio were SM Energy Co., Eli Lilly & Co., and Valero Energy Corp. The three most recent exits were Amgen Inc., Tesla Inc., and The Williams Cos. Inc.

Top Contributors as of March 31, 2024

Company Name	Avg. Weight (%)	Contribution to Return (%)
NVIDIA Corporation	3.37	2.11
EMCOR Group, Inc.	2.73	1.44
Meta Platforms Inc Class A	3.87	1.43

Top Detractors as of March 31, 2024

Company Name	Avg. Weight (%)	Contribution to Return (%)
Apple Inc.	4.33	-0.51
Tesla, Inc.	0.56	-0.32
Adobe Inc.	1.30	-0.21

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.

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

Like prior periods, our portfolios seek to follow business momentum, and after long economic periods, tend to get slightly offside at turning points. To this end, our quality and antifragility focus helped the bottom-up equity portfolios during the recently extended period of rising interest rates and expanding credit spreads through October.

Our lower risk bias, however, provided a performance governor during the November and December period as the positive change in liquidity conditions served more fragile and higher beta companies. As such, we are adjusting our Small and SMID Cap portfolio risk to reflect this change – all within our process of selecting what we believe are undervalued, high-quality companies with improving business momentum. Additionally, we are increasing our exposure to these same companies in our All Cap Core portfolio to offset the overweight position of large-cap growth as they relatively outperformed.

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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 Russell 1000 Growth Index measures the performance of the large-cap growth segment of the US equity universe.

The Russell 2000 index is a market index comprised of 2,000 small-cap companies.

The Russell 3000 Index is a capitalization-weighted stock market index that seeks to be a benchmark of the entire U.S. stock market.

The 10-year Treasury yield is the annualized rate of return you would earn on a 10-year Treasury note issued by the U.S. government if you held the note to maturity.

The U.S. Treasury index is based on the recent auctions of U.S. Treasury bills. Occasionally it is based on the U.S. Treasury's daily yield curve.

The Core Personal Consumption Expenditure (PCE) Price Index measures the changes in the price of goods and services purchased by consumers for the purpose of consumption, excluding food and energy.

Price to earnings (P/E) ratio is a way to value a company by comparing the price of a stock to its earnings.

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.

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