

Navigator[®] International Equity/ADR

Portfolio Manager



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Co-Head of Equity

Top Contributors as of June 30, 2024

Company Name	Avg. Weight (%)	Contribution to Return (%)
Taiwan Semiconductor Manufacturing Co., Ltd. Sponsored ADR	3.37	0.80
Novo Nordisk A/S Sponsored ADR Class B	3.41	0.36
Sumitomo Mitsui Financial Group, Inc. Sponsored ADR	2.11	0.28

Top Detractors as of June 30, 2024

Company Name	Avg. Weight (%)	Contribution to Return (%)
NICE Ltd. Sponsored ADR	2.11	-0.88
Toyota Motor Corp. Sponsored ADR	2.64	-0.60
CRH public limited company	3.39	-0.46

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.

Balanced Risks

Market Review

Charged with a dual mandate of both full employment and containing inflation, the recent loosening of labor market tightness and slowing inflation statistics begins to solidify a likely change in direction for Fed monetary policy. As economic growth has persisted for years since the beginning of the Fed's 5.5% tightening regime, many assumed that "long and variable lags" meant that monetary policy had no impact on reducing demand. "Rolling recessions," however, have now lifted the U.S. unemployment rate to 4.1% in June, the highest reading since November 2021 and up from its low of 3.4% in April 2023.

Sahm rule devotees may later claim that June 2024 marked the beginning of the U.S. recession. Initial and continuing unemployment claims data corroborate a change in the labor markets. The four-week average of initial claims is the highest since September 2023 and continuing claims at 1.86 million are the highest since November 2021. Most importantly, inflation is slowly declining towards the Fed's 2% objective as both PCE Deflator and Core PCE Deflator reached 2.6% in May. The Cleveland Fed's InflationNOW forecasts that Core CPI is just 3.1% and is likely heading lower.

Deep into bull markets or markets where a concentrated portion of companies outperform the broad swath of equities, our value add as investors feels forgotten. The market-weighted S&P 500 index continues to significantly outpace the equal-weight index by over 10% for each of the last two years.

This extreme performance concentration mirrors the markets of 1970-1971 and 1998-1999 when the market-weight benchmark exceeded the equal-weight benchmark by over 20%. Focused on the winners, clients ask about Nvidia price targets, Apple portfolio weights, and question why we own small-cap, SMID-cap and international stocks at all. We believe the relative value differences are being ignored. Up 17.4% this year (on top of 2023's 26%), the S&P 500's P/E sits more than one standard deviation over its 25-year average of 17.5. As large-cap companies' earnings and earnings estimates have grown faster and their monopoly-like features give them antifragility attributes, it's easy to wonder if other asset classes can compete.

Second Quarter Portfolio Highlights

- Navigator[®] International Equity/ADR is positioned with approximately 16% in emerging markets with the balance in developed economies and cash.
- Britain, Canada, China, Ireland, and Japan are the strategy's largest country weights, all ranging between 6% and 19%.
- ADR continues to find what we believe are undervalued, high-quality companies in both developed and emerging markets to add to the portfolio.
- ADR's exposure to China is now ~7% and slightly above its weighting in the All-Country World less U.S. benchmark.
- Financials, Industrials, and Information Technology are our largest sector weights.
- From a country perspective, the portfolio benefited from our relative positioning in France and the Cayman Islands while performance was hurt by our positioning in the United Kingdom and Ireland.

Past performance is not indicative of future results.

This is not a recommendation to buy or sell a particular security. Please see attached disclosures.



- Our positioning in Consumer Staples and Real Estate helped relative performance while our positioning in Financials and Consumer Discretionary acted as a drag.
- The top three contributors to absolute portfolio return in the quarter were Taiwan Semiconductor Manufacturing Co. Ltd., Novo Nordisk A/S, and Sumitomo Mitsui Financial Group Inc. The top three detractors to absolute portfolio return in the quarter were NICE Ltd., Toyota Motor Corp., and CRH Plc.
- During the quarter, to benefit from improving business fundamentals, the three most recent additions to the portfolio were Royal Bank of Canada, CLP Holdings Ltd., and lululemon athletica Inc. The three most recent exits were Medtronic Plc, Siemens AG, and PT Bank Mandiri Tbk.

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

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The Standard and Poor's 500 (S&P 500) is a stock market index tracking the stock performance of 500 of the largest companies listed on stock exchanges in the United States.

A Leading Economic Indicator is a measurable set of data that may help to forecast future economic activity.

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.

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