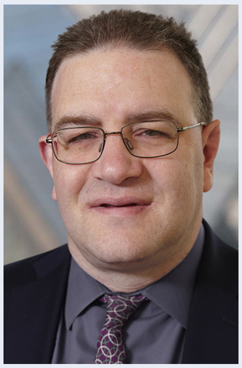
Portfolio Commentary

Navigator® MultiStrategy

Portfolio Manager



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Record Setting Growth for Equities, but Inflation Concerns Abound

Market Review

The second quarter of 2021 saw a continuation of the first quarter rally, with the S&P 500 gaining another 8% on the quarter. The Index is now up over 15% on the year, producing the second strongest start to the year in this century!

All nine equity style boxes produced gains, as did 10 of 11 sectors. Investors favored cyclical sectors leveraged to the economy such as Real Estate, Energy, and Telecommunications Services. Defensive sectors such as Healthcare, Consumer Staples, and Utilities lagged. Large-cap and growth stocks outperformed small-caps, which isn't a surprise given the magnitude of small-caps' recent dominance.

From the end of September through March, the iShares Core S&P Small-Cap ETF (IJR) gained over 55%, while the S&P 500 rose by a comparatively mere 19%. A reversion from such extreme outperformance should be expected, and the Large Cap S&P 500 outperformed the Russell 2000 by over 4% on the quarter. While small-caps may have underperformed, the broad environment favored risk assets, particularly in credit, where the Bloomberg Barclays High Yield Index gained 2.7% and outperformed the Bloomberg Barclays US Treasury Total Return Index by 1%.

Economic data came in very strong for the quarter, and for the first time in a long time, we saw significant inflationary pressures come to the fore. First quarter U.S. GDP delivered a very healthy 6.4% gain, while second quarter GDP growth is expected to top 3% as well.

Growth did meet investors' lofty expectations, but inflation concerns arose as commodity prices surged. Lumber and core commodity prices, along with global shipping rates, soared during the quarter, and as a result, the Consumer Price Index (CPI) was up 5% year-over-year while the Producer Price Index (PPI) increased by 6.6%. These price spikes did appear to change behaviors, though, as lumber prices collapsed after peaking in early May.

While strong commodity prices caused markets some heartburn, strong and rising wages are the real worries when it comes to inflation. While we have been hearing of many anecdotal stories of hiring bonuses for retail workers and increasing willingness of employees to leave for greener pastures, broad wage growth has been under control so far. Also keep in mind that the Fed signaled an increased tolerance for higher wage growth.

Nevertheless, the biggest market moving news came later in June, when the Fed's future forecasts showed one rate increase in 2022 and two in 2023. In the markets' often contrary fashion, rate sensitive Financials, Commodities, and Materials – prior winners – were punished, while prior laggards such as mega cap Technology and U.S. Treasuries enjoyed a surge. We now face a situation in which these rate hikes are priced in, and future market movements will depend on economic data that will either deliver and lead to these rate hikes, or growth will disappoint, and interest rates will have a hard time even rising at all.

Second Quarter Performance Highlights

- The equity portion of the portfolio came into the quarter focused on broad mid-caps and small-caps, with positions in buybacks and large-cap value as well. Small-cap and value stock performance peaked in mid-March, and as that trend change occurred, our models moved away from small-caps and into the S&P 500 itself (IVV), with buybacks and large-cap value taking on a larger role. Large-cap growth and momentum stocks fell to the bottom of our rankings.
- As the quarter developed, trends were largely range bound, but as of early June, value stocks and Large-cap value (and thus many of our holdings) were near new relative strength highs. However, trends then reversed, and large-cap growth and Technology took over leadership. The trend change was enhanced by the Fed's announcement in June that tapering would eventually be on the table. Value stocks, Financials, and small-caps lost strength, and Technology, growth, and interest rate sensitive stocks flourished. By the time the quarter ended, our holdings were positioned with over 70% large-caps, and evenly split between buybacks and Large-Cap Growth (SPYG), with a lesser position in Small-Cap Value (IJS).
- In keeping with the trends in which large-caps outperformed small-caps, the top contributors for the quarter were Buybacks (PKW) and Large-Cap Value (SPYV), while Small-Cap Value (IJS) and the S&P 500 (IVV) were the top detractors.
- The fixed income portion of the portfolio remained invested in high yield bonds, which produced gains of over 2% on the quarter, which were ahead of U.S. Treasuries.

Positioning and Outlook

As the quarter developed, the portfolio moved from favoring mid-caps and small-caps broadly to now favoring large-caps via buybacks and large-cap growth. Thus, our models reflect the fact that right now, the large-cap versus small-cap dynamic is more powerful than value versus growth. Over a six-to-twelve-month time period, value stocks look favored, since they had a huge run that began in the fall. Small-cap leadership has since ebbed; however, investor sentiment, technicals, and the fundamental credit backdrop remain positive, and our portfolio still stands as bullish, cyclical, and leveraged to the economy. Defense-oriented equities still stand near the bottom of our rankings.

For the quarter, the S&P 500 Index gained 8.4%, and the S&P 500 Large-Cap Value (SPYV) was up 4.9%, while S&P 500 Large Cap Growth (SPYG) became the leader, storming to an 11.8% gain. S&P Small Cap 600 Value (IJS) rose by 4.9%, and S&P Small Cap 600 Growth (SLYG) was up 3.5%. Momentum (MTUM – up 7.9%) and Minimum Volatility (USMV– up 6.7%) trailed the S&P 500 slightly, while Buybacks (PKW) were up 7.4%.

After a dramatic run by small-caps, relative strength trends have become more muted, and we are now waiting and watching for new leadership trends to pursue. We believe that investors have largely priced the re-opening of the U.S. economy into stocks. Earnings expectations and valuations have become stretched, and perhaps dangerously so. While we do not see any catalyst for a major market retrenchment anytime soon, we are acutely aware of equity markets' vulnerability to extreme optimism, particularly on the earnings front.

With events like a full economic re-opening now priced into sky high valuations, a major question will be whether corporate earnings have peaked. We know that stocks do not fare well once earnings expectations have peaked and then begin to roll over. Thus, we see an earnings-driven (rather than economically driven) decline as a greater possibility during the second half of the year.

While equities might be vulnerable to a sharper correction, underlying credit conditions and economic conditions are nearly ideal. Within fixed income, we continue to favor high yield bonds, and our models simply have not wavered in that stance. Of greater significance to the long term, high yield spreads and riskier CCC bond spreads are now at their lowest levels since the 2008 Great Financial Crisis, and only were lower at a credit peak in 1997.

We still believe that most of 2021 will present relatively minimal risks within corporate credit, but now with spreads nearing all-time lows, we are faced with eye-opening, long-term downside risks going forward. Our relative strength models are able to move towards risk-off and move into Treasuries or cash if credit markets falter. We believe such a move appears likely to take place in 2022 or even 2023; however, we stand ready to shift earlier if conditions change.

MultiStrategy 25-75 Top Contributors as of June 30, 2021

Company Name	Avg. Weight (%)	Contribution to Return (%)
Navigator Tactical Fixed Income Fund Class I	70.63	1.56
Invesco Buyback Achievers ETF	9.81	0.68
SPDR Portfolio S&P 500 Value ETF	3.30	0.20

MultiStrategy 25-75 Top Detractors as of June 30, 2021

Company Name	Avg. Weight (%)	Contribution to Return (%)
iShares S&P Small-Cap 600 Value ETF	1.50	-0.15
iShares Core S&P 500 ETF	2.37	-0.13
SPDR S&P 400 Mid Cap Value ETF	3.98	0.01

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.

MultiStrategy 50-50 Top Contributors as of June 30, 2021

Company Name	Avg. Weight (%)	Contribution to Return (%)
Invesco Buyback Achievers ETF	18.03	1.22
Navigator Tactical Fixed Income Fund Class I	45.56	1.01
SPDR Portfolio S&P 500 Value ETF	6.97	0.44

MultiStrategy 50-50 Top Detractors as of June 30, 2021

Company Name	Avg. Weight (%)	Contribution to Return (%)
iShares S&P Small-Cap 600 Value ETF	3.04	-0.35
iShares Core S&P 500 ETF	5.09	-0.24
Sierra Tactical Bond Fund Class Institutional	0.00	-0.00

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.

MultiStrategy 75-25 Top Contributors as of June 30, 2021

Company Name	Avg. Weight (%)	Contribution to Return (%)
Invesco Buyback Achievers ETF	26.36	1.76
SPDR Portfolio S&P 500 Value ETF	10.31	0.65
Navigator Tactical Fixed Income Fund Class I	20.33	0.45

MultiStrategy 75-25 Top Detractors as of June 30, 2021

Company Name	Avg. Weight (%)	Contribution to Return (%)
iShares S&P Small-Cap 600 Value ETF	4.25	-0.48
iShares Core S&P 500 ETF	7.79	-0.39
Meeder Balanced Fund - Institutional Class	0.00	0.00

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.

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Fixed income securities are subject to certain risks including, but not limited to: interest rate (changes in interest rates may cause a decline in market value or an investment), credit, prepayment, call (some bonds allow the issuer to call a bond for redemption before it matures), and extension (principal repayments may not occur as quickly as anticipated, causing the expected maturity of a security to increase).

Non-investment-grade debt securities (high-yield/junk bonds) may be subject to greater market fluctuations, risk of default or loss of income and principal than higher-rated securities.

Foreign securities are more volatile, harder to price and less liquid than U.S. securities. They are subject to different accounting and regulatory standards, and political and economic risks. These risks are enhanced in emerging markets countries.

The Consumer Price Index (CPI) measures the change in prices paid by consumers for goods and services. The CPI reflects spending patterns for each of two population groups: all urban consumers and urban wage earners and clerical workers.

The Producer Price Index (PPI) program measures the average change over time in the selling prices received by domestic producers for their output. The prices included in the PPI are from the first commercial transaction for many products and some services.

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 S&P SmallCap 600 seeks to measure the small-cap segment of the U.S. equity market. The index is designed to track companies that meet specific inclusion criteria to ensure that they are liquid and financially viable.

The Russell 2000 Index measures the performance of the 2000 smallest U.S. companies based on total market capitalization in the Russell 3000, which represents approximately 11% of Russell 3000 total market capitalization.

The Bloomberg Barclays U.S. Corporate High-Yield Index covers the U.S. dollar-denominated, non-investment grade, fixed-rate, taxable corporate bond market. Securities are classified as high-yield if the middle rating of Moody's, Fitch, and S&P is Ba1/BB+/BB+ or below.

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

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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