



CROSSMARKGLOBAL.COM

June 30, 2017

# GLOBAL EQUITY INCOME COMMENTARY

## Performance

The second quarter continued its momentum from the beginning of the year with equity markets moving higher as valuations increased. The Global Equity Income benchmarks of the S&P Global 1200 and the S&P 500 ended the quarter with returns of 4.31% and 3.09% respectively. For dividend income comparison purposes, the MSCI World High Dividend Yield Index returned 3.20%.

## Factors Affecting Performance

U.S. economic growth was somewhat lackluster in the first quarter of 2017 but is expected to pick up in coming months. The anticipation for the administration's proposals on healthcare reform, trade policy and tax reform has been subdued as the challenge of getting a consensus through both the House and Senate becomes more apparent. While most of these policies would have a positive impact on the equity markets, there is also a degree of uncertainty associated with the final details of these bills and how they would be implemented. The Federal Reserve, confident that the economy has sufficient momentum, hiked rates in June and signaled that it intends to raise them again this year while also starting the process of reducing its balance sheet. In Canada, the economy's momentum remains strong, and real GDP growth is expected to pick up in the next few months. The Bank of Canada should now be in a position to potentially raise interest rates later this year. Overseas, the UK is beginning its Brexit negotiations, and the Bank of England has set its policy to cushion the economy from potential weaker demand. In the Eurozone, economic growth is picking up steam and unemployment is falling, however, wage growth remains weak.

Earnings growth has improved significantly in 2017. For the first quarter as represented by the S&P 500, earnings increased by 13.8% over the previous quarter. Estimated earnings growth for the full year of 2017 is now estimated to increase by 10%. The energy sector, after experiencing steep declines from low oil prices, is now estimated to rebound and have earnings growth of 268% for the full year.

2015 • 2016 • 2017  
LIPPER BEST  
STEWARD GLOBAL  
EQUITY INCOME  
FUND  
Institutional (SGISX)  
AWARD WINNER  
FOR 5-YEAR PERIOD



WINNER OF THE 2017  
THOMSON REUTERS  
LIPPER FUND AWARDS  
UNITED STATES  
THIRD CONSECUTIVE YEAR

*The U.S. Lipper Fund Awards recognized The Fund on March 31, 2015, March 22, 2016 and March 23, 2017 for delivering consistently strong risk-adjusted performance, relative to its peers, for the 5-year period. Chosen out of 66 others in 2015, 80 others in 2016, and 22 others in 2017, the Fund achieved the highest Lipper Leader for Consistent Return (Effective Return Net of Expenses) value over an individual time period in its classification.*

The Global Equity Income strategy outperformed the S&P Global 1200, S&P 500 and the MSCI World High Dividend Yield Index in the second quarter of 2017. The portfolio equity allocation at the end of the quarter was 57% U.S. and 43% international. The largest positive contributor was McDonald's Corp. +18.90% as shares climbed on a strong first quarter earnings report. The results exceeded analyst expectations driven by the recently introduced all day breakfast items, Big Mac platform expansion and increased beverage offerings. Quest Diagnostics Inc. +13.73% shares soared after it delivered one of its finest quarterly earnings reports in the four years since the current CEO has led the company. Earnings easily beat consensus analyst estimates, and the company also raised its 2017 guidance reflecting a higher than expected tax benefit. Shares of InterContinental Hotels Group plc +14.22% shares rose on first quarter results which revealed a positive outlook across all of the company's regions except in the Middle East due to low oil prices. Management remained confident in the outlook for 2017 and their ability to deliver sustainable growth into the future.

Contributors to relative negative performance included International Business Machines Corp. -10.80% as shares dropped on its mediocre quarterly results. Revenue, earnings and margins declined as the company is increasing its investments in R&D which are not yet translating to profits. Expectations are optimistic for a turnaround in the near future. Shares of Analog Devices, Inc. -4.54% fell on an analyst downgrade that stated the company's optimistic outlook is already reflected in the current share price and viewed future guidance as more mixed than positive. This came after the company reported quarter results that beat analyst consensus on both earnings and revenue. Overall, the methodology has performed very well for the quarter and will continue to seek high quality dividend paying companies that can provide solid performance over the long term.

### Global Equity Income Strategy

The Global Equity Income strategy pursues its objective through the investment in U.S. and non-U.S. dividend-paying stocks that have demonstrated above median yield, a positive trend in dividends and favorable earnings growth. These companies also represent a broad spectrum of the global economy. The objective of this strategy is to provide current income and the potential for capital appreciation at lower than overall market risk.

The second quarter continued its momentum from the beginning of the year with equity markets moving higher as valuations increased.

#### About Crossmark's 30 Year History

Crossmark, previously Capstone Financial Services, is an independent investment advisor headquartered in Houston, Texas. Founded in 1987, Crossmark is in its 30th year of providing portfolio solutions for financial advisors and institutional investors with values-based, SRI and ESG values and factor-based strategies. Additionally, Crossmark is the exclusive manager of the Steward Funds, which is a fund family that applies an overarching values-based screening methodology to its suite of equity and fixed income funds, including its award-winning Global Equity Income Fund- named Lipper's "Best Global Equity Income Fund" for the last three consecutive years. Crossmark manages approximately \$5 billion in assets with clients nationwide.

For more information contact our Advisors Solutions Group:

888-845-6910

This information has been provided by Crossmark Global Investments, Inc. All material presented is compiled from sources believed to be reliable and current, but accuracy cannot be guaranteed. This is not to be construed as an offer to buy or sell any financial instruments and should not be relied upon as the sole factor in an investment making decision. The views and opinions expressed are those of the portfolio manager at the time of publication and are subject to change. There is no guarantee that these views will come to pass. As with all investments there are associated inherent risks. Please obtain and review all financial material carefully before investing. Past performance does not guarantee future results.

**Crossmark Global Investments, Inc.**  
3700 W. Sam Houston Parkway S., Suite 250, Houston, Texas 77042  
800.262.6631 info@crossmarkglobal.com  
crossmarkglobal.com

