CROSSMARK GLOBAL INVESTMENTS

Large Cap Value

Commentary | Quarterly update: 1Q25

Separately managed account

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Top 10 portfolio (%)	
JPMorgan Chase & Co.	3.82
AT&T Inc.	3.09
International Business Machines Corp.	3.08
Gilead Sciences, Inc.	2.81
Cisco Systems, Inc.	2.62
Bank of New York Mellon Corp.	2.59
Citigroup Inc.	2.52
Comcast Corp. Class A	2.47
Verizon Communications Inc.	2.45
Cigna Group	2.42
Total % of portfolio	**27.86**

Markets and performance

The Large Cap Value model portfolio returned 2.72% during the first quarter, outperforming the Russell 1000 Value Index (2.14%) by 58 basis points (bps). The outperformance in the strategy was primarily driven by strong stock selection, although that was partially offset by negative sector allocation.

Positive and negative contributors to performance

On a sector basis, the healthcare sector contributed positively with 93 bps overall, including 49 bps from the healthcare providers & services industry. Conversely, the financials sector detracted from performance, with a total impact of -51 bps. The financial services industry specifically contributed -79 bps.

On an individual position basis, AT&T was the largest contributor to performance during the period. AT&T has demonstrated strong financial performance, meeting its operational guidance goals for 2025 and beyond, with plans to return over $40 billion to shareholders through 2027. The company's 4Q24 earnings call highlighted significant growth in both mobility and fiber sectors, with a 3.5% increase in service revenue and the addition of about one million fiber subscribers. Gilead Science also was among the top contributors after reporting strong financial results with earnings revenue exceeding expectations. On the negative side, PayPal was the largest detractor from performance—the stock traded lower despite strong financial results. Salesforce was also among the top detractors from performance as the company traded off despite reporting strong earnings results, but revenues fell short of expectations.

Looking ahead

Recently, the S&P 500 traded at an all-time high with enthusiasm among consumers, businesses, and investors. While the initial reaction to Trump's victory in November was certainly pro-risk (stocks rose, the U.S. dollar strengthened, and bond yields fell), the markets settled back into an uneasy holding period, acknowledging the challenges that await the new administration, and corrected 10%. The policy uncertainty stemming from the on-again, off-again tariff announcements has done little to restore confidence, and the biggest risk now is that the market has entered a negative feedback loop, contributing to a sentiment-induced slowdown. As a result, recession probabilities have moved up from 20% at year-end to 35–40% now. Earnings estimates are only beginning to fall, and multiples, while down a bit, are still high.

Considering the market environment, the strategy is emphasizing companies with positive management quality, momentum, and profitability. During the quarter, the strategy trimmed exposure to the industrials and information technology sectors while adding to financials and communication services. At the end of the quarter, the portfolio held the largest overweight positions in financials and information technology while being underweight energy and healthcare.

Composite performance (%)	Quarter	YTD	1-year	3-year	Since inception
Large Cap Value – Gross	2.72	2.72	13.29	12.71	10.85
Large Cap Value – Net	2.59	2.59	12.73	12.15	10.30
Russell 1000 Value Index	2.14	2.14	7.18	6.64	6.96

Composite illustrated is the Crossmark Large Cap Value Composite. Net performance was calculated using the hypothetical highest annual fee of 0.50%, with a deduction of 0.042% from each month's gross return. Index returns shown assume the reinvestment of all dividends and distributions.

Our firm

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All Investments are subject to risks, including the possible loss of principal. Past performance does not guarantee future results. The Large Cap Value Strategy may not achieve their objectives if the managers' expectations regarding particular securities or markets are not met. Equity investments generally involve two principal risks—market risk and selection risk. The value of equity securities will rise and fall in response to general market and/or economic conditions (equity market risk). The value of any individual equity security will rise and fall in response to the market's perception of the issuer's revenues, earnings, balance sheet, credit worthiness, business plan, and overall perception of the viability of the issuer's business (selection risk).

Some strategies incorporate values-based screening policies which exclude certain securities issuers from the universe of otherwise available investments. As a result, the strategy may not achieve the same level of performance as it otherwise would have in the absence of the screening process. If the strategy has invested in a company that is later discovered to be in violation of one or more screening criteria and liquidation of an investment in that company is required, selling the securities at issue could result in a loss to the strategy. Further, the strategy's values-based screening policies may prevent the strategy from participating in an otherwise suitable investment opportunity.

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The U.S. Dollar is the currency used to express performance. The performance reflects the reinvestment of dividends and other earnings to the extent that client accounts included in the composite elected to reinvest dividends and earnings. Performance figures shown gross of fees do not reflect the payment of investment advisory fees.

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