

EQUITY MARKET NEUTRAL

SMA Strategy Profile

Strategy Objective:

Seeks long-term capital appreciation and to provide absolute returns independent of equity market direction

Strategy Snapshot:

Product Inception 07/01/2021
Category Market Neutral

The Crossmark Equity Market Neutral Strategy’s investment process employs a combination of fundamental and quantitative factors, values-based criteria, and prudent portfolio constraints and risk management tools. Factors utilized in the traditional multi-factor model include earnings quality, profitability, growth dynamics, valuation, and capital deployment. The Strategy is subject to Crossmark’s values-based screening methodology and utilizes values-based data from third party providers as well as our in-house research team as it relates to the long holdings. Derivatives are not utilized in this strategy which incorporates active risk management with a target beta range of -0.2 to +0.4 versus a widely recognized large- and mega-cap equity index. Inputs including economic indicators, monetary variables, valuation, momentum, and sentiment are utilized as part of a quantitative tool to provide insights for determining the beta position with a central tendency of +0.1. The risk management process involves set parameters around issuers, sectors, industries, and risk factors as compared to the referenced index. The number of holdings in this strategy average approximately 100 long and 100 short with full transparency and daily liquidity.

Key Benefits

ABSOLUTE RETURN



- Invests with emphasis on mid-, large- and mega-cap companies that support their stakeholders identified by metrics from third party providers and our in-house research team
- The goal is to find long positions that outperform a targeted benchmark and short positions that underperform a targeted benchmark in up, down, and sideways markets

RISK ANALYSIS



- Risk factors are implemented as part of the portfolio construction process to be within a specific standard deviation band
- To assist in consistency and risk management, investment parameters are established for names, sectors, and industries
- Quantitative tool provides insights for determining appropriate beta position with central tendency of +0.1

DISCIPLINED INVESTMENT PROCESS



- Combination of bottom-up and top-down analysis utilized to define an investable universe and generate a portfolio of approximately 100 long names and 100 short names
- Qualitative and quantitative factors provide key components to the security selection process which includes both negative screening of particular categories and positive inclusion of names from our values-based scoring methodology as it relates to the long positions considered for inclusion in the strategy

Investment Process

Quantitative Elements	<ul style="list-style-type: none"> • Investable universe begins with the constituents of a widely recognized large- to mega-cap equity index • Quantitative tool provides insights for determining appropriate beta position between -0.2 and +0.4 with a central tendency of +0.1 using multiple inputs: <ul style="list-style-type: none"> o Economic indicators o Monetary variables o Valuation o Momentum o Sentiment • For the long positions, Crossmark’s values-based screening methodology is applied regarding the following sectors: <ul style="list-style-type: none"> o Gambling o Alcohol o Tobacco o Life ethics o Adult entertainment o Cannabis • Values-based multi-factor model aides in stock selection by focusing on those companies that support their stakeholders across multiple environmental, social and governance categories • Multi-factor model used to further define the universe of investable stocks emphasizing those with positive and improving fundamental characteristics including: <ul style="list-style-type: none"> o Earnings quality o Profitability o Growth dynamics o Valuation o Capital deployment • These models utilize multiple third party data feeds to populate the data fields and can be updated daily to continually ensure accurate and up-to-date information in our process
Qualitative and Fundamental Elements	<ul style="list-style-type: none"> • Macro and market cycle considerations brought into the process for a top-down component in conjunction with the more bottom-up focused quantitative factors to further narrow the universe of investable stocks
Established Parameters	<ul style="list-style-type: none"> • Constraints are maintained around issuers, sectors and industries as part of the investment management process • These constraints are basis point parameters versus the benchmark • Risk factors are monitored with specific guidelines for our model portfolio around standard deviation targets • Capitalization and style constraints are established to maintain the integrity of the strategy

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All investments are subject to risks, including the possible loss of principal. Past performance does not guarantee future results. The Equity Market Neutral Strategy may not achieve its objective 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).