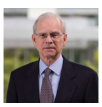
CROSSMARK
GLOBAL INVESTMENTS

ECONOMIC AND STRATEGY COMMENTARIES 1Q 2020

ECONOMIC
Market Commentary



written by
Mel Cody, Sr. Portfolio Manager

The markets and economy were progressing nicely in the first quarter, setting records along the way. We had the longest economic expansion in history and the longest bull market in history, both in their eleventh year, with the S&P 500 Index making another all-time high in late February. Then, as everyone knows by now, the COVID-19 virus made its way into the United States. As investors contemplated the potential impact of the virus, economic activity began to freeze up and equity markets began to fall. What transpired was the quickest transition from a bull market to bear market in history, with the S&P 500 falling over 20% in less than 20 days. After backing and filling a bit, the S&P 500 Index closed down 19.6% for the quarter. Corrections historically have been fast because a panic sets in, but this one set the record. Originally, this was not categorized as a financial crisis and traders said it felt more like the indiscriminate selling after September 11, 2001, when the Twin Towers fell. But with nation (and some parts of the world) shutting down, it has quickly become a financial crisis, particularly for a lot of service businesses that rely on face-to-face contact. However, people are being innovative, altering their business models, using software products such as Zoom to conduct business and even hold school classes over the internet.

Going forward, the outlook is for a sharp downturn in employment, which some have projected to reach depression-era levels. We do expect the next round of economic reports to paint a bleak picture for the second and probably third quarters. Markit has just released its March manufacturing PMI data which measures economic activity. A reading below 50 indicates that the economy is contracting. The reading came in at 48.5 for the month, the lowest reading since August, 2009. Manufacturers also cut their workforces at the quickest rate since October 2009. Data from ADP recently showed that US businesses cut 27,000 jobs through mid-March. The second half of March was hit hard, so we expect that number to get a lot worse as more current data becomes available. The March 21st jobless claims release showed new claims skyrocketed to 3.34 million, the largest single-week increase in history and the just released March 28th claims rose to an astounding 6.65 million for a two week total of about 10 million. As if this wasn't enough, the price of oil and the energy sector collapsed in the quarter. Oil fell more than 60% for the three-month period and now trades around $20 per barrel. There are anecdotes of oil changing hands at around $5 per barrel in west Texas and other spots because, with a severe glut, there is really no place to store it right now. The weakness was attributed to the COVID-19 virus and the fact that Russia and Saudi Arabia got into a price war. The energy sector was crushed and was the worst performer for the quarter.

ECONOMIC
Market Commentary (continued)

The Fed slashed interest rates to virtually zero to flood the system with liquidity. With most states issuing stay-at-home orders, this may have limited impact as some small businesses are teetering on bankruptcy. The lawmakers in D.C. have passed a roughly $2 trillion stimulus bill, the largest in US history. The bill is designed to provide aid to struggling Americans by using direct payments and expanded unemployment insurance, aid to struggling industries, cash and credit for small businesses and rebate for individuals.

First quarter earnings season is just around the corner and the earnings outlook for 2020 has taken a turn for the worse. At the end of 2019, the expectation for the upcoming first quarter was for an earnings gain of 4.4%, according to FactSet. Today, that expectation has fallen to a decline of 5.2% , resulting in a negative swing of 9.6% over the three-month period. For the full year 2020, the expectation now is that earnings will decline 1.2% versus 2019. On a quarterly basis the progression is expected to be:

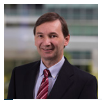
2020 EPS Growth	
1Q	-5.2%
2Q	-10.0%
3Q	-1.1%
4Q	+4.5%
Full Year	-1.2%

The consensus is for steadily improving results as the year goes on, with expected positive growth at the end of the year. Given the unknowns as to how this virus progresses, this is a low confidence estimate. If we find an effective treatment is developed in the next couple of months, the numbers could improve but if not, expectations could fall further.

At the close of the first quarter, the S&P 500 was trading at about a 15.5x multiple on a forward 12 month basis. Is this a reasonable valuation? It's hard to say given the uncertainty around business conditions and the earnings outlook. But remember, the vast bulk of a stock's value is derived from the out years rather than the next quarter or two, and we think things will get better down the road. A multiple of 15.5x is below the 5-year average of 16.7x, but above the 10-year average of 15.0x earnings. In more normal times, having interest rates at zero, low inflation and stimulus money coming in over that transom could lead to a Price-to-earnings (PE) ratio of well over 20x, so we feel the current PE is within reason. Our motto has always been, "don't fight the Fed," and we could amend that to say, "don't fight the Fed and the world's central banks when they work together," so we think the path of least resistance for the market should be to the upside from today's levels over the next six months or so, but it will likely be a very volatile ride.

GLOBAL EQUITY INCOME
Commentary

Global Equity Income is a separately managed account investment strategy



written by
John Wolf, Managing Director

Performance
The global equity markets for the first quarter posted substantial declines as COVID-19 rattled the markets. The Global Equity Income benchmarks of the S&P Global 1200 and the S&P 500 ended the quarter with returns of -20.72% and -19.60% respectively. For global dividend index comparison purposes, the MSCI World High Dividend Yield Index returned -21.82%.

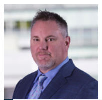
Factors Affecting Performance
The Global Equity Income strategy experienced extreme performance gyrations during the first quarter of the year due to the COVID-19 pandemic. The global equity markets suffered substantial losses in the latter half of the quarter while experiencing dramatic performance swings on a day to day basis. The strategy also experienced these volatility swings with periods of relative outperformance and underperformance to the benchmarks throughout this time frame.

This extraordinary event has placed emphasis on the strategy's "validation" process, which provides a more in depth analysis of the existing portfolio than under normal circumstances. While our current economic environment is unprecedented in recent history, certain aspects of this virus outbreak has affected specific industries and sectors more than others. Companies whose business operations involves more face-to-face human contact versus those that operate primarily in isolation, have been affected much more adversely. With this context in mind, the Validation process was executed to look for companies in the portfolio that would be more than temporarily affected by this pandemic and could be potentially crippled for the longer term. One portfolio holding currently meets these criteria. Carnival Corp. (-74.92%), a cruise ship operator which was at the forefront of this pandemic as several ships were hit with passengers contracting the virus. The immediate impact was massive cruise cancellations as non-essential travel was being discouraged. While Carnival has the ability to weather this situation for a year or two it is our judgment that the company will be significantly impaired for the foreseeable future and the holding was sold in early March. Despite virtually all industries and sectors being hit hard, there were some portfolio companies that managed to do well during the quarter. Clorox Company (+13.60%) shares climbed as sales of the company's cleaning products including disinfecting wipes, bleach, bathroom and multi-purpose cleaners soared. Clorox is a market share leader in these categories and stands to benefit as this pandemic continues to unfold.

The portfolio equity allocation at the end of the period was 60% U.S. and 40% international. The strategy also has been able to maintain its objective of remaining relatively sector neutral throughout the quarter. The dividend yield of the portfolio has climbed dramatically as valuations of the holdings has dropped. Dividend payouts of the portfolio holdings are currently holding steady. We will be monitoring this closely as it is expected that company cash flows will at least temporarily be negatively affected. While the equity markets experienced severe declines, the overall effectiveness of the methodology and particularly the validation process continued to perform as designed and are meeting or exceeding expectations.

COVERED CALL INCOME
Commentary

Covered Call Income is a separately managed account investment strategy



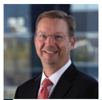
written by
Paul Townsen, Managing Director

The markets around the globe felt the impact of the unprecedented pandemic caused by COVID-19. Unlike 2008, when the financial markets were in complete turmoil and the economy was cratering, this is a health crisis unlike anything we have ever seen before. With uncertainty comes panic and extreme volatility as the VIX index shot up over 80 in the middle of March. The Crossmark Covered Call Income (CCI) strategy was not immune from the rapid and swift declines in the market. As the markets fell over 35% in just a three-week span, the CCI strategy participated in the downturn. The option overlay the CCI strategy incorporates will need time to work and is designed to help mitigate losses over an extended period of time, but not the quick collapse we have seen since February expiration. For the quarter, the CCI strategy slightly outperformed the primary benchmark of the BXM and underperformed against the S&P 500 Index. All of the underperformance came in the month of January and was due to names the strategy could not own due to price constraints. Since February 21 through the end of the quarter when the markets were in a complete meltdown, the CCI strategy slightly outperformed the S&P 500 Index. We have reset the option overlay several times in the past several weeks and we believe the option positions will start to help performance as the markets continue to see increased volatility.

There are several individual equity trades and option activities of note that were executed in the first quarter. We sold General Motors (GM) and replaced it with Target (TGT), keeping with our sector-neutral approach. This trade has worked out well for the strategy. We also bought a small position in JP Morgan (JPM) towards the end of March. The income generated for just the month of March hit 3.50% between option premiums and dividends. That is a high number even for an entire quarter, let alone just one month. This was due to the trading team resetting the option overlay almost daily as the markets were in a freefall. At this rate, we believe we could see another 3% income month in April. The option overlay is very short by design as a hedge against a quick “V” shaped correction that may or may not take place. We have seen several positive days that give the impression of a quick recovery, only to see those returns given back just as quickly the next day or so. The Crossmark trading team continues to monitor volatility with the intent to strategically place option spread trades as needed to maximize income, as well as reduce market risk as much as possible. We will also continue with our sector-neutral approach towards the underlying basket of stocks versus the S&P 500 sector weightings and keep the option overlay at a short two-month duration.

LARGE CAP CORE GROWTH
Commentary

Large Cap Core Growth is a separately managed account investment strategy



written by
Brent Lium, CFA® Managing Director

Our focus on high quality companies with long term growth helped us outperform the S&P 500 by over 3.0% during one of the most volatile quarters in decades. That wasn't good enough to keep with the Technology-heavy Russell 1000 Growth which bested us by approximately 180 basis points. Our purchase of Amazon last quarter turned out to be very timely as it and Microsoft were our two best individual performers with Microsoft at 0.3% and Amazon at 5.5%. Microsoft outperformed with its fortress balance sheet and product offerings that fare well through tough times. Amazon's business will likely fare very well, potentially even accelerating, through the COVID-19 pandemic. Our underperformers were CDW and Palo Alto Networks, each falling 35%. We sold Palo Alto Networks following a poor earnings report that forced us to reassess our investment thesis. CDW fell on fears of a dramatic slowdown in technology spending at small and medium size businesses. In addition to good stock selection, our underweight in the Energy and Financial sectors helped relative to the S&P 500.

We used the volatility in the market during the quarter to increase our investments in companies with strong business models and exposure to long term growth trends. We made new purchases of Adobe (software to build websites), American Tower (own cell towers and benefits from increasing mobile data trends), and Service Now (software company that enables companies to move to the cloud). In addition, we added to many of our current technology and internet holdings. While COVID-19 certainly put a damper on the market and the economy, it probably accelerates the shift towards all of these businesses. We sold some of our more cyclical businesses like Exxon and Ross Stores as well as some companies where our investment thesis was not playing out, like Palo Alto and Baxter International. In addition, we reduced our weight in the Financials sector by trimming all three holdings. We expect to continue to opportunistically add more to our long-term secular growth companies in the weeks and months ahead.

TAXABLE FIXED INCOME
Commentary

Core Fixed Income, Current Income Portfolio, Intermediate Fixed Income and Income Opportunities are separately managed account investment strategies

written by
Victoria Fernandez, CFA® Chief Market Strategist

There is no doubt that a health crisis has turned into financial volatility over the past month, as markets try to gauge the effects of COVID-19. With large steps taken by central banks and governments around the world, along with a stronger financial system in the US versus our last financial crisis, we are confident that the economy will rebound, although the timing is unknown at this point. You can see from the chart below showing US 10yr treasury yields how the markets have had some wild swings so far in 2020.

US 10 yr Treasury Yield	Date
1.92%	12/31/19
1.15%	02/28/20
0.54%	03/09/20
1.20%	03/18/20
0.67%	03/31/20

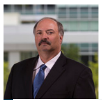
Although the equity markets have dropped roughly 24% from their highs back in February, the 10yr treasury yield has dropped 65% YTD. In an environment where yields dropped so much, so fast, it is no surprise that a shorter duration positioning in the portfolios to reduce volatility from interest rate movements resulted in relative underperformance versus comparable indices for the majority of taxable fixed income strategies. For all these strategies, the shorter duration positioning and the underweight to the treasury sector were the negative contributors to performance. Our selection capabilities within the sectors combined with our yield curve placement and our income focus, were the positive contributors to performance for the first quarter of 2020.

One of the conversations we have been having recently is ensuring that investors understand that not all bonds react the same way. Even though the treasury market has rallied under "flight to quality" and even "flight to cash" investor behaviors, the concerns that have arisen from a national shutdown and the impending effect on corporations, has caused a tremendous spread widening for corporate bonds – both investment grade bonds and much more so, for high-yield bonds. With Crossmark's focus on providing a higher level of steady income generation as compared to the indices, our overweight to the corporate sector and therefore underweight to the treasury sector was one of the largest factors for underperformance. What we must remember is that our investments are focused on high quality companies with strong balance sheets and although there may be considerable volatility currently with market prices, all of these holdings are still paying their interest and principal payments and should provide par value at maturity.

Throughout the models, the financial and oil-related bonds had the most volatility based on declining yields and the disruption around the oil market. For the Current Income Product and Income Opportunities strategies, the preferred allocation – a hybrid security structure –had increased volatility in connection with the equity markets, with Pitney Bowes being the holding with the largest downside move. In addition to preferreds, the Income Opportunities strategy has an allocation to high yield bonds and Real Estate Investment Trusts – two sectors that have been greatly affected as concerns over corporate earnings and cash flow are top of mind. We continue to monitor all of our holdings with our research team verifying cash flow activities to help us make the best decision on which companies will have the balance sheet strength to withstand what lies ahead. Our four-step investment process of duration, yield curve, sector and security selection decisions remains consistent and will help us to determine if any opportunistic strategy shifts are in the best interest of our clients as we navigate through these volatile times.

MUNICIPAL FIXED INCOME
Commentary

Municipal Fixed Income is a separately managed account investment strategy



written by
Patrick Garboden, Sr. Portfolio Manager

The $3.8 trillion US municipal bond market began 2020 with the 10-year Treasury at 1.91% and was met head on with a Federal Open Market Committee (FOMC) message that Fed Fund rate cuts would be a leading story for the year. The municipal bond mutual fund and ETF net inflows remained positive for a record 60 consecutive weeks until the middle of March. Little did we know there would be a global pandemic as we witnessed the FOMC drop short-term Fed Fund rates to 0.00-0.25%, re-establish Quantitative Easing (QE) and inject billions into the Repo and Commercial Paper markets by the end of 1Q20.

Municipal bond prices dropped as municipal bond mutual funds and ETF's sold short maturities, primarily consisting of less than one year to three year maturities, to satisfy redemption requests. New issuance scheduled for March was mostly suspended when underwriters found little interest in the scheduled yields once the secondary market adjusted to considerably higher yields. During the last two weeks of March when redemptions were reported to be greater than $28 billion, the relationship of municipal yield compared to Treasury yield went from 85% to over 300% representing levels not seen since 1980.

The municipal bond market rallied the last week of March after Congress passed the $2.2 trillion economic stimulus that extended the Federal Reserve the power to buy state and local government municipal debt should another liquidity crisis breaks out. Underwriters of new issue municipal bonds quickly brought the deals back to the market in the last week of 1Q20.

Crossmark Global Investments Municipal Fixed Income SMA program is a net buyer of high quality essential service revenue and general obligation municipal bonds while the redemptions at municipal bond mutual fund and ETF's push pricing lower and yields higher. There is a near term opportunity to build portfolios with high quality tax-exempt municipal bonds. With global shutdowns, Short-term Fed Fund rates at 0.00-0.25%, a $2.2 trillion stimulus bill, QE, Federal Reserve pumping liquidity into credit and lending programs that eventually there will become a period of time when institutions, insurance companies, community banks, regional banks, foreign buyers and cross-over buyers will focus on the benefit of owning municipal bonds. Once individual municipal bond mutual fund and ETF shareholders curtail the redemptions, the municipal bond market will reprice itself closer to other fixed income sectors in terms of yield. This opportunity has nothing to do with market timing. It does however, factor in taking advantage of an opportunity that may not be seen for a possible long time in the future.

Crossmark Global Investments continues to find value in the municipal secondary market with bonds rated A or better by Moody's or Standard & Poors at time of purchase involved with essential services like water, sewer, power, streets, highways, school education and general obligations. The ideal maturities on the yield curve have moved to the 8- to 20-year range with a call feature between 2023 and 2027. Crossmark Global Investments limits maturities to 20 years. Crossmark Global Investments continues to hold a shorter duration than the Barclay's Quality Intermediate Municipal Index with a focus on higher quality municipalities. Crossmark Global Investments continues to use municipal bond market volatility to opportunistically manage the portfolios entrusted to us.

Global Equity Income Top 10 Model Holdings [1]

Taiwan Semiconductor Mfg Co.
McDonald's Corp.
Intel Corp.
Pepsico Inc
Accenture PLC
Algonquin Power & Utilities Corp.
Medtronic PLC
Texas Instruments, Inc.
Unilever NV
Smith & Nephew PLC

% of Total Portfolio: 24%

Covered Call Income Top 10 Model Holdings [1]

Intel Corp.
Qualcomm, Inc.
Medtronic PLC
Lowe's, Inc.
Micron Technology, Inc.
Activision Blizzard, Inc.
Abbott Labs
Walmart, Inc.
Gilead Sciences, Inc.
Coca Cola Co.

% of Total Portfolio: 39%

Large Cap Core Growth Top 10 Model Holdings [1]

Microsoft Corp.
Apple, Inc.
Amazon.com, Inc.
Alphabet - Class C
L3 Harris Technologies, Inc.
Mastercard, Inc.
UnitedHealth Group, Inc.
McDonald's Corp.
Abbott Labs
Amgen, Inc.

% of Total Portfolio: 47%

[1] Model Portfolios are based on a hypothetical account managed during the current quarter. Actual characteristics and income may differ materially from model. As of 3/31/2020.

Our Firm

Crossmark Global Investments is a boutique investment management firm that provides a full suite of investment strategies to institutional investors, financial advisors, and the clients they serve. For over 30 years we have delivered uniquely-constructed products based on our proprietary, disciplined, and repeatable process. We are especially known for helping our clients align their investments with their values by creating socially-conscious, responsible investment strategies. Founded in 1987, we are headquartered in Houston, Texas and manage approximately $4.3 billion in AUM as of March 31, 2020.

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