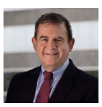
CROSSMARK GLOBAL INVESTMENTS

QUARTERLY UPDATE: 2Q 2021
SMA STRATEGY COMMENTARIES

ECONOMIC & MARKET
Commentary



written by
Bob Doll, CFA® Chief Investment Officer

EQUITY MARKETS (INDEX TOTAL RETURN)	Q2 2021	YEAR-TO-DATE
DJIA	5.08%	13.79%
S&P 500	8.55%	15.25%
NASDAQ	9.68%	12.92%
RUSSELL 2000	4.29%	17.54%
RUSSELL 1000 GROWTH	11.93%	12.99%
RUSSELL 1000 VALUE	5.21%	17.05%

S&P EQUITY SECTORS (INDEX TOTAL RETURN)	Q2 2021	YEAR-TO-DATE
COMMUNICATION SERVICES	10.72%	19.67%
CONSUMER DISCRETIONARY	6.95%	10.27%
CONSUMER STAPLES	3.83%	5.02%
ENERGY	11.30%	45.64%
FINANCIALS	8.36%	25.69%
HEALTHCARE	8.40%	11.85%
INDUSTRIALS	4.48%	16.40%
INFORMATION TECHNOLOGY	11.56%	13.76%
MATERIALS	4.97%	14.50%
REAL ESTATE	13.09%	23.30%
UTILITIES	-0.41%	2.38%

Peaking Economic and Earnings Growth Will Eventually Lead to Mixed Returns
Equities rallied in Q2, with the S&P (up 8.55%) posting its fifth straight quarterly gain. Growth (+11.93%) outperformed value (+5.21%), reversing much of the underperformance seen in Q1. Treasuries were mostly stronger, with 10-year yields down ~30 bp to just under 1.45%. WTI crude rallied 24%. Reasons given for the rally include the central bank liquidity tailwind, fiscal stimulus, vaccine progress, reopening momentum, solid corporate profit backdrop, and robust equity inflows. While concerns about an inflation overshoot were present, the Fed remained consistent in its messaging around expectations that price pressures will be transitory. Peak growth and peak policy were some of the other high-profile themes late in the quarter. Earnings season brought another round of outsized beats. Despite a late-quarter agreement between the White House and a bipartisan group of Senators on a physical infrastructure package framework, the path to additional fiscal stimulus remained complicated. This is due to the Democratic leadership's insistence that the Senate also pass a separate package via reconciliation that includes Democratic priorities such as climate change and human infrastructure. The best sectors include REITs (+13.09%) and technology (+11.56%); the only sector down for the quarter was utilities (-0.41%).

Meaningful progress continues in vaccinating the world's population against COVID-19. North America and Europe continue to lead the rest of the world based on the share of people who have received at least one dose, but other areas are also making meaningful progress. However, with the recent decision in the U.K. to keep COVID-19 restrictions in place for an additional four weeks (due to the Delta variant), it is clear the global economy is not entirely out of the woods yet.

Following a recession like no other, American households are flush with cash. Since COVID-19 broke out last March, real disposable income has grown at its fastest 15-month rate ever. The outlook for consumer spending is strong. U.S. consumers are experiencing a dramatic improvement in employment prospects

ECONOMIC & MARKET

Commentary (continued)

INTERNATIONAL EQUITY MARKETS (INDEX NET RETURN)	Q2 2021	YEAR-TO-DATE
MSCI ACWI	7.39%	12.30%
MSCI ACWI EX U.S.	5.48%	9.16%
MSCI EAFE	5.17%	8.83%
MSCI EM	5.05%	7.45%

FIXED INCOME MARKETS (INDEX TOTAL RETURN)	Q2 2021	YEAR-TO-DATE
BLOOMBERG BARCLAYS U.S. AGGREGATE BOND	1.83%	-1.60%
BLOOMBERG BARCLAYS U.S. CORP HIGH YIELD	2.74%	3.62%
BLOOMBERG BARCLAYS U.S. GOV/CREDIT	2.42%	-1.96%
BLOOMBERG BARCLAYS U.S. T-BILL 1-3 MONTH	0.00%	0.02%

ALTERNATIVES (INDEX TOTAL RETURN)	Q2 2021	YEAR-TO-DATE
FTSE NAREIT (REAL ESTATE)	11.75%	21.25%
DJ COMMODITIES	12.81%	23.29%
RED ROCKS GLOBAL LISTED PRIVATE EQUITY	9.30%	18.34%
DB G10 CURRENCY FUTURES	-0.57%	4.50%

when there are massive sidelined savings and pent-up demand for some services. Household balance sheets are in great shape, reflecting last decade's deleveraging and the current huge tailwind from asset appreciation. The corporate profit outlook remains as bright as it has been in a long time (thus supporting risk assets), assuming the unwinding of hyper-accommodative monetary conditions is slow and lags the uptrend in inflation. However, the business cycle is at the most robust expansion stage and will soon shift into a moderate slowdown. While growth is to remain strong, it has most likely peaked and is starting to decelerate. The pace of earnings growth is also peaking.

The June Fed meeting set up a chain reaction that looked like the start of a risk-off phase. Treasury yields rose, providing support to a struggling U.S. dollar, which in turn magnified the correction in commodity prices and caused equity prices to decline. This reaction was brief, as the market recognized that the Fed is still a long way from its first rate hike and a shift to a tight monetary stance is still not on the horizon. Nevertheless, the point of maximum friendliness of the Fed towards the stock market has passed. The Fed will eventually taper and then raise rates; the unknown is the pace and magnitude.

The market consensus view remains that strong growth will have little lasting impact on inflation. Investors expect inflation will only lift briefly and then recede, remaining well contained over the long haul. This belief is consistent with the Fed statements that consumer price pressures will prove transitory. Our view is less benign and that monetary authorities and investors are too complacent about the pace and durability of the move up in underlying price pressures. We believe the current post-pandemic spike in U.S. core inflation will soon peak but will be followed by resilience rather than a return to sub-2% inflation. In other words, the era of 0-2% inflation is over.

The process of moving from the most accommodative policy settings in memory and probably in the history of modern central banks to something less extreme will be temporarily disruptive for all financial markets. The Fed and other central banks want solid growth and higher inflation and thus will proceed slowly until it is overwhelmingly clear that inflation is higher than they are willing to tolerate. One key implication of the very positive economic outlook is that hyper-accommodative policy conditions are no longer appropriate.

The view that strong corporate earnings growth and negative real interest rates are sustainable foundations for multi-asset positioning is misplaced. If growth remains as strong as we expect over the next 12-18 months, then real bond yields will eventually climb into positive territory, with a parallel up move in nominal yields. The Fed is determined to forestall such an outcome, but bond investors will eventually demand compensation for the inflation and policy risks that sustained strong economic growth will create. The implication is that risk asset valuations will eventually have to adjust downward (including a drop in equity market P/E ratios.)

ECONOMIC & MARKET
Commentary (continued)

The U.S. equity market had a fantastic run since the March 2020 bottom, delivering 90+% returns and is now trading at 30x trailing P.E.; forward-looking P.E. is also elevated at 23x. It seems markets have borrowed returns from the future. With valuations close to an all-time high, equity markets do not have much safety margin. They are vulnerable to a correction triggered by hawkish rhetoric from the Fed, or more likely, upside inflation or employment surprises. We think the environment still favors values and cyclical over growth and defensive over an intermediate timeframe, although the latter pair could outperform in the short-term. The likely outperformance of value versus growth also has implications for regional allocation within a global equity portfolio, underscoring the idea that investors should favor international markets over the coming year. This stance is also supported by our view that, despite current dollar strength, the longer-term path is downward.

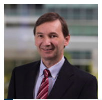
Conclusion

Equity and credit markets are not cheap but should remain well supported against a backdrop of solid corporate earnings growth. We continue to recommend that investors should overweight risk assets within a multi-asset portfolio and that fixed-income investors should maintain a below-benchmark duration position. We expect modest absolute returns from global equities. A bias toward value over the coming year supports an overweight stance toward international equities.

Source: FactSet, Bank Credit Analyst, Macro Research Board, Morningstar Direct as of 6/30/21

GLOBAL EQUITY INCOME
Commentary

Global Equity Income is a separately managed account investment strategy



written by
John Wolf, Managing Director

Markets and Performance
Performance for the global equity market again posted significant increases in total return for the second quarter. The S&P Global 1200 Index and the S&P 500 Index ended the quarter with returns of 7.53% and 8.55%, respectively. Dividend stocks overall underperformed the general equity market. For global dividend index comparison purposes, the MSCI World High Dividend Yield Index returned 4.14%. The Global Equity Income model portfolio outperformed the MSCI World High Dividend Yield Index but underperformed the S&P Global 1200 Index for the second quarter, gaining 4.86%.

Positive and Negative Contributors to Performance
The quarter's positive relative performance was led by Eli, Lilly and Co. (2.70% of total net assets), which climbed 23.39% on FDA Breakthrough Therapy designation for its new Alzheimer's therapy despite first-quarter results that came in slightly lower than analyst expectations. Investors looked past the minor underperformance of the past quarter and focused on the company's strong drug pipeline that included several significant advancements. Recently approved drugs in diabetes and immunology hold the highest current sales potential, and several new cancer drugs also look very promising should the clinical data hold up. Shares of Infosys Ltd. (2.70% of total net assets) climbed 14.19% as clients accelerated spending in cloud migration which has become a top priority. Management expects this cloud migration and integration to be the start of a multi-year tech cycle that will open even more opportunities when completed. Infosys has begun tapping into additional growth areas such as cybersecurity which it believes will sustain growth for several years. The company also announced a buyback program that has commenced in late June and has had a positive effect on share prices. Shares of Canadian Imperial Bank of Commerce (1.42% of total net assets) jumped 17.51%. Banks, in general, posted a strong quarter with the gradual reopening of the economy and rising interest rates. Profitability is on track to return to pre-pandemic levels, and provisions for credit losses across all of its strategic business units have been significantly reduced from their peak levels in 2020. Canadian Imperial Bank of Commerce has also maintained its balance sheet quality and liquidity and has continued to pay its dividend through these challenging times.

Negative contributors to relative performance included KB Home (1.79% of total net assets), which closed down 12.22%. This comes after a solid first-quarter performance for the company; however, housing sentiment is beginning to decline as inflationary pressure on building supplies continues to rise. On the positive side, the company has exposure in all the states where demand is strong. It also has lowered its financial leverage and is able to generate healthy cash flow. Housing demand will return as the ongoing housing shortage has not gone away, and sentiment will eventually improve. Shares of Intel Corp. (1.67% of total net assets) dropped 11.75% despite the company reporting a robust first-quarter report that exceeded its guidance on higher than expected laptop demand related to the ongoing work from home environment. However, forward-looking guidance from management reflected the higher costs associated with the company's attempt to regain process leadership and build additional capacity for foundry services. This is anticipated to cause a drag on the company's margins that should continue for several additional quarters.

Looking Ahead
Retail sales dropped in May, indicating a shift in consumer spending habits from big-ticket items such as autos and furniture to goods and services such as restaurants and entertainment. This shift is consistent with business reopening and higher COVID-19 vaccination rates. The economic reopening combined with soaring stimulus-driven demand is creating supply issues and material shortages, pushing prices higher. While the Federal Reserve states that this condition will be temporary, it bears careful watching as sustained inflation could put a significant damper on equity markets in the near future. In this uncertain environment, dividend income stocks with their lower market volatility are an attractive equity allocation.

COVERED CALL INCOME
Commentary

Covered Call Income is a separately managed account investment strategy

written by
Paul Townsen, Managing Director – Head of Trading & Investment Operations

Markets and Performance

In the first quarter of 2021, markets exhibited volatility stoked by inflation fears, with 10-year Treasury yields selling off from 0.91% to 1.74%. The second quarter continued with this theme as investors stayed cautious amid rising inflation uncertainty, potentially hurting corporate earnings and derailing the bull market run. Investors weighed the risks of taking stocks higher throughout the quarter in light of rich valuations, potential inflation, imminent Fed tapering, higher tax proposals, COVID-19 variants, and ongoing geopolitical tensions. One of the main tail risks for investors was inflation. Investors scrutinized any additional signs of higher inflation, looking for hints that would compel the Fed to taper sooner than expected. Inflationary pressures started to creep into the economic reports, such as Non-Farm payrolls, CPI, and PPI data. The May CPI index increased 5% year-over-year, which was the highest since August 2008. Oil prices rose from $59.16 per barrel to $73.47 due to reopening demand and progressing OPEC supply negotiations. As investors closely monitored rising input costs, the debate on whether inflation was transitory or persistent became the recurring focal point. Despite the increase in commodity prices and supply shortages, the Fed continued to reassure the market they would continue their accommodative support. They reiterated that increased prices would be transitory, and the Fed has tools to curb inflation if prices get out of hand. The Crossmark Covered Call Income model portfolio took advantage of the volatility during the quarter to generate over 3% in income between the premiums generated from the sale of covered calls and dividends paid during the quarter.

Positive and Negative Contributors to Performance

The Crossmark Covered Call Income model portfolio slightly underperformed its primary benchmark (the CBOE S&P 500 BuyWrite Index) mainly due to a sector-neutral weight to the technology sector. Not owning names like Google, Amazon, and Microsoft was a drag against performance for the quarter, a reverse from the first quarter's performance. Stocks with prices over $140 are excluded from the portfolio due to single stock risk. From an attribution angle, Energy, Consumer Staples, and Financial sectors led the way, while not owning the tech names mentioned above contributed to a negative contribution to return. The holdings that contributed positive returns for the quarter were Capital One (3.10% of total net assets), Morgan Stanley (3.70% of total net assets), Nike (4.70% of total net assets), and CVS Corporation (2.50% of total net assets).

Looking Ahead

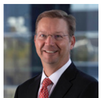
As we head into the third quarter, investors will likely continue to try to understand a monetary and economic environment that seems to be in constant transition. This uncertainty is playing out in sector rotation, with a drop in the economic recovery theme relative to the S&P 500. All this should lead to heightened volatility across the broad equity markets. The Crossmark team will continue to monitor volatility, intending to trade the option overlay to maximize income and reduce market risk.

LARGE CAP CORE UNSCREENED

Large Cap Core Unscreened is a separately managed account investment strategy

(Formerly Large Cap Core Growth)

Commentary



written by

Brent Lium, CFA® Managing Director – Head of Equity Investments

Markets and Performance

The Crossmark Large Cap Core Unscreened model portfolio had a solid second quarter of 2021, returning 9.52%, besting the S&P 500 Index by nearly 1.0%. Growth stocks, which had taken a pause in the first quarter, found their footing again. In general, companies reported very strong earnings across the board; however, many of the "reopening trade" and value stocks couldn't quite meet their lofty expectations. As a result, growth stocks tended to outperform during the quarter.

Positive and Negative Contributors to Performance

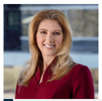
Our best performers were NVIDIA, Charles River Labs, and Edwards Life Sciences (1.70%, 2.70%, and 1.50% of total net assets). NVIDIA, up 49.50%, reported a strong quarter and held an analyst day that provided excitement around future growth prospects. Charles River, up 27.3%, and Edwards Life Sciences, up 24.6%, rose on the back of the "reopening trade," as investors sought companies that benefitted from the reopening of the economy post-pandemic. Our underperformers were Intel (0.95% of total net assets), down 10.4%, Fiserv (1.20% of total net assets), down 10.2%, and Oracle (1.50% of total net assets), down 7.8%. Intel fell as investors were disappointed in near-term earning prospects, and we sold our position during the quarter. Oracle pulled back after a powerful run the prior quarter, and Fiserv's first-quarter earnings missed expectations. Our overweight in technology helped by 15 basis points during the quarter relative to the S&P 500.

Looking Ahead

This quarter saw a reversal of last quarter's excitement over "value" stocks as growth outperformed value. We sold our position in Intel as the chipmaker continued to lose share. The new CEO's plan will be unlikely to turn the company's loss of market share around until 2023, when the new chip architecture arrives. We used the proceeds of the Intel sale to purchase Oracle. The software maker has strong market share in the enterprise software market and is now starting to see accelerating growth in its cloud offerings. This growth, combined with margins above 40% and a strong balance sheet, makes Oracle a great fit with our investment process.

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

Markets and Performance

We saw inflation fears escalate towards the end of the first quarter, sending the yield curve steeper with longer maturities moving up to the year's highest levels. However, as the market began to build faith in the concept of transitory inflation (promoted by the Federal Reserve), the reopening story, and some uncertainty as to the size of an infrastructure package, we saw U.S. 10-year Treasury yields move back towards the 1.50% level where they remained range-bound for most of the quarter. In this declining yield environment, the Crossmark taxable fixed-income model portfolios reported mixed performance versus their respective benchmarks for the second quarter of 2021. However, all model portfolios are still outperforming their benchmarks year-to-date for 2021.

Positive and Negative Contributors to Performance

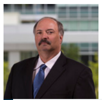
Two of the most significant positive contributors to performance for the quarter across all of the taxable fixed income model portfolios were the allocation and income components. Our overweight to the corporate allocation and the resulting income generated from that sector are positive return drivers. With our positioning of having a duration roughly 60-80% of the stated benchmark for the taxable fixed income strategies, and yields declining during the quarter, the duration and yield curve positioning were the two largest negative contributors to performance. As yields fell, longer maturity securities across the model portfolios were the strongest performing holdings in the corporate allocation. However, for the Current Income Portfolio and the Income Opportunities model portfolios, the fixed-rate preferred allocation and the REIT allocation were the strongest performers, respectively, allowing them to outperform their benchmark index. The U.S. Treasury allocation was a weaker sector regarding performance as most of our holdings in that sector are used for liquidity purposes and therefore have shorter durations.

Looking Ahead

With earnings remaining solid and other parts of the world catching up to the United States regarding vaccination rates and the reopening of their economies, we would anticipate yields to trend higher in the second half of the year. Short-term rates will remain anchored at or close to zero in the short- to intermediate-term as the Federal Reserve is just beginning to discuss tapering options. This discussion should provide a steepening of the yield curve, and the slow process of removing liquidity from the markets should support credit investments. In this environment, we will maintain a shorter duration than the benchmark index although working towards a more neutral position as 10-year Treasury yields make their way towards 2.0%. The overweight to the corporate sector will continue to provide cash flow while maintaining our focus on high-quality, highly liquid securities in our strategies.

MUNICIPAL FIXED INCOME
Commentary

Municipal Fixed Income is a separately managed account investment strategy



written by
Patrick Garboden, Sr. Portfolio Manager

Markets and Performance

According to data compiled by Bloomberg, state and local municipalities issued a record amount of debt during the first six months of 2021. Even with record new issuance, demand from individuals has resulted in nearly $2 billion per week flowing into municipal bond mutual funds and Exchange Traded Funds. Investors are seeking a tax haven as the Biden administration pushes to raise income taxes on the highest earners and potentially increase the corporate rate tax from 21 percent to 28 percent. This demand, coupled with typical reinvestment from interest and maturity payments, is driving municipal debt to positive returns even as other bond market sectors are down for the year.

Positive and Negative Contributors to Performance

The Crossmark Municipal Fixed Income model portfolio returned 0.43% for the quarter ending June 30 versus 0.62% for the Barclays Quality Intermediate Municipal Index. Investing in high-quality credit was a mild negative contributor to performance for the model portfolio as most investors searched for lower-quality credit offering wider spreads. This demand strengthened those prices during the quarter as compared to higher-quality credit issues. The shorter duration positioning of the Strategy was a positive contributor to performance during April and May as concern over potential higher inflation became more pronounced. However, this positioning became a negative during June as low seasonal new issuance gave way to more robust pricing on longer duration bonds. Airport and transportation sectors were positive contributors to performance in the second quarter as spreads narrowed.

Looking Ahead

Most municipalities have a fiscal year ending June 30, resulting in lower new issuance during and immediately after the budget process. As we enter a period of reduced issuance combined with continuing calls and maturities, spreads could narrow at the beginning of July but begin to widen later in the quarter as new issuance normalizes. These seasonal supply/demand pressures may limit the level of price discounts (to current valuation) available in the market until later in the quarter. We continue to find value in the municipal secondary market with bonds rated A or better by Moody’s, Standard & Poors, or Fitch at the time of purchase and involved with essential services like water, sewer, power, streets, highways, public education, and general obligations. Our Strategy is focusing on maturities in the seven to 20-year range with call features between 2024 and 2030. The Strategy will continue to utilize shorter duration positioning than the benchmark index, focusing on higher-quality municipalities.

Global Equity Income Top 10 Model Holdings [1]

Eli, Lilly & Company	2.70%
Infosys Technologies Ltd	2.70%
Texas Instruments, Inc.	2.50%
Taiwan Semiconductor Mfg Co.	2.40%
McDonald's Corp.	2.30%
NetApp, Inc.	2.30%
Analog Devices, Inc.	2.00%
SAP SE	2.00%
Cummins Engine, Inc.	1.90%
RELX	1.90%

% of Total Portfolio: 22.70%

Covered Call Income Top 10 Model Holdings [1]

Nike, Inc.	4.70%
Applied Materials, Inc.	4.30%
Apple, Inc.	4.20%
Oracle Systems Corp.	3.90%
Activision Blizzard, Inc	3.90%
Medtronic PLC	3.80%
Bank America Corp.	3.80%
Morgan Stanley	3.70%
Western Digital Corp.	3.60%
Abbott Labs	3.50%

% of Total Portfolio: 39.40%

Large Cap Core Unscreened Top 10 Model Holdings [1]

Apple, Inc.	9.70%
Microsoft Corp.	8.30%
Amazon.com, Inc.	6.70%
Alphabet - Class C	5.70%
JP Morgan Chase & Co.	3.00%
UnitedHealth Group, Inc.	2.90%
Mastercard, Inc.	2.80%
Nike, Inc.	2.80%
Charles River Lab Intl., Inc.	2.70%
Home Depot, Inc.	2.50%

% of Total Portfolio: 47.10%

[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 6/30/2021.

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