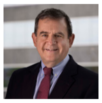
EQUITY MARKET NEUTRAL

COMMENTARY | QUARTERLY UPDATE: 3Q 2022

Separately Managed Account



written by
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Top 10 Crossmark Equity Market Neutral Model Account Long Holdings[1]	
American Express Co.	1.2%
Leggett & Platt, Inc.	1.2%
Lowe's Companies, Inc.	1.2%
Ryder System, Inc.	1.2%
TopBuild Corp.	1.2%
Dropbox, Inc.	1.2%
Regions Financial Corp.	1.2%
Cadence Designs Systems, Inc.	1.2%
Discover Financial Services	1.2%
Electronic Arts, Inc.	1.2%
Total % of Portfolio	**12.0%**

Top 10 Crossmark Equity Market Neutral Model Account Short Holdings[1]	
First Citizens Bancshares NC	-1.3%
Boston Beer, Inc.	-1.1%
Stryker Corp.	-1.0%
Monster Beverage Corp.	-1.0%
IAC/InterActiveCorp	-1.0%
Certara, Inc.	-1.0%
Masimo Corp.	-1.0%
ICU Medical, Inc.	-1.0%
Constellation Energy Corp.	-1.0%
Enviva, Inc.	-1.0%
Total % of Portfolio	**-10.4%**

[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 9/30/2022.

Markets and Performance

We have entered a high-risk zone as a consequence of the largest rise in inflation in 40 years, rising policy rates, several developed market countries having excessive debt levels, some poorly-timed fiscal actions and the awakening of the bond vigilantes. In this environment, stocks and bonds both declined for the third consecutive quarter, the longest streak in almost 50 years. The Equity Market Neutral model portfolio returned +0.80% in the third quarter, outperforming its ICE BofA 3-month U.S. Treasury Bill benchmark (that returned +0.46%) by 34 basis points. The strategy continued to benefit from multiple compression in highly-valued shorted stocks.

Positive and Negative Contributors to Performance

For the quarter, our long positions were down 4.5%, while our short positions fell 6.6%. (The Russell 1000 equity benchmark was down -4.61%.) The outperformance for the short holdings came from consumer discretionary, consumer staples and financials. The outperformance from the long positions came from energy and financials. Our best performing short positions were Spectrum Brands (-0.9% of total net assets), Sotera Health (-0.3% of total net assets), Scotts Miracle Gro (-0.8% of total net assets) and AppLovin Corp (-0.4% of total net assets), while our best performing long positions were Biogen (1.1% of total net assets), and H&R Block (1.1% of total net assets),.

Looking Ahead

Economic growth is slowing globally, but it is not collapsing. We do anticipate that the Fed will continue to hike rates and move into restrictive territory by year-end, increasing the probability of a recession in 2023. We expect volatility in both directions in the fourth quarter. Earnings are likely to disappoint as the Fed continues to tighten, raising the recession probability ever higher. We favor below beta, above average yields and high quality companies. Our largest sector exposure in the long portfolio are technology, consumer discretionary and industrials. Our largest sector shorts are technology, industrials and healthcare.

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 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).

The Equity Market Neutral Strategy also exposes the investor to short sale risk. An investor's account will incur a loss as a result of a short sale if the price of the security sold short increases in value between the date of the short sale and the date on which the account purchases the security to replace the borrowed security. In addition, the securities sold short may have to be returned to the lender on short notice, which may result in the account having to buy the securities sold short at an unfavorable price to close out a short position. If this occurs, any anticipated gain to the account may be reduced or eliminated or the short sale may result in a loss.

The strategy's 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. With respect to Equity Market Neutral, the values-based screening policies apply only to long positions.

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