



EQUITY MARKET NEUTRAL

COMMENTARY | QUARTERLY UPDATE: 4Q 2022

Separately Managed Account



written by
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Top 10 Crossmark Equity Market Neutral Portfolio Long Holdings

W. W. Grainger, Inc.	1.3%
Cigna Corp.	1.3%
Nordstrom, Inc.	1.2%
Expeditors International Washington, Inc.	1.2%
Danaher Corp.	1.2%
Regions Financial Corp.	1.2%
Best Buy, Inc.	1.2%
Macy's, Inc.	1.2%
Ameriprise Financial, Inc.	1.2%
CBRE Group, Inc.	1.2%
Total % of Portfolio	12.2%

Top 10 Crossmark Equity Market Neutral Portfolio Short Holdings

Teleflex, Inc.	-1.1%
Stryker Corp.	-1.1%
Dominos Pizza, Inc.	-1.1%
Alteryx, Inc.	-1.1%
Tenet Healthcare Corp.	-1.1%
Monolithic Power Systems, Inc.	-1.1%
New Fortress Energy, Inc.	-1.1%
Shift4 Payments, Inc.	-1.1%
Boeing Co.	-1.0%
Equifax, Inc.	-1.0%
Total % of Portfolio	-10.8%

Crossmark uses a model account to manage the individual client accounts that have selected this investment strategy. The portfolio characteristics shown are based on the model account. The characteristics of any individual account may differ from those of the model account. All performance information shown is composite performance derived from the aggregate of all accounts included in the composite.

** Net performance was calculated using actual management fees.

Markets and Performance

The market has remained focused on the same themes as of late including the path of inflation, the state of the labor market, and the Fed's policy response. Although we believe that U.S. inflation has peaked, the Fed still must work to contain the stickier components of inflation like services and wage inflation. Stock market valuations appear far from suggesting that a recession is already priced in largely because earnings estimates are probably too high, even if there is no recession. The economic, policy and capital markets landscape remains unusual, thereby complicating the investment strategy. This environment allowed the Crossmark Equity Market Neutral composite to return 8.67% in the fourth quarter ending December 31, 2022, outperforming its ICE BofA 3-month U.S. Treasury Bill benchmark (+0.85%) by 782 basis points.

Positive and Negative Contributors to Performance

The strong relative outperformance of the portfolio was realized primarily from the long side of the portfolio during the fourth quarter. For the quarter, our long positions were up 13.30%, while our short positions increased 5.85%. (The Russell 1000 Index equity benchmark was up 7.24%.) Strong outperformance in the long positions came from the consumer discretionary, industrials, technology, healthcare and financial sectors. Our best performing long positions were Gilead Sciences (1.1% of total net assets), Macy's (1.2% of total net assets), Interpublic (1.1% of total net assets), and Grand Canyon Education (1.0% of total net assets). Our best performing short positions were AppLovin Corp (-0.6% of total net assets), Guardant Health (-0.4% of total net assets), and Agilon Health (-0.9% of total net assets); our worst short positions were GoHealth, Spectrum Brands Holdings (-1.0% of total net assets), Boeing (-1.0% of total net assets), and Axon Enterprises (-1.0% of total net assets).

Looking Ahead

We will watch carefully to understand what the full effects of the substantial monetary tightening in 2022 will be on the economy and earnings. We expect the lows of last October to be retested as growth fears increase and earnings estimates are reduced. The investment process remains focused on quality, earnings deliverability and valuation.

Composite Performance	QTD	YTD	1 Year	Since Inception
Equity Market Neutral - Gross	8.67%	18.72%	18.72%	20.70%
Equity Market Neutral - Net**	8.66%	18.66%	18.66%	20.65%
ICE BofA U.S. 3M Treasury Bill	0.85%	1.47%	1.47%	0.99%

Our Firm

Crossmark Global Investments is a faith-based firm that creates, manages, and distributes values-based investment strategies that equip financial intermediaries and their clients to go further by aligning their wealth with their passions and convictions. For over 30 years, the firm has delivered uniquely constructed products based on its proprietary, disciplined, and repeatable process. Founded in 1987, the firm is headquartered in Houston, Texas. For more information visit: www.crossmarkglobal.com.

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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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Crossmark claims compliance with the Global Investment Performance Standards (GIPS®). Prospective clients can obtain a GIPS Composite Report by sending a request to: advisorsolutions@crossmarkglobal.com.

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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