

QUARTERLY UPDATE: 1Q 2022

GLOBAL EQUITY INCOME COMMENTARY



Separately Managed Account



written by
John Wolf, Managing Director

Global Equity Income Top 10 Model Holdings¹

| | |
|-----------------------------|--------------|
| McDonald's Corp. | 2.4% |
| Texas Instruments, Inc. | 2.3% |
| Cigna Corp. | 2.3% |
| Paychex, Inc. | 2.2% |
| HP, Inc. | 2.2% |
| NetApp, Inc. | 2.2% |
| Petroleo Brasileiro | 2.1% |
| PepsiCo, Inc. | 2.0% |
| Taiwan Semiconductor Mfg. | 2.0% |
| Analog Devices, Inc. | 1.9% |
| Total % of Portfolio | 21.6% |

Markets and Performance

Performance for the various global equity markets returned mixed results for the first quarter. The Crossmark Global Equity Income Strategy Model Portfolio benchmarks (the S&P Global 1200 Index and the S&P 500 Index) ended the quarter with returns of -4.71% and -4.60%, respectively. Dividend stocks overall outperformed the general equity market. For global dividend index comparison purposes, the MSCI World High Dividend Yield Index returned 0.23%. The Global Equity Income model portfolio outperformed the S&P Global 1200 Index but underperformed the MSCI World High Dividend Yield Index for the quarter returning -1.20%.

Positive and Negative Contributors to Performance

Positive relative performance for the quarter was led by the energy sector as U.S. policy on fossil fuels curtailed new oil exploration and development reducing global supply. This combined with the geopolitical instability of Russia invading the Ukraine has created further volatility and pressure on energy prices. Russia is the third largest oil and gas producer and the global backlash to the Ukraine invasion has created an aversion to Russian imports. Shares of holdings Canadian Natural Resources Ltd. (1.8% of total net assets) and Petroleo Brasileiro SA (2.1% of total net assets) jumped 48.11% and 34.79% respectively for the quarter. Shares of Nexstar Media Group, Inc. (1.6% of total net assets) climbed 25.46% after reporting all-time high net revenue and record non-election year earnings that once again exceeded analyst consensus expectations. Management cited an improving and strong core television advertising market, positive impact from distribution renewals and strong growth in its core digital business. The company increased its quarterly dividend in January by 29% and continued opportunistic share repurchases. This was the ninth consecutive year that Nexstar increased its dividend by a double-digit percentage.

Negative contributors to relative performance included Quest Diagnostics (1.9% of total net assets). Shares fell -20.54% as the company reported a year over year revenue decline due to lower COVID-19 testing demand. A corresponding contraction in profit margin was also disclosed. Despite the lower pandemic related testing demand, fourth quarter revenue posted better than expected results along with earnings that were in-line with analyst projections. The company's base business revenue grew by more than 19% indicating an accelerating recovery in the industry and it has also outperformed its peers during the past year. Shares of Silicon Motion Technology Corp. (1.0% of total net assets), a Hong Kong based semiconductor manufacturer, dropped -29.22% after climbing 39% in the previous quarter. Pandemic led production delays and supply chain constraints have been disrupting near term expectations. Despite these short-term interruptions, the company is a leading supplier of SSD controllers (a critical computer component) to most leading module makers in the U.S., Taiwan and China. Silicon Motion also has a strong balance sheet with no debt obligations.

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 3/31/2022.

Looking Ahead

With the pandemic now largely in the rear view mirror the market has become focused on geopolitical issues involving the Russian invasion of Ukraine and the corresponding impact that will have on the global economy. Inflation which has already been running hot coming into the quarter has only gotten worse with the added pressure of rising oil prices due to embargoes on Russian crude. Company earnings continue to be strong but near future caution is warranted. This is a more favorable environment for a dividend strategy with its lower volatility profile and ability to lessen the impact of potential market gyrations.

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 align 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.

Contact a member of our Advisor Solutions Team

advisorsolutions@crossmarkglobal.com | 888.845.6910

Crossmark Global Investments, Inc. (Crossmark) is an investment adviser registered with the Securities and Exchange Commission that provides discretionary investment management services to mutual funds, institutions, and individual clients. Investment advice can be provided only after the delivery of Crossmark's firm Brochure and Brochure Supplement Form ADV (Parts 2A and 2B) and Form CRS, and once a properly executed investment advisory agreement has been entered into by the client.

All investments are subject to risks, including the possible loss of principal. Past performance does not guarantee future results. The Global Equity Income 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). Investments in securities of issuers in foreign countries involves additional risks not associated with domestic investments. These risks include, but are not limited to: (1) political and financial instability; (2) currency exchange rate fluctuations; (3) greater price volatility and less liquidity in particular securities and in certain foreign markets; (4) lack of uniform accounting, auditing, and financial reporting standards; (5) less government regulation and supervision of some foreign stock exchanges, brokers and listed companies; (6) delays in transaction settlement in certain foreign markets; (7) less availability of information; and (8) imposition of foreign withholding or other taxes.

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.

These materials reflect the opinion of Crossmark on the date of production and are subject to change at any time without notice. Where data is presented that was prepared by third parties, the source of the data will be cited, and we have determined these sources to be generally reliable. However, Crossmark does not warrant the accuracy of the information presented.

Information and recommendations contained in market commentaries and writings are of a general nature and are not intended to be construed as investment, tax or legal advice. These materials reflect the opinion of Crossmark on the date of production and are subject to change at any time without notice. Where data is presented that was prepared by third parties, the source of the data will be cited, and we have determined these sources to be generally reliable. However, Crossmark does not warrant the accuracy of the information presented.

This content may not be reproduced, copied or made available to others without the express written consent of Crossmark.

Crossmark Global Investments, Inc.
15375 Memorial Drive, Suite 200, Houston, TX 77079
888.845.6910 advisorsolutions@crossmarkglobal.com
crossmarkglobal.com

SMA-GEI-COMM 04/22