

QUARTERLY UPDATE: 2Q 2021 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.

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%

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.

Our Firm

Crossmark Global Investments is a faith-based 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.

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.

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