GLOBAL EQUITY INCOME

COMMENTARY | QUARTERLY UPDATE: 2Q 2023

Separately Managed Account

written by
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Top 10 Crossmark Global Equity Income Portfolio Holdings	
McDonald's Corp.	2.97%
Cigna Group	2.79%
Texas Instruments Inc.	2.32%
Petroleo Brasileiro SA	1.98%
Quest Diagnostics Inc.	1.97%
Taiwan Semiconductor Mfg. Co.,	1.95%
HP Inc.	1.90%
Paychex, Inc.	1.90%
ASE Technology Holding Co., Ltd.	1.89%
Coca-Cola Company	1.83%
Total % of Portfolio	**21.48%**

Markets and Performance

Performance for the global equity markets overall returned positive results for the second quarter of 2023 ending June 30, 2023. The Global Equity Income Composite benchmark, the S&P Global 1200 Index, ended the quarter with a return of 6.86%. Dividend stocks overall underperformed the general equity market. For global dividend index comparison purposes, the MSCI World High Dividend Yield Index returned 2.06% during the period. The Composite underperformed the S&P Global 1200 Index but outperformed the MSCI World High Dividend Yield Index for the quarter, returning 3.73%.

Positive and Negative Contributors to Performance

The leading positive contributors to performance for the strategy included Petroleo Brasileiro SA (1.98% of total net assets), Andersons, Inc., (1.70% of total net assets) and U.S. Physical Therapy, Inc (1.28% of total net assets). These three stocks rose 54.7%, 27.9%, and 24.5%, respectively, during the second quarter. Advance Auto Parts, Inc. (0.49% of total net assets) was our worst performing stock position, down 41.5% during 2Q23. The stock traded down after reporting disappointing earnings driven by gross margin pressure as inflationary product cost increases were not fully offset by pricing actions. Relative to the S&P Global 1200 Index, the strategy's primary benchmark, underperformance was driven by relative underweights in NVIDIA Corp., Apple Inc., Microsoft Corp., Amazon.com, and Meta. These stocks were excluded from the portfolio because they either do not pay a dividend or their dividend yield failed to meet longstanding minimum criteria for the strategy. From a sector perspective, Information Technology was our largest negative contributor to performance.

Looking Ahead

As we move into the second half of 2023, the global economy is anticipated to face a sustained slowdown, propelled by diminished fiscal support, persistent inflation, and rising geopolitical risks, elevating the threat of a recession. Stock markets have become more cautious, transitioning from the strong momentum of the June rally to a defensive stance. The shift is due to concerns around a more aggressive global tightening cycle, higher interest rates, and potential policy mistakes, compounded by the Federal Reserve's divided stance on interest rate hikes. However, there is still optimism, driven by a robust labor market, healthy consumer balance sheets, and the resilience of the U.S. consumer, a significant contributor to GDP.

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.

Looking Ahead (continued)

Economic indicators suggest a potential recession, given signs of stress in financial markets and interest-sensitive sectors, such as housing. On a positive note, despite concerns in the banking and commercial real estate sectors, the quality of assets and loans held by banks is better than in the pre-financial crisis era. Companies, driven by a tight labor market and geopolitical factors, are investing more in capital equipment and technology to enhance productivity and improve profit margins. Near-term risks to the global economy persist, including tighter credit conditions, stubborn inflation, and slower growth in China. However, opportunities remain in sectors that are historically undervalued and experiencing structural growth. We will continue to invest in companies with strong, flexible balance sheets that support increasing dividends, favorable earnings growth and free cash flow.

Composite Performance	QTD	YTD	1 Year	3 Years	5 Years	10 Years
Global Equity Income (Wrap) - Gross	3.73%	6.86%	8.57%	13.49%	8.20%	10.09%
Global Equity Income (Wrap) - Net*	3.00%	5.31%	5.29%	10.12%	4.97%	6.82%
S&P Global 1200	6.86%	15.08%	18.60%	12.65%	9.55%	10.03%
MSCI World High Dividend Yield	2.06%	3.76%	8.04%	9.65%	6.16%	6.63%

* Net performance was calculated using the hypothetical highest annual all-inclusive wrap fee of 3.00% by deducting .75% from the last month of each quarter. Gross performance is shown as supplemental information and is stated as pure gross of all fees as the returns have not been reduced by transaction costs. Wrap fees include Crossmark's portfolio management fee as well as all charges for trading costs, custody, and other administrative fees. Due to the effect of compounding, annual returns shown net of fees may be lower than the return that would be shown if the fee were deducted from the gross return at a single point in time.

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