

Global Equity Income

Commentary | Quarterly update: 1Q24

Separately managed account



Rob Botard, CFA® Managing Director – Portfolio Manager

Top 10 holdings (%)	
Cigna Group	3.06
Gap, Inc.	2.95
McDonald's Corporation	2.37
ASE Technology Holding Co.	2.25
Taiwan Semiconductor Manufacturing	2.22
Tapestry, Inc.	2.12
Canadian Natural Resources Limited	1.96
Texas Instruments Inc.	1.90
Toyota Motor Corp. Sponsored ADR	1.87
Abbott Laboratories	1.86
Total % of portfolio	22.56

Markets and performance

Performance for the global equity markets overall returned positive results for the first quarter of 2024. The Global Equity Income composite benchmark, the MSCI World Index, ended the quarter with a return of 9.01%. Dividend stocks overall underperformed the general equity market. For global dividend index comparison purposes, the MSCI World High Dividend Yield Index returned 5.53% during the period. The Global Equity Income composite returned 7.75%.

Positive and negative contributors to performance

The leading positive contributors to performance included Gap Inc. (2.95% of total net assets), Taiwan Semiconductor Manufacturing Co. (2.22% of total net assets), and Cigna Group (3.06% of total net assets). These three stocks rose 32.70%, 31.24%, and 21.80%, respectively, during the first quarter. Archer-Daniels-Midland, Gilead Sciences (1.37% of total net assets), and Air Products and Chemicals (0.83% of total net assets) were the leading negative contributors, declining 25.36%, 8.64%, and 10.87%, respectively. Archer-Daniels-Midland was sold from the portfolio during the quarter. Relative to the MSCI World Index, performance was negatively impacted from relative underweights in NVIDIA, Meta, and Amazon.com, which rose 82.46%, 37.33%, and 18.72%, respectively. These stocks were excluded from the composite because their dividend yields failed to meet longstanding minimum criteria for the strategy. Consumer discretionary and information technology were the leading positive sector contributors to performance. Materials and consumer staples were the leading negative sector contributors. International exposure in the composite, especially the U.K. and Taiwan, outperformed relative to the U.S.

Looking ahead

The Fed's aggressive rate hikes, an inverted yield curve, and negative money growth curtailed bank lending. Even so, economic growth has continued due to fiscal stimulus, pandemic savings, and a surge in private credit. While labor market indicators suggest a recession postponement rather than prevention, solid U.S. growth, expected policy rate cuts, and plenty of liquidity have helped global risk asset markets to soar. Monetary conditions seem less restrictive, supporting global expansion but also likely prolonged inflation. Investors continue to chase higher yields, buoyed by corporate profitability. While U.S. equities have led markets this quarter, as recession fears abate, a global equity rally could strengthen, especially in Europe and Japan. A concern ahead is balancing rising bond yields and economic growth. Our investment strategy will remain grounded in companies with strong, resilient balance sheets that support rising dividends, favorable earnings growth, and robust free cash flow.

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.

Composite performance (%)	Quarter	YTD	1-year	3-year	5-year	10-year
Global Equity Income (Wrap) – Gross	7.75%	7.75%	22.25%	7.74%	11.40%	10.37%
Global Equity Income (Wrap) – Net ¹	6.98%	6.98%	18.74%	4.54%	8.10%	7.10%
MSCI World Index	9.01%	9.01%	25.72%	9.13%	12.63%	9.97%
MSCI World High Dividend Yield Index	5.53%	5.53%	13.27%	6.19%	7.23%	6.09%

1 Net performance was calculated using the hypothetical highest annual all-inclusive wrap fee of 3.00% by deducting 0.75% 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.

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 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.

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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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