CROSSMARK GLOBAL INVESTMENTS

ISRAEL IMPACT

COMMENTARY | QUARTERLY UPDATE: 1Q 2023

Separately Managed Account

written by

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Top 10 Crossmark Israel Impact Portfolio Holdings	
Apple, Inc.	7.58%
Microsoft Corp.	6.71%
Alphabet Inc. Class A	3.60%
Amazon.com, Inc.	2.92%
Berkshire Hathaway Inc. Class B	2.57%
NVIDIA Corp.	2.31%
Coca-Cola Company	2.23%
Chevron Corp.	2.20%
Procter & Gamble Company	2.06%
Johnson & Johnson	2.03%
Total % of Portfolio	**34.21%**

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.

Markets and Performance

For the three months ended March 31, 2023, the total return for the Israel Impact composite was 8.93%, outperforming its benchmark, the S&P 500 Index, by +1.43% as the benchmark returned 7.50%. Using our Barra U.S. Long Term multi-factor risk model, we target a range between +/-140 to 180 basis points (bps) of estimated tracking error (also called "Active Risk") relative to the benchmark on an annual basis. As of March 31, 2023, the portfolio was sitting at +/- 159 bps of "Active Risk" relative to the benchmark.

Positive and Negative Contributors to Performance

Sectors contributing the most to relative quarterly performance against the S&P 500 were health care (slight overweight vs. benchmark), consumer discretionary (slight overweight), and information technology (overweight). Sectors detracting most from relative quarterly performance were consumer staples (overweight), materials (underweight), and industrials (underweight).

Equity holdings contributing the most to relative quarterly performance were NVIDIA (2.31% of total net assets), General Electric (0.76% of total net assets), and Lennar (1.22% of total net assets), all of which are overweight positions relative to the benchmark. Equity holdings detracting the most from relative quarterly performance were Elevance Health (1.70% of total net assets), and Chevron (2.20% of total net assets), and SVB Financial Group (0.27% of total net assets).

From a risk attribution perspective, approximately half (~79 bps) of the relative quarterly outperformance (+158 bps) of the portfolio was attributable to industry and common quantitative risk factors, and half (~79 bps) to stock specific effects. Common quantitative risk factors contributing the most to relative performance were profitability (overweight vs. benchmark), momentum (underweight), and size (overweight). Common quantitative risk factors detracting the most from relative performance were dividend yield (overweight), beta (equal weight), and growth (underweight).

We made a handful of upgrades to the portfolio holdings in late March – adding names with more recent and/or more material engagement in Israel (Aflac, General Motors, and Wells Fargo) and dropping names with waning or less significant involvement (Allstate, Ford, SVB Financial).

A good example of this upgrade was our decision to replace Allstate (ALL) with Aflac (AFL). In June of 2020, Aflac Global Ventures (Aflac Inc.'s venture fund) led a $100mm Series D mega funding round of Pagaya Technologies. Pagaya is an AI driven fintech company with dual headquarters in New York and Tel Aviv that went public in 2022 (ticker: PGY). Aflac is currently the 13th largest holder of PGY common shares, and the 6th largest holders of PGYY stock warrants.

Positive and Negative Contributors to Performance (continued)
The other significant change was our sale of SVB Financial (SIVB) after the bank's failure and subsequent take-over by the FDIC. SIVB was very actively and materially involved in the financing of Israeli start-ups for many years. However, because of the bank's failure in early March 2023, we unfortunately realized a near total loss of our SIVB position (which was ~30 bps of total assets in the portfolio at the end of 2022) after selling the stock in late March. We replaced the name with Wells Fargo (WFC), which was added to the portfolio for its participation in an August 2022 Series E funding round of BigPanda. BigPanda is a machine learning startup that is used by Fortune 500 IT departments to automate IT-based solutions. The firm has over 100 employees in its Tel Aviv office.

Looking Ahead
The strategy continues to be most underweight utilities, real estate, and energy; and most overweight tech and consumer staples. With continued volatility in the markets, we are actively considering further changes to right-size the portfolio for the uncertain times ahead.

Composite Performance	QTD	YTD	1 Year	3 Years	5 Years	Since Inception
Israel Impact (Wrap) - Gross	8.93%	8.93%	-8.16%	17.59%	10.94%	12.36%
Israel Impact (Wrap) - Net*	8.15%	8.15%	-11.02%	14.08%	7.62%	9.00%
S&P 500	7.50%	7.50%	-7.73%	18.60%	11.19%	12.21%

* 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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