

# ISRAEL IMPACT COMMENTARY | QUARTERLY UPDATE: 2Q 2023

Separately Managed Account



written by  
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Top 10 Crossmark Israel Impact Portfolio Holdings	
Apple, Inc.	8.15%
Microsoft Corp.	7.24%
Alphabet, Inc. Class A	3.80%
Amazon.com, Inc.	3.36%
NVIDIA Corp.	3.21%
Berkshire Hathaway Inc. Class B	2.59%
Tesla, Inc.	2.08%
Johnson & Johnson	1.98%
Coca-Cola Company	1.98%
Chevron Corp.	1.94%
<b>Total % of Portfolio</b>	<b>36.32%</b>

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.

\* 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.

## Markets and Performance

For the three months ended June 30, 2023, the total return for the Israel Impact composite portfolio was 9.48%, beating its benchmark (the S&P 500 Index) by +0.74%. Year-to-date through June 30, 2023, the total return of the composite portfolio was 19.26%, which outperformed the benchmark by +2.37%. 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 June 30, 2023, the composite portfolio was sitting at +/- 150 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 Information Technology (overweight vs. benchmark), utilities (material underweight), and health care (slight overweight). Sectors detracting most from relative quarterly performance were consumer staples (overweight), communication services (overweight), and industrials (underweight).

Equity holdings contributing the most to relative quarterly performance were Broadcom (AVGO, 1.61% of total net assets), NVIDIA (NVDA, 3.21% of total net assets), and Lennar (LEN, 1.33% of total net assets), all of which are overweight positions relative to the benchmark. Equity holdings detracting the most from relative quarterly performance were Coca-Cola (KO, 1.98% of total net assets), Elevance Health (ELV, 1.50% of total net assets), and Chevron (CVX, 1.94% of total net assets).

From a risk attribution perspective, approximately 1/5th (~15 bps) of the relative quarterly outperformance of the portfolio (+73 bps) was attributable to industry and common quantitative risk factors, and approximately 4/5ths (~58 bps) to stock specific effects. Common quantitative risk factors contributing the most to relative performance were Size (overweight), Mid-Capitalization (underweight), and Momentum (equal weight). Common quantitative risk factors detracting the most from relative performance were Dividend Yield (overweight), Earnings Quality (overweight), and Management Quality (underweight).

We did not make any changes to the strategy during the three-month period ending June 30, 2023.

## Looking Ahead

The strategy continues to underweight Utilities, Real Estate, and Energy; and most overweight Tech and Consumer Staples. With the year-to-date gains in both the market and in the portfolio, 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	9.48%	19.26%	20.58%	14.52%	12.43%	13.42%
Israel Impact (Wrap) - Net*	8.71%	17.57%	16.95%	11.12%	9.08%	10.05%
S&P 500	8.74%	16.89%	19.59%	14.60%	12.31%	13.17%

## 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 Israel Impact 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).

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. With respect to Equity Market Neutral, the values-based screening policies apply only to long positions.

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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](mailto: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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SMA-ISRIMP-COMM 07/23