

Israel Impact

Commentary | Quarterly update: 4Q 2023

Separately managed account



Ryan Caylor, CFA® Portfolio Manager – Head of Research

Top 10 portfolio holdings (%)	
Apple, Inc.	7.60
Microsoft Corp.	7.51
Alphabet, Inc. Class A	4.16
Amazon.com, Inc.	3.69
NVIDIA Corp.	3.53
Berkshire Hathaway, Inc. Class B	2.54
Meta Platforms, Inc. Class A	2.13
JPMorgan Chase & Co.	2.02
Broadcom, Inc.	1.95
Tesla, Inc.	1.85
Total % of portfolio	37.00

Markets and performance

For the fourth quarter of 2023, the total return for the Israel Impact composite was 11.78%, which barely edged out its benchmark, the S&P 500 Index, by +0.09%.

For the 2023 calendar year, the total return of the composite was 29.02%, outperforming the benchmark by +2.73%. 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. Despite Hamas’ horrific terrorist attack against Israel on Oct. 7 that led to the current ongoing war and rise in geopolitical tensions across the broader Middle East, our target range for active risk has not changed, which speaks to the strength of our risk model, optimization process, and diverse portfolio holdings of U.S. multi-national companies with significant economic ties to Israel. As of Dec. 31, 2023, the portfolio was sitting at +/- 157 bps of active risk relative to the benchmark, which is just 7 bps higher than last quarter.

Positive and negative contributors to performance

Sectors contributing the most to relative quarterly performance against the benchmark were Energy (underweight versus the benchmark), Consumer Discretionary (slightly overweight), and Information Technology (overweight). Sectors detracting most from relative quarterly performance were Industrials (underweight), Financials (overweight), and Consumer Staples (overweight).

Equity holdings contributing the most to relative quarterly performance were Lennar (LEN, 1.30% of average total net assets), Broadcom (AVGO, 1.95% of total net assets), and Simon Property (SPG, 0.74% of total net assets), all of which are overweight positions relative to the benchmark. Equity holdings detracting the most from relative quarterly performance were Chevron (CVX, 1.85% of total net assets), Becton Dickinson (BDX, 0.74% of total net assets), and Proctor & Gamble (PG, 1.85% of total net assets).

Common quantitative risk factors contributing the most to relative performance against the benchmark were Dividend Yield (overweight), Beta (equal weight), and Management Quality (overweight). Common quantitative risk factors detracting the most from relative performance were Mid Cap (underweight), Volatility (underweight), and Momentum (overweight).

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.

Portfolio positioning

We did not make any material changes to our holdings during the quarter. As of Dec. 31, 2023 the strategy is most underweight Industrials, Energy, and Utilities while being most overweight Information Technology, Consumer Staples, and Financials.

Composite performance (%)	QTD	YTD	1-year	3-year	5-year	Since inception
Israel Impact (Wrap) – Gross	11.78	29.02	29.02	9.62	15.54	13.68
Israel Impact (Wrap) – Net ¹	10.98	25.29	25.29	6.35	12.11	10.30
S&P 500 Index	11.69	26.29	26.29	10.00	15.69	13.42

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.

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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.

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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