

Israel Impact

Commentary | Quarterly update: 2Q24

Separately managed account



Ryan Caylor, CFA® Portfolio Manager – Head of Research

Top 10 holdings (%)	
Microsoft Corporation	7.69
Apple Inc.	6.97
NVIDIA Corporation	6.88
Alphabet Inc. Class A	4.46
Amazon.com, Inc.	4.18
Berkshire Hathaway Inc. Class B	2.73
Meta Platforms Inc Class A	2.64
JPMorgan Chase & Co.	1.88
Broadcom Inc.	1.73
Coca-Cola Company	1.72
Total % of portfolio	40.88

Markets and performance

For the three months ended June 30, 2024, the total return for the Israel Impact composite was 5.11%, outperforming its S&P 500 Index benchmark by +0.83%. On a year-to-date basis, the total return of the Israel Impact composite was 16.65%, outperforming the benchmark by +1.36%.

Using our Barra U. S. Long Term multi-factor risk model, we target a range between 140 and 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 October 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. This unchanged active risk target range 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 quarter end, the composite portfolio was sitting at +/- 139 bps of active risk relative to the benchmark, which is -18 bps lower than last quarter.

Positive and negative contributors to performance

Sectors contributing the most to relative quarterly performance against the benchmark were industrials (due to stock selection and underweight sector allocation), energy (due to underweight sector allocation), and materials (due underweight sector allocation). Sectors detracting most from relative quarterly performance were healthcare (due to stock selection), financials (due to overweight allocation), communication services (due to overweight allocation).

Equity holdings contributing the most to relative quarterly performance were KLA Corp. (KLA), NVIDIA Corp (NVDA), and NetApp Inc. (NTAP), all of which are overweight positions relative to the benchmark. Equity holdings detracting the most from relative quarterly performance were Lennar Corp (LEN), Cooper Companies (COO), and Cigna Group (CI).

Portfolio positioning

We made a handful of upgrades to the portfolio in June alongside the benchmark quarterly rebalance. We added new S&P 500 entrants KKR & Co. (40 bps overweight position) and CrowdStrike (16 bps overweight position) to the portfolio this quarter. KKR acquired Israeli-founded web accessibility firm UserWay for \$98M in January, while CrowdStrike acquired Israeli cyber startup Flow Security for \$200M in March. We dropped three names from the portfolio this quarter. Baxter International and Solventum were dropped for portfolio construction purposes, while Dentsply Sirona, despite very strong ties to Israel, was dropped because it is no longer in the benchmark. The Israel Impact composite portfolio sits at 98 names as of the end of the quarter.

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	Since inception
Israel Impact (Wrap) – Gross	5.11	16.65	26.20	9.77	15.23	15.05
Israel Impact (Wrap) – Net ¹	4.36	14.97	22.51	6.50	11.81	11.63
S&P 500 Index	4.28	15.29	24.56	10.01	15.05	14.62

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 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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