

# ISRAEL IMPACT

## SMA Strategy Profile

### Strategy Objective:

Seeks to provide a risk-controlled equity investment experience by investing only in domestic large-cap companies positively engaged with the Israeli economy

### Strategy Snapshot:

**Product Inception** 01/01/2017  
**Category** Large Blend

Crossmark’s Israel Impact Strategy invests in U.S. large-cap companies providing significant support to the Israeli economy through ventures with (for example) domestic businesses, its education system, or government agencies. To be considered for the portfolio, U.S. multinational companies must have recent positive engagement with the Israeli economy. This can include but is not limited to:

- Direct investment (such as buying a portion (or all) of a public or private Israeli company)
- Local partnership (joining a public or private Israeli company to address an economic need)
- Boosting employment (such as funding a government effort to improve infrastructure or security)

The Strategy utilizes both quantitative and qualitative components to select the portfolio holdings. External and internal research is combined with an optimization process to identify companies that complement the portfolio strategy while attempting to reduce the divergence of price movement (tracking error) to the S&P 500 Index benchmark.

## Key Benefits

### BROAD U.S. LARGE-CAP EXPOSURE



- Portfolio of 90-110 companies positively engaged with the Israeli economy, but provides diversified large-cap U.S. equity exposure

### QUANTITATIVE PORTFOLIO CONSTRUCTION



- Multi-factor risk models and optimization processes are used to minimize expected price divergence (tracking error) from the S&P 500 Index benchmark net of transaction costs and turnover

### INCLUSIONARY SCREENING



- Data from third-party Israeli providers and in-house research are used to actively monitor U.S. large-cap company engagement with the Israeli economy

## Investment Process

Beginning Universe	<ul style="list-style-type: none"> <li>U.S. large-cap equities with a market capitalization over \$5 billion</li> </ul>
Inclusionary Screening	<ul style="list-style-type: none"> <li>U.S. multinational companies must have recent, positive engagement with the Israeli economy - this can include but is not limited to direct investment, acquisitions, partnering with educational institutions, R&amp;D facilities, and other relevant activities</li> <li>To narrow the investable universe, a combination of research provided by a third party Israeli-based research company and proprietary in-house research is utilized</li> <li>Analysts monitor engagement on an ongoing basis to be sure the portfolio remains aligned with the Strategy objective</li> </ul>
Asset Decomposition	<ul style="list-style-type: none"> <li>Determine the composition of each company's revenue and assign it to the appropriate industry</li> <li>Deconstruct each company and assign values for 16 different style factors</li> <li>Rebuild the investable universe to develop a portfolio with decreased risk versus the S&amp;P 500 Index benchmark</li> </ul>
Quadratic Optimization	<p>Because the engagement and market-cap screens will generally reduce the investable universe to between 90 and 110 companies, we use a mathematical process (quadratic optimization) to determine the ideal mix and weighting of the remaining companies for the portfolio.</p> <ul style="list-style-type: none"> <li>The goals of this process are to minimize tracking error to the benchmark index while preserving thematic exposure and enhancing style and industry diversification</li> <li>We also minimize turnover to reduce trading fees and the frequency of taxable events</li> </ul>

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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).