

QUARTERLY UPDATE: 1Q 2021 LARGE CAP CORE GROWTH COMMENTARY



Large Cap Core Growth is a separately managed account investment strategy



written by
Brent Lium, CFA® Managing Director – Head of Equity Investments

Markets and Performance

While the Large Cap Core Growth Strategy model portfolio returned a healthy 4.31% in the first quarter of 2021, it lagged the S&P 500 by 1.86% as high-quality growth paused. The market seemed to become more excited about “reopening” stocks. After outperforming by over 6% in 2020, it was not surprising for large caps to give some of that back with the recovery of last year’s underperformers in response to growing confidence in the rebounding economy throughout the quarter.

Positive and Negative Contributors to Performance

Our best performers were Deere, Lennar, and Intel (1.50%, 1.90% and 1.40% of total net assets). Deere returned 39.39% on solid earnings, excitement over the global reopening trade, and the potential for a large infrastructure bill from the new administration. The homebuilder Lennar was up 33.19% as demand for housing remained very strong. Intel rose 29.22% on very strong demand for semiconductors and the hopes that new management will get the large semiconductor maker back on track. Our underperformers were NVIDIA (1.20% of total net assets) which closed down 12.45% and Intuitive Surgical (1.80% of total net assets) which returned -9.68%. Both companies were very strong performers through the pandemic but suffered as the market moved towards “reopening” and “value” stocks. Not owning any energy stocks hurt us by 56 basis points and our overweight of technology hurt by 55 basis points during the quarter relative to the S&P 500 Index.

We used the pause in growth stock performance to increase our investments in companies with strong business models and exposure to long-term growth trends. We purchased NVIDIA, which makes high-end graphics cards and processors used in data centers, cloud computing, gaming, and AI applications. This company is the market leader in areas which are currently experiencing very strong growth. We funded the purchase by selling Cisco, which is seeing growth slow as products in their categories become more commoditized.

Looking Ahead

We expect to be able to make similar adjustments going forward as we have seen many growth companies pull back as the market rotates to reopening trades. However, we think the excitement over the reopening trade will fade as many of those stocks have returned to pre-pandemic levels despite their fundamentals being years away from warranting the lofty valuations.

Large Cap Core Growth Top 10 Model Holdings ¹

Apple, Inc.	9.50%
Microsoft Corp.	7.90%
Amazon.com, Inc.	6.60%
Alphabet – Class C	5.10%
JP Morgan Chase & Co.	3.20%
Mastercard, Inc.	3.00%
UnitedHealth Group, Inc.	3.00%
Abbott Labs	2.60%
Nike, Inc.	2.60%
Home Depot, Inc.	2.60%

% of Total Portfolio: 46.10%

¹ Model Portfolios are based on a hypothetical account managed during the current quarter. Actual characteristics and income may differ materially from model. As of 3/31/2021.

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advisorsolutions@crossmarkglobal.com | 888.845.6910

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Crossmark Global Investments, Inc.

15375 Memorial Drive, Suite 200, Houston, TX 77079
888.845.6910 advisorsolutions@crossmarkglobal.com
crossmarkglobal.com