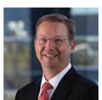
CROSSMARK GLOBAL INVESTMENTS

LARGE CAP CORE GROWTH COMMENTARY 3Q 2020

Large Cap Core Growth is a separately managed account investment strategy



written by
Brent Lium, CFA® Managing Director

After one of its best quarters in 20 years, the S&P 500 Index followed up with yet another strong quarter, returning 8.9% as the economy continued to recover from the coronavirus shutdown. We are pleased to report that our focus on high quality companies with long term growth potential helped the model account to outperform the S&P 500 again, this time by 1.4%.

How We Did It

Our best performers last quarter were Nike and Apple. Apple continued to power higher on what investors believe will be a bigger than normal upgrade cycle as customers shift to 5G iPhones. Nike reported a much better than expected quarter as customers increasingly bought directly from the company, providing much higher margins. Our underperformers were Eli Lilly (down 9.4%) and CDW Corp (up only 3.2%). Eli Lilly was dragged down by slowing sales and concerns over their product pipeline. CDW, a technology supplier to small- and medium-sized businesses, underperformed on worries about the future health of their primary customers. In addition, it is important to note that not owning any energy stocks boosted our quarterly return by 80 basis points. Energy stocks underperformed as the world is currently oversupplied with oil given reduced demand due to the pandemic. In addition, the growing investor focus on ESG issues has investment dollars leaving the sector.

Mid-Course Adjustments

We trimmed two of our largest and best performing holdings, Microsoft and Apple. While they remain our two largest holdings, we did use the proceeds to reduce our underweights in Staples and Utilities. We purchased Walmart, McCormick, and NextEra Energy. Walmart should continue to gain retail market share, as many of their smaller competitors are filing for bankruptcy and cannot afford the huge investment needed to shift their businesses online. McCormick, a large spice and food flavoring conglomerate, has been benefiting from a secular trend towards more flavorings in foods and is now seeing a boost from the coronavirus crisis (due to more cooking at home). We think both trends should be long-lasting.

NextEra Energy is the largest builder and operator of renewable energy power plants in the US. There is obvious secular growth in the industry and the company has years of backlogged projects. On the other hand, we sold CDW Corp as we worry about the impact of the pandemic on CDW's small and midsize business customers. With these proceeds, we purchased Visa and Broadcom to maintain our overweight of the Technology sector. Visa has very positive secular trends similar to Mastercard which we already hold. Broadcom is a chip manufacturer and is entering a "super cycle" due to cellular companies upgrading to 5G technology.

Looking Ahead

As we look ahead, we will continue to seek out companies with strong, visible growth trends accompanied by strong business models. With such good performance year-to-date in the Technology and Consumer sectors, we will likely be spending more time focusing on companies in other sectors. The Fed remains committed to waiting to see inflation, providing ample liquidity, and reigniting growth, so we believe the markets are likely to continue drifting higher. Of course, there is likely to be volatility around events like the election, new government policies, potential coronavirus vaccines and other unknowns, but we still expect an upward trend for equity markets.

Large Cap Core Growth Top 10 Model Holdings [1]

Apple, Inc.
Microsoft Corp.
Amazon.com, Inc.
Alphabet Class C
Mastercard, Inc.
UnitedHealth Group, Inc.
Nike, Inc.
Home Depot, Inc.
McDonald's Corp.
Abbott Labs

% of Total Portfolio: 47%

[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 9/30/2020.

Our Firm

Crossmark Global Investments is a boutique investment management firm that provides a full suite of investment strategies to institutional investors, financial advisors, and the clients they serve. For over 30 years we have delivered uniquely constructed products based on our proprietary, disciplined, and repeatable process. We are especially known for helping our clients align their investments with their values by creating socially conscious, responsible investment strategies. Founded in 1987, we are headquartered in Houston, Texas.

Contact a member of our Advisor Solutions Team

advisorsolutions@crossmarkglobal.com | 888-845-6910

Crossmark Global Investments, Inc.
15375 Memorial Drive, Suite 200, Houston, TX 77079
888.845.6910 advisorsolutions@crossmarkglobal.com
crossmarkglobal.com