

# Large Cap Core

Commentary | Quarterly update: 1Q24

Separately managed account



**Robert C. Doll, CFA®** CEO/CIO

Top 10 portfolio (%)	
Microsoft Corporation	7.03
Apple Inc.	3.56
Visa Inc. Class A	2.85
Mastercard Inc. Class A	2.84
Qualcomm Inc.	2.55
Applied Materials, Inc.	2.53
Salesforce, Inc.	2.53
Booking Holdings Inc.	2.50
Home Depot, Inc.	2.49
NVIDIA Corporation	2.45
<b>Total % of portfolio</b>	<b>31.32</b>

## Markets and performance

The Large Cap Core composite returned 9.96% during the first quarter of 2024, lagging the Russell 1000 Index (+10.30%) by 34 basis points (bps). Stock selection was the main detractor from performance during the period, with allocation decision adding to performance. Stock selection was challenged in the financial, industrials, and healthcare sectors, while selection within the consumer staples and consumer discretionary sectors added value. From an allocation perspective, the portfolio's overweight to information technology added to performance while the underweight to communication services companies detracted.

## Positive and negative contributors to performance

The portfolio's higher quality bias in terms of earnings quality and profitability failed to keep up in the strong equity market rally, while the portfolio's exposure to companies with stronger earnings yield and management quality helped during the quarter. Among the top individual stock performers were the positions in semiconductor companies, including Applied Materials (2.53% of total net assets) and Lam Research (1.35% of total net assets), as well as the underweight position in Apple (3.56% of total net assets), which lagged in the quarter due to concerns over iPhone sales. Within consumer staples, the distributors and retail companies including Target (2.15% of total net assets) and Kroger Co. (1.07% of total net assets) added value to the portfolio, as the companies outperformed on the backs of strong consumer demand. Within consumer discretionary, the lack of exposure to Tesla was among the largest contributors to performance, as the company lagged the market over fears of waning EV demand. The largest detractors during the quarter were the underweights to some of the larger technology companies, including NVIDIA (2.45% of total net assets) and Meta (0.96% of total net assets), as well as the position in Adobe Inc. (2.06% of total net assets). Within financials, financial services companies, including XP Inc. (1.74% of total net assets) and S&P Global (1.19% of total net assets), were among the largest detractors.

## Looking ahead

The key economic question for 2024 is whether central banks can continue the "landing of the plane" (soft landing) without a crash (recession). The consensus view of 2024 is a Goldilocks environment of not too hot and not too cold. Expectations include a soft economic landing, a continued decline in inflation toward targets, and double-digit earnings growth. We think that fairy tale is unlikely, meaning either 1) the economy weakens enough for a bumpy ride (perhaps a recession) and earnings fall short (most likely), or 2) the economy remains strong enough to support double-digit earnings growth at the risk of little progress on inflation and Fed rate cuts. Considering the market environment, the strategy continued to focus on higher quality companies with more predictability. During the quarter, the strategy trimmed exposure to the information technology and consumer discretionary sector and added to financials and consumer discretionary. At the end of the quarter, the portfolio was overweight information technology and financials while underweight communication services and energy.

Composite performance (%)	Quarter	YTD	1-year	Since inception
Large Cap Core – Gross	9.96%	9.96%	29.92%	9.53%
Large Cap Core – Net <sup>1</sup>	9.88%	9.88%	29.53%	9.23%
Russell 1000 Index	10.30%	10.30%	29.87%	8.19%

1 Net performance was calculated using actual management fees.

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.

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Some strategies incorporate 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.

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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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