Large Cap Core

Commentary | Quarterly update: 2Q24

Separately managed account

Robert C. Doll, CFA® CEO/CIO

Top 10 portfolio (%)	
Microsoft Corporation	7.33
Apple Inc.	4.29
NVIDIA Corporation	3.90
Booking Holdings Inc.	2.67
Visa Inc. Class A	2.63
Mastercard Inc. Class A	2.55
Lam Research Corporation	2.32
Qualcomm Incorporated	2.29
American Express Company	2.26
Cisco Systems, Inc.	2.26
Total % of portfolio	**32.49**

Markets and performance

The Large Cap Core composite returned 1.98%, lagging the Russell 1000 Index (3.57%) by 159 basis points. Stock selection was the main detractor from performance, while allocation decision was a positive contributor. Stock selection was challenged in the technology, consumer staples and financials sectors, while the overweight to the technology sector added to performance.

Positive and negative contributors to performance

Stock selection within the consumer staples sector also detracted, driven by the portfolio's exposure to some of the large retail distributor companies, including Target and Kroger. On the positive side, stock selection within industrials and the underweight to healthcare stocks added to performance for the period. From a factor perspective, the portfolio's tilt toward earnings quality and dividend yield added to performance, but the underweight to the higher beta companies detracted.

On an individual position basis, the underweight to NVIDIA was the largest detractor from performance as the company posted strong earnings in the first quarter, significantly surpassing expectations. The position in XP Inc. also detracted from performance as the company's 1Q earnings per share and revenue fell short of analysts' expectations. The market continues to be concerned about the impact of the higher-for-longer interest rate environment and slower business momentum for the company. On the positive side, the portfolios positions in Qualcomm and Dell Technologies added to performance, as they continue to be driven by the positive exposure to the AI supply chain.

Looking ahead

Investors have been lulled into a false sense of security concerning the resiliency of the U.S. economy. However, our assessment that the monetary policy stance is tight means that something must change for a recession to be avoided. Forward-looking indicators of the U.S. labor market are no longer pointing to significant excess labor demand which, along with rising consumer loan delinquencies, supports the view that excess savings have been spent. Business loan lending standards remain tight, and aggregate U.S. credit growth remains weak. Inflation will likely remain in a downtrend, but a return to target levels is unlikely. At some point, stocks are likely to run into difficulty when earnings estimates come under pressure. Considering the market environment, the strategy continues to focus on higher quality companies with more earnings predictability. During the quarter, the strategy trimmed exposure to the industrials and healthcare sectors while adding exposure to financials and information technology. The largest additions to the strategy included Progressive, Intuit and Citigroup, and the largest sells included Carrier, XP Inc. and Applied Materials. At the end of the quarter, the strategy held the largest overweight positions in financials and information technology while being underweight communication services and healthcare.

Composite performance (%)	Quarter	YTD	1-year	3-year	Since inception
Large Cap Core – Gross	1.98	12.14	24.87	9.42	9.42
Large Cap Core – Net[1]	1.91	11.97	24.51	9.11	9.11
Russell 1000 Index	3.57	14.24	23.88	8.74	8.74

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.

Our firm

Crossmark Global Investments is a faith-based firm that creates and manages values-based investment strategies for financial intermediaries and their clients. Founded over 35 years ago, the firm has a rich history of inspiring and equipping its clients to go further in aligning their investments with their values. Crossmark is based in Houston, Texas. For more information, visit crossmarkglobal.com.

Contact a member of our Advisor Solutions Team

advisorsolutions@crossmarkglobal.com | 888-845-6910