

Large Cap Core

Commentary | Quarterly update: 1Q25

Separately managed account



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Top 10 portfolio (%)

Apple Inc.	4.24
NVIDIA Corp.	3.74
Microsoft Corp.	3.52
Visa Inc. Class A	3.29
Mastercard Inc. Class A	2.96
Progressive Corp.	2.82
International Business Machines Corp.	2.71
Verizon Communications Inc.	2.64
Cisco Systems, Inc.	2.54
American Express Co.	2.46
Total % of portfolio	30.92

Markets and performance

The Large Cap Core model portfolio returned -2.44% during the first quarter, outperforming the Russell 1000 Index (-4.49%) by 205 basis points (bps). The outperformance was primarily driven by strong stock selection, which was partially offset by negative sector allocation during the period.

Positive and negative contributors to performance

On a sector basis, the information technology sector contributed positively with 57 bps overall, and within it, the semiconductors & semiconductor equipment industry group added 1.11%. Conversely, the energy sector detracted from performance (-47 bps).

On an individual position basis, Gilead Sciences was the largest individual contributor to performance over the period. The company demonstrated a strong financial performance in 4Q24, with total product sales growing 13% year-over-year to \$7.2 billion, contributing to an annual increase of 8% to \$26.8 billion. In addition, Progressive Corporation added to performance after the company reported a significant increase in net premiums earned during the quarter. On the negative side, Atlassian Corp was the largest detractor from performance. The AI information technology stock saw a correction in the stock price during the recent market volatility. Arista Networks also detracted from performance during the market volatility.

Looking ahead

Recently, the S&P 500 traded at an all-time high with enthusiasm among consumers, businesses, and investors. While the initial reaction to Trump's victory in November was certainly pro-risk (stocks rose, the U.S. dollar strengthened, and bond yields fell), the markets settled back into an uneasy holding period, acknowledging the challenges that await the new administration, and corrected 10%. The policy uncertainty stemming from the on-again, off-again tariff announcements has done little to restore confidence, and the biggest risk now is that the market has entered a negative feedback loop, contributing to a sentiment-induced slowdown. As a result, recession probabilities have moved up from 20% at year-end to 35–40% now. Earnings estimates are only beginning to fall, and multiples, while down a bit, are still high.

Considering the market environment, the strategy is emphasizing companies with higher management quality, profitability, and earnings quality, and remains slightly underweight beta. During the quarter, the strategy trimmed exposure to the information technology and industrial sector while adding to consumer discretionary and communications services. At the end of the quarter, the portfolio held the largest overweight positions in financials and information technology while being underweight healthcare and energy.

Composite performance (%)	Quarter	YTD	1-year	3-year	Since inception
Large Cap Core – Gross	-2.44	-2.44	8.96	10.50	9.37
Large Cap Core – Net	-2.57	-2.57	8.42	9.95	8.83
Russell 1000 Index	-4.49	-4.49	7.82	8.65	8.08

Composite illustrated is the Crossmark Large Cap Core Composite. Net performance was calculated using the hypothetical highest annual fee of 0.50%, with a deduction of 0.042% from each month's gross return. Index returns shown assume the reinvestment of all dividends and distributions.

Our firm

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The Large Cap Core Strategy may not achieve their objectives 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).

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