

LARGE CAP CORE UNSCREENED

COMMENTARY | QUARTERLY UPDATE: 1Q 2023



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Separately Managed Account (Formerly Large Cap Core Growth)

Top 10 Crossmark Large Cap Core Unscreened Portfolio Holdings	
Apple, Inc.	4.54%
Microsoft Corp.	3.68%
AbbVie, Inc.	3.10%
Visa Inc. Class A	3.08%
UnitedHealth Group, Inc.	2.83%
Mastercard Inc. Class A	2.70%
Merck & Co., Inc.	2.64%
Marathon Petroleum Corp.	2.37%
Gilead Sciences, Inc.	2.33%
Cadence Design Systems, Inc.	2.31%
Total % of Portfolio	29.60%

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.

* Net performance was calculated using the hypothetical highest annual all-inclusive wrap fee of 3.00% by deducting .75% from the last month of each quarter. Gross performance is shown as supplemental information and is stated as pure gross of all fees as the returns have not been reduced by transaction costs. Wrap fees include Crossmark's portfolio management fee as well as all charges for trading costs, custody, and other administrative fees. Due to the effect of compounding, annual returns shown net of fees may be lower than the return that would be shown if the fee were deducted from the gross return at a single point in time.

Markets and Performance

The Large Cap Core Unscreened composite returned 2.35% in the quarter ending March 31, 2023, underperforming the Russell 1000 (+7.46%) by 511 basis points. Underperformance came from both sector allocation and stock selection decisions. Simply stated, we owned too many cheap stocks with good earnings and cash flow profiles in a quarter where the market rewarded low quality, high valuations, and mediocre (or worse) fundamentals. The sectors with the worst contributions to performance to the strategy were the healthcare and information technology sectors.

Positive and Negative Contributors to Performance

From a macro perspective, positive factors during the quarter included disinflation momentum, positive macro surprise momentum, soft landing expectations, an accelerated China reopening following the unexpected zero Covid pivot late last year, warmer weather in Europe that helped prevent an energy crisis, and one-off global liquidity injections that seemed to dampen some of the bite from the Fed's QT. Banking sector turmoil grabbed the headlines in March with the focus on the funding/liquidity pressures at the regional level from deposit flight and the impact of the Fed's aggressive tightening cycle on investment portfolios. Fed pivot expectations provided an outsized tailwind for big tech (and other growth/long duration plays). The best performing stock in the strategy was Cadence Design (2.31% of total net assets) while those with the worst contribution to performance were Pfizer (1.87% of total net assets), ConocoPhillips (1.84% of total net assets), Cigna Group (1.23% of total net assets) and Elevance Health (2.22% of total net assets).

Looking Ahead

Our view is that the impact of the fastest rise in Fed funds (0 to 4¾% in twelve months) has only begun to be felt as evidenced in the March banking crisis. A significant economic slowdown and perhaps a recession still looms. As such, we remain focused on quality, earnings and cash flow deliveries, reasonable valuations and below market betas. The events over the past month have strengthened our conviction that investors should be conservatively positioned. We continue to expect that the U.S. economy will likely enter a recession over the coming year and that defensive positions are warranted within an equity portfolio.

Composite Performance	QTD	YTD	1 Year	3 Years	5 Years	10 Years
Large Cap Core Unscreened (Wrap) - Gross	2.35%	2.35%	-4.35%	21.19%	14.21%	14.09%
Large Cap Core Unscreened (Wrap) - Net*	1.59%	1.59%	-7.33%	17.57%	10.80%	10.71%
Russell 1000	7.46%	7.46%	-8.39%	18.55%	10.87%	12.01%

Our Firm

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All Investments are subject to risks, including the possible loss of principal. Past performance does not guarantee future results. The Large Cap Core Unscreened strategy may not achieve its objective 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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Crossmark claims compliance with the Global Investment Performance Standards (GIPS®). Prospective clients can obtain a GIPS Composite Report by sending a request to: advisorsolutions@crossmarkglobal.com.

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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