

QUARTERLY UPDATE: 2Q 2021

LARGE CAP CORE UNSCREENED COMMENTARY



Large Cap Core Unscreened is a separately managed account investment strategy (Formerly Large Cap Core Growth)



written by
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Markets and Performance

The Crossmark Large Cap Core Unscreened model portfolio had a solid second quarter of 2021, returning 9.52%, besting the S&P 500 Index by nearly 1.0%. Growth stocks, which had taken a pause in the first quarter, found their footing again. In general, companies reported very strong earnings across the board; however, many of the “reopening trade” and value stocks couldn’t quite meet their lofty expectations. As a result, growth stocks tended to outperform during the quarter.

Positive and Negative Contributors to Performance

Our best performers were NVIDIA, Charles River Labs, and Edwards Life Sciences (1.70%, 2.70%, and 1.50% of total net assets). NVIDIA, up 49.50%, reported a strong quarter and held an analyst day that provided excitement around future growth prospects. Charles River, up 27.3%, and Edwards Life Sciences, up 24.6%, rose on the back of the “reopening trade,” as investors sought companies that benefitted from the reopening of the economy post-pandemic. Our underperformers were Intel (0.95% of total net assets), down 10.4%, Fiserv (1.20% of total net assets), down 10.2%, and Oracle (1.50% of total net assets), down 7.8%. Intel fell as investors were disappointed in near-term earning prospects, and we sold our position during the quarter. Oracle pulled back after a powerful run the prior quarter, and Fiserv’s first-quarter earnings missed expectations. Our overweight in technology helped by 15 basis points during the quarter relative to the S&P 500.

Looking Ahead

This quarter saw a reversal of last quarter’s excitement over “value” stocks as growth outperformed value. We sold our position in Intel as the chipmaker continued to lose share. The new CEO’s plan will be unlikely to turn the company’s loss of market share around until 2023, when the new chip architecture arrives. We used the proceeds of the Intel sale to purchase Oracle. The software maker has strong market share in the enterprise software market and is now starting to see accelerating growth in its cloud offerings. This growth, combined with margins above 40% and a strong balance sheet, makes Oracle a great fit with our investment process.

Large Cap Core Unscreened Top 10 Model Holdings ¹

Apple, Inc.	9.70%
Microsoft Corp.	8.30%
Amazon.com, Inc.	6.70%
Alphabet - Class C	5.70%
JP Morgan Chase & Co.	3.00%
UnitedHealth Group, Inc.	2.90%
Mastercard, Inc.	2.80%
Nike, Inc.	2.80%
Charles River Lab Intl., Inc.	2.70%
Home Depot, Inc.	2.50%

% of Total Portfolio: 47.10%

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 6/30/2021.

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