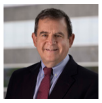
# LARGE CAP CORE UNSCREENED

## COMMENTARY | QUARTERLY UPDATE: 3Q 2022

Separately Managed Account (Formerly Large Cap Core Growth)

written by

**Robert C. Doll, CFA® Chief Investment Officer**


| Top 10 Crossmark Large Cap Core Unscreened Model Account Holdings[1] | |
|---|---|
| Apple, Inc. | 7.1% |
| Microsoft Corp. | 5.5% |
| UnitedHealth Group, Inc. | 3.5% |
| AbbVie, Inc. | 3.0% |
| ConocoPhillips | 2.7% |
| Marathon Petroleum Corp. | 2.5% |
| Elevance Health Inc. | 2.5% |
| Mastercard, Inc. | 2.4% |
| Alphabet Class C | 2.4% |
| Gilead Sciences, Inc. | 2.4% |
| **Total % of Portfolio** | **34.0%** |

### Markets and Performance

We have entered a high-risk zone as a consequence of the largest rise in inflation in 40 years, rising policy rates, several developed market countries having excessive debt levels, some poorly-timed fiscal actions and the awakening of the bond vigilantes. In this environment, stocks and bonds both declined for the third consecutive quarter, the longest streak in almost 50 years. The Large Cap Core Unscreened model portfolio returned -4.53% in the third quarter, outperforming the Russell 1000 Index that returned -4.61% by 8 basis points. Outperformance came primarily from stock selection.

### Positive and Negative Contributors to Performance

Best performance came from stock selection in energy (+46bp), and materials (+37bp) as well as overweighting energy (+37bp). This was partially offset by poor performance in technology stock selection and underweighting consumer discretionary. Best stocks were Marathon Petroleum (2.5% of total net assets) and ConocoPhillips (2.7% of total net assets); worst stocks were Dell Technologies (1.4% of total net assets) and Pfizer (2.3% of total net assets). The portfolio benefitted from below benchmark betas, above benchmark yields, and management quality.

### Looking Ahead

Economic growth is slowing globally, but it is not collapsing. We do anticipate that the Fed will continue to hike rates and move into restrictive territory by year-end, increasing the probability of a recession in 2023. We expect volatility in both directions in the fourth quarter. Earnings are likely to disappoint as the Fed continues to tighten, raising the recession probability ever higher. Our largest overweighted sector is healthcare while we are underweighted industrials and utilities. Economic growth is slowing globally, but it is not collapsing. We do anticipate that the Fed will continue to hike rates and move into restrictive territory by year-end, increasing the probability of a recession in 2023.

[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 9/30/2022.

## Our Firm

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