

Large Cap Core Unscreened

Commentary | Quarterly update: 4Q 2023

Separately managed account (formerly Large Cap Core Growth)



Robert C. Doll, CFA[®] Chief Investment Officer

Top 10 portfolio holdings (%)	
Microsoft Corp.	4.99
Apple, Inc.	4.53
Alphabet, Inc. Class C	4.28
Meta Platforms, Inc. Class A	3.80
Visa, Inc. Class A	3.04
JPMorgan Chase & Co.	2.75
Adobe, Inc.	2.74
Mastercard, Inc. Class A	2.71
UnitedHealth Group, Inc.	2.69
AbbVie, Inc.	2.58
Total % of portfolio	34.13

Markets and performance

The Large Cap Core Unscreened composite rose 10.95% in the fourth quarter, underperforming the Russell 1000 Index (+11.96%) by 101 basis points (bps). Stock selection and the overweight to healthcare was the largest detractor, driven by the service companies as the defensive sector failed to keep up in the late market rally. While stock selection within energy was one of our largest contributors to performance, the overweight to the sector detracted as the sector lagged due to the fall off in commodity prices. The underweight to consumer staples as well as positioning and allocation in financials helped performance during the period.

Positive and negative contributors to performance

The portfolio's focus on companies with strong management, high profitability and low P/Es detracted from performance, as lower quality companies outperformed in the market rally to finish the quarter. The Miami-based home builder, Lennar (1.40% of total net assets), was among our best performing stocks, as U.S. single-family housing stocks surged to an 18-month high, and the company reported strong earnings during the period. The underweight to Tesla also proved beneficial as the company lagged while deliveries failed to meet expectations. On the negative side, Valero Energy (1.82% of total net assets) detracted due to the decline in commodity prices, and our position with the cloud computing company, VMware, hindered the strategy's performance due to concerns with its merger with Broadcom (2.54% of total net assets), which closed during the period.

Looking ahead

We expect a more challenging backdrop for stocks in 2024, with softening consumer spending at a time when investor sentiment has turned bullish. Equities are richly valued, with volatility near historic lows, even as geopolitical and domestic political risks remain elevated. The main focal point for 2024 is likely to be whether investors can enjoy a Goldilocks (or Nirvana) environment; namely, further significant progress on inflation, decent economic growth and double-digit earnings growth. We are skeptical. Either 1) we get noticeable slowdown/recession and earnings fall short, or 2) double-digit earnings growth materializes, probably requiring stronger economic growth, less progress (if any) on inflation and a Fed that is boxed in.

At the end of the quarter, the strategy was overweight energy, communication services, and healthcare while underweight industrials, information technology and real estate.

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.

Composite performance (%)	QTD	YTD	1-year	3-year	5-year	10-year
Large Cap Core Unscreened (Wrap) – Gross	10.95	19.60	19.60	11.68	18.04	14.12
Large Cap Core Unscreened (Wrap) – Net ¹	10.16	16.15	16.15	8.36	14.54	10.73
Russell 1000 Index	11.96	26.53	26.53	8.97	15.52	11.80

1 Net performance was calculated using the hypothetical highest annual all-inclusive wrap fee of 3.00% by deducting 0.75% 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.

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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