

Large Cap Core Unscreened

Commentary | Quarterly update: 2Q24

Separately managed account (formerly Large Cap Core Growth)



Robert C. Doll, CFA® CEO/CIO

| Top 10 portfolio (%) | |
|-----------------------------|--------------|
| Microsoft Corporation | 5.24 |
| Apple Inc. | 4.38 |
| Meta Platforms Inc Class A | 4.26 |
| NVIDIA Corporation | 3.75 |
| Alphabet Inc. Class C | 3.66 |
| JPMorgan Chase & Co. | 2.88 |
| Visa Inc. Class A | 2.71 |
| Home Depot, Inc. | 2.66 |
| Mastercard Inc. Class A | 2.48 |
| Qualcomm Inc. | 2.36 |
| Total % of portfolio | 34.37 |

Markets and performance

The Large Cap Core Unscreened composite fell -0.15%, underperforming the Russell 1000 (+3.57%) by 372 basis points. Stock selection was the primary driver of underperformance, with allocation, the underweight to technology, and the overweight to consumer discretionary also detracting from performance.

Positive and negative contributors to performance

Stock selection and the overweight to the consumer discretionary sector were the largest detractors from performance during the quarter, driven by the exposure to the consumer durable and apparel companies. The overweight and stock selection within the energy sector also detracted from performance, as the refinery companies lagged during the quarter on weaker-than-expected refining margins. On the positive side, the underweight and stock selection within consumer staples and lack of exposure to the real estate sectors added to performance. On a style basis, the overweight to management quality and dividend yield added to performance, but the underweight to higher beta stocks detracted.

On an individual position basis, the underweight to NVIDIA was the largest detractor as the company posted strong earnings in the first quarter, significantly surpassing expectations. The position in XP Inc. also detracted from performance, as the company's 1Q earnings per share and revenue fell short of analysts' expectations. The market continues to be concerned about the impact of the higher-for-longer interest rate environment and slower business momentum for the company. On the positive side, Dell Technologies and Qualcomm added to performance, as the companies continue to benefit from positive exposure to the AI supply chain.

Looking ahead

Investors have been lulled into a false sense of security concerning the resiliency of the U.S. economy. However, our assessment that the monetary policy stance is tight means something must change for a recession to be avoided. Forward-looking indicators of the U.S. labor market are no longer pointing to significant excess labor demand, which, along with rising consumer loan delinquencies, supports the view that excess savings have been spent. Inflation will likely remain in a downtrend, but a return to target levels is unlikely. At some point, stocks are likely to run into difficulty when earnings estimates come under pressure. Considering the market environment, the strategy continues focus on higher quality companies with more earnings predictability. The largest additions to the strategy included Parker Hannifin, Garmin, and T-Mobile, and the largest sells included United Healthcare, Applied Materials, and Adobe. At the end of the quarter, the strategy held the largest overweight positions in financials and information technology while being underweight communication services and healthcare.

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 (%) | Quarter | YTD | 1-year | 3-year | 5-year | 10-year |
|---|---------|-------|--------|--------|--------|---------|
| Large Cap Core Unscreened (Wrap) – Gross | -0.15 | 13.08 | 26.25 | 11.26 | 17.38 | 14.92 |
| Large Cap Core Unscreened (Wrap) – Net ¹ | -0.88 | 11.44 | 22.59 | 7.95 | 13.90 | 11.51 |
| Russell 1000 Index | 3.57 | 14.24 | 23.88 | 8.74 | 14.61 | 12.51 |

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

Crossmark Global Investments is a faith-based firm that creates and manages values-based investment strategies for financial intermediaries and their clients. Founded over 35 years ago, the firm has a rich history of inspiring and equipping its clients to go further in aligning their investments with their values. Crossmark is based in Houston, Texas. For more information, visit crossmarkglobal.com.

Contact a member of our Advisor Solutions Team

advisorsolutions@crossmarkglobal.com | 888-845-6910

Crossmark Global Investments, Inc. (Crossmark) is an investment adviser registered with the Securities and Exchange Commission that provides discretionary investment management services to mutual funds, institutions, and individual clients. Investment advice can be provided only after the delivery of Crossmark's firm Brochure and Brochure Supplement Form ADV (Parts 2A and 2B) and Form CRS, and once a properly executed investment advisory agreement has been entered into by the client.

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).

Information and recommendations contained in market commentaries and writings are of a general nature and are not intended to be construed as investment, tax or legal advice. These materials reflect the opinion of Crossmark on the date of production and are subject to change at any time without notice. Where data is presented that was prepared by third parties, the source of the data will be cited, and we have determined these sources to be generally reliable. However, Crossmark does not warrant the accuracy of the information presented.

This content may not be reproduced, copied or made available to others without the express written consent of Crossmark.

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.

GIPS is a registered trademark of CFA Institute. CFA Institute does not endorse or promote this organization, nor does it warrant the accuracy or quality of the content contained herein.

Not FDIC Insured – No Bank Guarantee – May Lose Value