

Large Cap Core Unscreened

Commentary | Quarterly update: 1Q24

Separately managed account (formerly Large Cap Core Growth)



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Top 10 portfolio (%)	
Microsoft Corporation	4.92
Meta Platforms Inc Class A	4.10
Alphabet Inc. Class C	4.08
Apple Inc.	3.56
Visa Inc. Class A	2.87
JPMorgan Chase & Co.	2.85
Mastercard Inc. Class A	2.70
UnitedHealth Group Incorporated	2.68
Phillips 66	2.34
NVIDIA Corporation	2.29
Total % of portfolio	32.40

Markets and performance

The Large Cap Core Unscreened composite returned 13.25% in the first quarter of 2024, outperforming the Russell 1000 (+10.30%) by 295 basis points (bps). The strategy benefited from strong stock selection and allocation during the quarter across a wide range of the portfolio, generating positive attribution in eight of the 11 sectors of the market. During the period, the portfolio's slight tilt toward momentum and overweight to companies with higher earnings yield added value, while the exposure to companies with increased profitability detracted modestly.

Positive and negative contributors to performance

The overweight and stock selection within the energy sector were the largest contributors to performance, as the companies benefited from increasing commodity prices during the quarter. Stock selection within consumer discretionary added value primarily driven by stock selection within the automakers. On the negative side, stock selection within financials and healthcare was the largest detractor from performance.

Looking at individual positions, the lack of exposure to Tesla was among the largest contributors to performance as the company struggled under concerns of waning EV demand. Dell Technologies (1.95% of total net assets) had a positive impact on performance as the company is enjoying something of a resurgence led by its artificial intelligence credentials. Finally, Meta (4.10% of total net assets) added value, as the company continues to outperform on its improving position in the digital ad market. Among the largest detractors was the underweight to NVIDIA (2.29% of total net assets), as the company significantly outperformed on the back of impressive earnings and continued AI hype. United Healthcare (2.68% of total net assets) also detracted, lagging as medical expenses continued to escalate. Finally, the lack of exposure to Eli Lilly detracted from performance, as the company continued to perform with stronger top-line growth.

Looking ahead

The key economic question for 2024 is whether central banks can continue the "landing of the plane" (soft landing) without a crash (recession). The consensus view of 2024 is a Goldilocks environment of not too hot and not too cold. Expectations include a soft economic landing, a continued decline in inflation toward targets, and double-digit earnings growth. We think that fairy tale is unlikely, meaning either 1) the economy weakens enough for a bumpy ride (perhaps a recession) and earnings fall short (most likely), or 2) the economy remains strong enough to support double-digit earnings growth at the risk of little progress on inflation and Fed rate cuts. Considering the market environment, the strategy continued to focus on higher quality companies with more predictability. During the quarter, the strategy trimmed exposure in the healthcare and information technology sectors while adding to consumer discretionary and financials. At the end of the quarter, the portfolio's largest overweights were consumer discretionary and energy, while the largest underweights were in the information technology and industrials sectors.

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	13.25%	13.25%	32.34%	14.74%	18.15%	15.53%
Large Cap Core Unscreened (Wrap) – Net ¹	12.44%	12.44%	28.54%	11.34%	14.65%	12.11%
Russell 1000 Index	10.30%	10.30%	29.87%	10.45%	14.76%	12.68%

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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