

LARGE CAP EQUITY STRATEGIES

COMMENTARY | QUARTERLY UPDATE: 1Q 2023



written by
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Separately Managed Accounts (Large Cap Core, Large Cap Growth, and Large Cap Value)

Top 10 Crossmark Large Cap Core Portfolio Holdings

Apple, Inc.	4.43%
Microsoft Corporation	3.39%
Visa Inc. Class A	2.98%
Mastercard Inc. Class A	2.77%
Cisco Systems, Inc.	2.56%
Adobe Incorporated	2.45%
General Mills, Inc.	2.42%
Mondelez International, Inc.	2.41%
Cadence Design Systems, Inc.	2.40%
VMware, Inc. Class A	2.35%
Total % of Portfolio	28.16%

Top 10 Crossmark Large Cap Growth Portfolio Holdings

Apple, Inc.	10.77%
Microsoft Corporation	9.47%
Visa Inc. Class A	4.01%
Mastercard Inc. Class A	3.64%
Alphabet Inc. Class A	3.12%
Adobe Inc.	3.01%
Amazon.com, Inc.	2.99%
Qualcomm Inc.	2.79%
Cadence Design Systems, Inc.	2.64%
Synopsys, Inc.	2.42%
Total % of Portfolio	44.85%

Top 10 Crossmark Large Cap Value Portfolio Holdings

Cisco Systems, Inc.	3.00%
Bank of America Corp	2.92%
Gilead Sciences, Inc.	2.90%
Marathon Petroleum Corp.	2.63%
General Mills, Inc.	2.50%
Morgan Stanley	2.47%
Mondelez International, Inc.	2.46%
Trane Technologies plc	2.46%
Elevance Health, Inc.	2.43%
McKesson Corporation	2.43%
Total % of Portfolio	26.21%

Markets and Performance

Crossmark Large Cap Core, Value, and Growth composites returned 2.88%, -0.61%, and 9.62%, respectively in the quarter ending March 31, 2023, underperforming the Russell 1000 Index (+7.46%), Russell 1000 Value Index (+1.01%) and Russell Growth Index (+14.37%) by 458, 162, and 475 basis points, respectively. Stock selection was the main culprit in the underperformance for the quarter. Simply stated, we owned too many cheap stocks with good earnings and cash flow profiles in a quarter where the market rewarded low quality, high valuations, and mediocre (or worse) fundamentals. For the strategies, the weakest sector performance during the quarter came from the communication services and consumer discretionary sectors.

Positive and Negative Contributors to Performance

From a macro perspective, positive factors during the quarter included disinflation momentum, positive macro surprise momentum, soft landing expectations, an accelerated China reopening following the unexpected zero Covid pivot late last year, warmer weather in Europe that helped prevent an energy crisis, and one-off global liquidity injections that seemed to dampen some of the bite from the Fed's QT. Banking sector turmoil grabbed the headlines in March with the focus on the funding/liquidity pressures at the regional level from deposit flight and the impact of the Fed's aggressive tightening cycle on investment portfolios. Fed pivot expectations provided an outsized tailwind for big tech (and other growth/long duration plays). The best performing stocks for the strategies were Cadence Design (2.64% of total net assets) and Synopsys (2.42% of total net assets) while the worst underperformers were in technology stocks such as Tesla (1.08% of total net assets) and NVIDIA (1.60% of total net assets). Positions in the HMO sector were negative contributors to performance as well.

Looking Ahead

Our view is that the impact of the fastest rise in Fed funds (0 to 4¾% in twelve months) has only begun to be felt as evidenced in the March banking crisis. A significant economic slowdown and perhaps a recession still looms. As such, we remain focused on quality, earnings and cash flow deliveries, reasonable valuations and below market betas. The events over the past month have strengthened our conviction that investors should be conservatively positioned. We continue to expect that the U.S. economy will likely enter a recession over the coming year and that defensive positions are warranted within an equity portfolio.

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	Since Inception
Large Cap Core - Gross	2.88%	2.88%	-4.67%	-0.64%
Large Cap Core - Net**	2.80%	2.80%	-4.98%	-0.91%
Russell 1000	7.46%	7.46%	-8.39%	-2.54%

Composite Performance	QTD	YTD	1 Year	Since Inception
Large Cap Growth - Gross	9.62%	9.62%	-7.72%	-2.97%
Large Cap Growth - Net**	9.57%	9.57%	-7.89%	-3.11%
Russell 1000 Growth	14.37%	14.37%	-10.90%	-4.94%

Composite Performance	QTD	YTD	1 Year	Since Inception
Large Cap Value - Gross	-0.61%	-0.61%	-2.33%	0.22%
Large Cap Value - Net**	-0.67%	-0.67%	-2.56%	0.03%
Russell 1000 Value	1.01%	1.01%	-5.91%	-0.08%

** Net performance was calculated using actual management fees.

Our Firm

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Some strategies incorporate values-based screening policies which exclude certain securities issuers from the universe of otherwise available investments. As a result, the strategy may not achieve the same level of performance as it otherwise would have in the absence of the screening process. If the strategy has invested in a company that is later discovered to be in violation of one or more screening criteria and liquidation of an investment in that company is required, selling the securities at issue could result in a loss to the strategy. Further, the strategy's values-based screening policies may prevent the strategy from participating in an otherwise suitable investment opportunity.

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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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