

QUARTERLY UPDATE: 2Q 2022

LARGE CAP EQUITY STRATEGIES COMMENTARY



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



written by
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Large Cap Core Top 10 Model Holdings¹

Microsoft Corp.	6.7%
Apple, Inc.	4.6%
PepsiCo, Inc.	2.6%
Mastercard, Inc.	2.6%
Synopsys, Inc.	2.5%
CVS Caremark Corp.	2.5%
Anthem, Inc.	2.5%
MetLife, Inc.	2.4%
General Mills, Inc.	2.3%
Cisco Systems, Inc.	2.3%
Total % of Portfolio	31.0%

Large Cap Growth Top 10 Model Holdings¹

Microsoft Corp.	12.8%
Apple, Inc.	11.1%
Alphabet Class A	4.3%
Visa, Inc.	3.9%
Mastercard, Inc.	3.5%
Amazon.com, Inc.	3.4%
PepsiCo, Inc.	3.1%
American Tower	3.0%
Home Depot, Inc.	2.9%
Lockheed Martin Corp.	2.5%
Total % of Portfolio	50.5%

Markets and Performance

The Russell 1000, Russell 1000 Value, and Russell 1000 Growth indices returned -16.68%, -12.22%, and -20.92%, respectively, in the second quarter. While down significantly, the Large Cap Core, Large Cap Value, and Large Cap Growth model portfolios outperformed by 466, 283, and 397 basis points (bps), respectively. This significant outperformance resulted from strong stock selection across a variety of sectors, with balance sheet, earnings, and management quality representing a key focus.

Positive and Negative Contributors to Performance

The Large Cap Core model portfolio achieved nearly half of its outperformance via the technology sector due to strong stock selection. The financial and industrial sectors also had a positive impact, with the largest individual contributors being Cigna (2.3% of total net assets), AutoZone (2.2% of total net assets), Gilead (2.3% of total net assets), VMware (2.3% of total net assets), and IBM (1.7% of total net assets). The most negative contributors were Amazon (1.1% of total net assets) and Prologis (2.0% of total net assets).

The Large Cap Value model portfolio achieved its outperformance via stock selection in technology, communication services, and healthcare. Companies with the most positive impact included General Mills (2.4% of total net assets), Cigna (2.9% of total net assets), IBM (2.3% of total net assets), AT&T (2.3% of total net assets), and AutoZone (1.0% of total net assets). Real estate stocks were a modest drag on performance. Prologis (2.1% of total net assets) and our underweighting of Exxon (0.9% of total net assets) modestly detracted from quarterly performance.

The Large Cap Growth model portfolio outperformed primarily through stock selection in technology (avoiding highly-valued stocks that experienced multiple compression). The best stock performance came from underweighting NVIDIA (0.7% of total net assets) and Tesla (1.6% of total net assets) and from positive contributions by McKesson (2.3% of total net assets) and VMware (2.3% of total net assets). Amazon (3.4% of total net assets) and underweighting Lilly (1.2% of total net assets) were modest negatives.

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 6/30/2022.

**Large Cap Value
Top 10 Model Holdings¹**

Cigna Corp.	2.9%
Intel Corp.	2.8%
Anthem, Inc.	2.8%
Cisco Systems, Inc.	2.6%
ConocoPhillips	2.6%
CVS Caremark Corp.	2.5%
Goldman Sachs Group, Inc.	2.5%
MetLife, Inc.	2.5%
General Mills, Inc.	2.4%
Aflac, Inc.	2.4%
Total % of Portfolio	26.0%

Looking Ahead

Expecting the stock market to shift from multiple compression to earnings, we are taking extra care to analyze the quality of earnings, balance sheets, and management in our stock selection. Currently, our largest overweighted sectors are technology and financials, and the largest underweights include communication services and consumer discretionary.

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