

QUARTERLY UPDATE: 3Q 2021

LARGE CAP EQUITY

COMMENTARY



Large Cap Core, Large Cap Growth, and Large Core Value are separately managed account investment strategies



written by
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Markets and Performance

The three Large-Cap SMA model portfolios underperformed modestly in the third quarter (Large Cap Core by 16, Large Cap Growth by 95, and Large Cap Value by 153 basis points, respectively). According to J.P. Morgan, only 39%, 24%, and 49% of managers beat their benchmarks in these three categories last quarter. We are positioned for good economic growth and generally own lower-priced stocks (as measured by P/E ratios) than our benchmarks. However, this did not provide any tailwind, especially during September. All of our strategies lean to the value side of our categories, which also detracted from performance. Additionally, our down-capitalization bias underperformed as large- and mega-cap outperformed mid- and small-cap.

Positive and Negative Contributors to Performance

Sector allocations were generally favorable for performance, with our overweight in financials most significant as increasing interest rates benefitted that sector. On the other hand, stock selection was generally unfavorable, especially in healthcare (Cigna (2.00% of total net assets) and Biogen (2.00% of total net assets)) and consumer discretionary (General Motors (0.90% of total net assets) and Target (1.10% of total net assets)). Our healthcare holdings struggled with the threat of price cap legislation; consumer woes were generally related to concerns about the economy slowing. The exclusionary values-based screens had almost no effect during the quarter.

Looking Ahead

We have a cyclical, value, down-cap biased set of strategies. Accordingly, a pickup in economic growth expectations, a decline in economic fear emanating from COVID-Delta or other sources, a rise in inflation expectations and interest rates would all benefit these strategies. Earnings season will likely have more problems than we have seen in quite a few quarters; we hope that our discount valuations will cushion disappointment.

**Large Cap Core
Top 10 Model Holdings ¹**

Microsoft Corp.	6.2%
Alphabet - Class A	5.3%
Amazon.com, Inc.	3.3%
Apple, Inc.	3.1%
Intuit, Inc.	2.7%
Accenture PLC	2.6%
Oracle Systems Corp.	2.5%
Mastercard, Inc.	2.4%
Cisco Systems, Inc.	2.4%
Synopsys, Inc.	2.4%

% of Total Portfolio: 32.9%

**Large Cap Growth
Top 10 Model Holdings ¹**

Microsoft Corp.	10.7%
Apple, Inc.	8.6%
Alphabet - Class A	8.0%
Visa, Inc.	3.8%
Mastercard, Inc.	3.5%
Adobe System, Inc.	3.4%
Amazon.com, Inc.	3.3%
Oracle Systems Corp.	3.0%
Accenture PLC	2.9%
Intuit, Inc.	2.0%

% of Total Portfolio: 49.9%

**Large Cap Value
Top 10 Model Holdings ¹**

JP Morgan Chase & Co.	3.5%
Cisco Systems, Inc.	3.2%
Intel Corp.	3.0%
Morgan Stanley	2.9%
AT&T, Inc.	2.9%
Alphabet - Class A	2.7%
Anthem, Inc.	2.7%
CVS Caremark Corp.	2.6%
IBM	2.6%
Capital One Financial Corp.	2.5%

% of Total Portfolio: 28.6%

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 9/30/2021.

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