

Large Cap Equity Strategies

Commentary | Quarterly update: 4Q 2023



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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 (%)

Microsoft Corp.	6.92
Apple, Inc.	4.40
Visa, Inc. Class A	2.93
Mastercard, Inc. Class A	2.76
Adobe, Inc.	2.69
Booking Holdings, Inc.	2.69
Home Depot, Inc.	2.47
QUALCOMM, Inc.	2.39
Lam Research Corp.	2.37
Lowe's Companies, Inc.	2.33
Total % of portfolio	31.95

Top 10 Crossmark Large Cap Growth portfolio holdings (%)

Microsoft Corp.	12.12
Apple, Inc.	10.24
Alphabet, Inc. Class A	4.67
Visa, Inc. Class A	3.77
Amazon.com, Inc.	3.58
Mastercard, Inc. Class A	3.48
Adobe, Inc.	3.22
Home Depot, Inc.	2.93
Booking Holdings, Inc.	2.93
NVIDIA Corp.	2.87
Total % of portfolio	49.80

Top 10 Crossmark Large Cap Value portfolio holdings (%)

JPMorgan Chase & Co.	4.07
Bank of America Corp.	3.01
PNC Financial Services Group, Inc.	2.73
Salesforce, Inc.	2.63
Verizon Communications, Inc.	2.60
Cisco Systems, Inc.	2.54
Gilead Sciences, Inc.	2.48
American Express Co.	2.39
McKesson Corp.	2.26
Amgen, Inc.	2.21
Total % of portfolio	26.92

Markets and performance

The Large Cap Core, Growth and Value composite portfolios returned 12.76%, 14.46%, and 11.83%, respectively, in the fourth quarter, outperforming the Russell 1000 Index (+11.96%), the Russell 1000 Growth Index (+14.16%), and Russell 1000 Value Index (+9.50%) by 80, 30, and 233 basis points (bps), respectively. The main source of the outperformance came from sector allocation choices. The strongest performance came from overweighting technology and underweighting energy. In addition, the overweight to the real estate sector drove the strong performance within the Growth Portfolio primarily due to the exposure to REITs. On the negative side, the underweight and selection within the more cyclical industrial sector were among the largest detractors during the period. The overweight and selection within the healthcare sector detracted from performance in the Core and Value portfolios as the defensive nature of the sector failed to keep up with the market during the late year rally.

Positive and negative contributors to performance

Stock selection was challenged in the quarter during the late market rally as our higher quality and predictability focus was not helpful during the quarter, when low quality stocks led the way. Among the top individual stock performers were semiconductor companies including Lam Research (2.37% of total net assets), the financials including PNC Financial (2.73% of total net assets), and software companies like Salesforce (2.63% of total net assets). The underweight to Tesla also proved beneficial, as the company missed estimates for quarterly deliveries during the quarter. The largest detractor was VMware, down during the quarter despite being acquired by Broadcom due to concerns relating to the merger. FedEx was also a detractor across some of the portfolios after a disappointing earnings announcement, as cost cutting in the company has not been enough to compensate for the slowdown in revenues due to the volatile macro environment.

Looking ahead

We expect a more challenging backdrop for stocks in 2024, with softening consumer spending at a time when investor sentiment has turned bullish. Equities are richly valued, with volatility near historic lows even as geopolitical and domestic political risks remain elevated. The main focal point for 2024 is likely to be whether investors can enjoy a Goldilocks (or Nirvana) environment; namely, further significant progress on inflation, decent economic growth, and double-digit earnings growth. We are skeptical. Either 1) we get noticeable slowdown/recession and earnings fall short, or 2) double-digit earnings growth materializes, probably requiring stronger economic growth, less progress (if any) on inflation and a Fed that is boxed in.

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.

Looking ahead

Considering the market environment, the strategies continued to focus on higher quality companies with more predictability. At the end of the quarter, the portfolios were overweight Information Technology and Financials while underweight Utilities and some of the Consumer Sectors.

Composite performance (%)	QTD	YTD	1-year	Since inception
Large Cap Core – Gross	12.76	21.55	21.55	6.42
Large Cap Core – Net ¹	12.69	21.19	21.19	6.12
Russell 1000 Index	11.96	26.53	26.53	4.85

Composite performance (%)	QTD	YTD	1-year	Since inception
Large Cap Growth – Gross	14.46	35.58	35.58	6.60
Large Cap Growth – Net ¹	14.42	35.35	35.35	6.44
Russell 1000 Growth Index	14.16	42.68	42.68	5.45

Composite performance (%)	QTD	YTD	1-year	Since inception
Large Cap Value – Gross	11.83	14.05	14.05	5.82
Large Cap Value – Net ¹	11.78	13.79	13.79	5.61
Russell 1000 Value Index	9.50	11.46	11.46	3.96

1 Net performance was calculated using actual management fees.

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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, Large Cap Growth and Large Cap Value Strategies may not achieve their objectives 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).

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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