

Large Cap Growth

Commentary | Quarterly update: 1Q25

Separately managed account



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Top 10 portfolio (%)	
Apple Inc.	9.97
NVIDIA Corp.	8.68
Microsoft Corp.	8.46
Amazon.com, Inc.	4.59
Alphabet Inc. Class A	4.44
Visa Inc. Class A	4.35
Mastercard Inc. Class A	3.84
Progressive Corp.	2.81
Booking Holdings Inc.	2.58
Genpact Limited	2.40
Total % of portfolio	52.13

Markets and performance

The Large Cap Growth model portfolio returned -7.85% during the quarter, outperforming the Russell 1000 Growth Index (-9.97%) by 212 basis points (bps). The positive performance was driven by both a sector allocation effect and stock selection during the period.

Positive and negative contributors to performance

The financials sector contributed significantly with a total effect of 1.03%, and within this sector, financial services added 56 bps. Conversely, the communication services sector detracted from performance, with both the sector and the media & entertainment industry group each affecting returns by -25 bps.

On an individual position basis, the underweight position in Tesla was the largest contributor to performance during the period, as the stock traded lower by over 35% in the period. Tesla's 1Q delivery estimates were lowered by several firms due to factors such as Model Y refresh and seasonality, and weaker demand. The position in Progressive Corp. also contributed to the outperformance. Progressive announced strong financial performance with net written premiums and policies in force rising by 17% and 18% respectively, significantly surpassing the industry averages. On the negative side, the underweight to Eli Lilly and the position in cloud networking company Arista Networks detracted from performance.

Looking ahead

Recently, the S&P 500 traded at an all-time high with enthusiasm among consumers, businesses, and investors. While the initial reaction to Trump's victory in November was certainly pro-risk (stocks rose, the U.S. dollar strengthened, and bond yields fell), the markets settled back into an uneasy holding period, acknowledging the challenges that await the new administration, and corrected 10%. The policy uncertainty stemming from the on-again, off-again tariff announcements has done little to restore confidence, and the biggest risk now is that the market has entered a negative feedback loop, contributing to a sentiment-induced slowdown. As a result, recession probabilities have moved up from 20% at year-end to 35-40% now. Earnings estimates are only beginning to fall, and multiples, while down a bit, are still high.

Considering the market environment, the strategy continues to focus on management quality and earnings yield while being slightly underweight beta and size in the portfolio. During the quarter, the strategy trimmed exposure to the information technology and healthcare sectors while adding exposure to the industrials and the financials sector. At the end of the quarter, the strategy held the largest overweight positions in financials and real estate while being underweight communications services and consumer discretionary.

Composite performance (%)	Quarter	YTD	1-year	3-year	Since inception
Large Cap Growth – Gross	-7.85	-7.85	5.34	9.93	8.66
Large Cap Growth – Net	-7.97	-7.97	4.81	9.38	8.12
Russell 1000 Growth Index	-9.97	-9.97	7.76	10.09	8.77

Composite illustrated is the Crossmark Large Cap Growth Composite. Net performance was calculated using the hypothetical highest annual fee of 0.50%, with a deduction of 0.042% from each month's gross return. Index returns shown assume the reinvestment of all dividends and distributions.

Our firm

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The Large Cap Growth Strategy 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).

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