

Large Cap Value

Commentary | Quarterly update: 3Q24

Separately managed account



Robert C. Doll, CFA CEO/CIO

Top 10 portfolio (%)	
JPMorgan Chase & Co.	4.08
AT&T Inc.	2.96
Lowe's Companies, Inc.	2.89
International Business Machines Corp.	2.83
American Express Co.	2.79
3M Company	2.72
Gilead Sciences, Inc.	2.63
PNC Financial Services Group, Inc.	2.63
Coca-Cola Co.	2.51
Verizon Communications Inc.	2.50
Total % of portfolio	28.55

Markets and performance

The Large Cap Value model portfolio returned 11.60% during the third quarter, outperforming the Russell 1000 Value Index (9.43%) by 217 basis points (bps). The strategy benefited from strong stock selection across multiple sectors, while allocation among the sectors modestly detracted from performance.

Positive and negative contributors to performance

The financials sector was the largest contributor to the portfolio's performance, adding 1.56%, with the insurance industry within financials contributing 61 bps as the largest industry impact. Similarly, the industrials sector enhanced the portfolio's returns by 92 bps, led by the industrial conglomerates industry, which added 58 bps. Conversely, the lack of exposure to the utilities sector was the largest detractor from performance, costing the portfolio 40 bps in return. Stock selection within healthcare also detracted (approximately 28 bps), driven by the portfolio exposure to the healthcare providers and services companies.

On an individual position basis, 3M Company was the largest individual contributor to performance, posting strong second-quarter earnings and surpassing expectations in several financial metrics, including earnings, revenue, and cashflow. In addition to 3M, PayPal Holdings Inc., IBM, and Lowe's Company were among the top contributors to performance. On the negative side, Qualcomm was the largest detractor from performance, as the company posted weaker-than-expected guidance for the fourth-quarter earnings, noting concerns over smartphone sales. In addition to Qualcomm, McKesson Corp., Dell Technologies, and Valero Energy were among the largest detractors.

Looking ahead

Any caution toward equities has admittedly been wrong or at least premature. The onset of economic weakness/recession has been delayed by the deployment of a historically large stock of excess savings. Recent government revisions (rarely important but also rarely of this magnitude) have certainly delayed any economic weakness. Excess savings have likely been nearly depleted, and labor market weakness is now apparent.

Considering the market environment, the portfolio is emphasizing companies with higher earnings yields and positive management quality. During the quarter, the portfolio trimmed exposure to the information technology and energy sectors while adding to consumer staples and consumer discretionary. The largest additions to the portfolio included Target, ADP, and Colgate-Palmolive. The largest sells included Elevance Health, Lam Research, and CSX. At the end of the quarter, the portfolio held the largest overweight positions in financials and information technology while being underweight healthcare and energy.

Composite performance (%)	Quarter	YTD	1-year	3-year	Since inception
Large Cap Value – Gross	11.60	24.37	39.09	13.41	11.70
Large Cap Value – Net ¹	11.58	24.21	38.84	13.18	11.48
Russell 1000 Value Index	9.43	16.68	27.76	9.03	8.04

1 Net performance was calculated using actual management fees.

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.

Our firm

Crossmark Global Investments is a faith-based firm that creates and manages values-based investment strategies for financial intermediaries and their clients. Founded in 1987, the firm has a rich history of inspiring and equipping its clients to go further in aligning their investments with their values. Crossmark is based in Houston, Texas. For more information, visit crossmarkglobal.com.

Contact a member of our Advisor Solutions Team

advisorsolutions@crossmarkglobal.com | 888-845-6910

Crossmark Global Investments, Inc. (Crossmark) is an investment adviser registered with the Securities and Exchange Commission that provides discretionary investment management services to mutual funds, institutions, and individual clients. Investment advice can be provided only after the delivery of Crossmark's firm Brochure and Brochure Supplement Form ADV (Parts 2A and 2B) and Form CRS, and once a properly executed investment advisory agreement has been entered into by the client.

All Investments are subject to risks, including the possible loss of principal. Past performance does not guarantee future results.

The Large Cap Value 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).

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.

Information and recommendations contained in market commentaries and writings are of a general nature and are not intended to be construed as investment, tax or legal advice. These materials reflect the opinion of Crossmark on the date of production and are subject to change at any time without notice. Where data is presented that was prepared by third parties, the source of the data will be cited, and we have determined these sources to be generally reliable. However, Crossmark does not warrant the accuracy of the information presented.

This content may not be reproduced, copied or made available to others without the express written consent of Crossmark.

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.

GIPS is a registered trademark of CFA Institute. CFA Institute does not endorse or promote this organization, nor does it warrant the accuracy or quality of the content contained herein.

Not FDIC Insured – No Bank Guarantee – May Lose Value