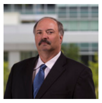
CROSSMARK
GLOBAL INVESTMENTS

MUNICIPAL FIXED INCOME
COMMENTARY | QUARTERLY UPDATE: 2Q 2023

Separately Managed Account



written by
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Markets and Performance

Municipal bonds have experienced negative and positive monthly volatility for the second quarter of 2023. April and May sold off and June rallied, bringing generic yields nearly unchanged with 1Q23. Municipal bonds have paid little attention to the US Treasury volatility as tax equivalent yields and strong credit quality offer investors a compelling trading range. Secondary municipal bond data suggest a shift this quarter back into 1-3-year maturities due to the higher yield while the 7-12-year maturity yield improvement is picking up more activity. Final maturities past 12 years has dropped slightly in volume as FOMC suggests the June meeting was a “skip” from rate hikes with the likelihood of at least one more rate hike, speculated to be in July and possibly another hike later in the year. Separately managed accounts, ETFs, funds and money manager flows continue to focus on the short and intermediate part of the curve for a short-term defensive position against the hawkish FOMC verbiage.

Positive and Negative Contributors to Performance

The Crossmark Municipal Fixed Income composite posted a minimal loss of -0.12% for the quarter ending June 30, 2023, versus a loss of -0.65% for the Bloomberg Quality Intermediate Municipal Index. Investing in high-quality credit with a premium coupon positively contributed to the composite portfolio’s performance. For 2Q23, the hospital revenue sector, which Crossmark currently avoids, has outperformed the general municipal market, ahead of the Crossmark Municipal Fixed Income average composite. The Crossmark Municipal Fixed Income strategy will continue to focus on the higher quality rated municipal bonds as a conservative hedge against potential declines in the economy of the future.

Looking Ahead

Municipal bond volatility, primarily from municipal bond mutual funds net outflow positions, as well as the FDIC liquidation of $7.45 Billion of municipal bonds from SVB and Signature Bank could continue to be an opportunity to acquire municipal bonds at favorable levels for Separately Managed Accounts (SMA) and patient investors in 3Q23. July redemptions from called and maturing bonds and interest is scheduled to be $38 Billion which will be the largest monthly redemption for the calendar year. The media, investors, and traders have been speculating when the FOMC will begin to cut rates while the FOMC has done their best to temper speculation with hawkish discussions of holding interest rates “higher for longer” to fight inflation. The FOMC skipped a rate hike last meeting, which was the pattern back in 2019, and will likely increase rates by 25 basis points at the July meeting. Confusion and speculation of further hikes after July could cause volatility through year end. Economic changes are seldom linear in a given direction so surprises to data could contribute to future volatility. Regardless of future FOMC decisions and economic data, municipal bond yields are better than what we have seen in over a decade resulting in a great period to reassess asset allocation to fixed income.

Crossmark continues to find value in the secondary municipal market with bonds rated A or better by Moody’s, Standard & Poors, or Fitch at the time of purchase and involved with essential services like water, sewer, power, streets, highways, public education, and general obligations. Our Strategy focuses on maturities in the eight to twenty-year range with call features between 2027 and 2034. The municipal bond yield curve has increased in the five to twelve-year maturities making these call features an ideal area to focus on during volatile periods. The Strategy will utilize longer duration positioning than the benchmark index on reinvestments as the FOMC continues their rate hike battle with inflation, focusing on higher-quality municipalities with a goal to move duration longer as the interest rate curve normalizes.

Crossmark uses a model account to manage the individual client accounts that have selected this investment strategy. All performance information shown is composite performance derived from the aggregate of all accounts included in the composite.

Composite Performance	QTD	YTD	1 Year	3 Years	5 Years	10 Years
Municipal Fixed Income (Wrap) - Gross	-0.12%	1.58%	2.36%	-0.03%	1.23%	1.56%
Municipal Fixed Income (Wrap) - Net*	-0.86%	0.07%	-0.67%	-3.00%	-1.77%	-1.45%
Bloomberg Municipal Quality Intermediate	-0.65%	1.42%	2.33%	-0.52%	1.66%	2.08%

* Net performance was calculated using the hypothetical highest annual all-inclusive wrap fee of 3.00% by deducting .75% from the last month of each quarter. Gross performance is shown as supplemental information and is stated as pure gross of all fees as the returns have not been reduced by transaction costs. Wrap fees include Crossmark's portfolio management fee as well as all charges for trading costs, custody, and other administrative fees. Due to the effect of compounding, annual returns shown net of fees may be lower than the return that would be shown if the fee were deducted from the gross return at a single point in time.

Our Firm

Crossmark Global Investments is a faith-based firm that creates, manages, and distributes values-based investment strategies that equip financial intermediaries and their clients to go further by aligning their wealth with their passions and convictions. For over 30 years, the firm has delivered uniquely constructed products based on its proprietary, disciplined, and repeatable process. Founded in 1987, the firm is headquartered in Houston, Texas. For more information visit: www.crossmarkglobal.com.

Contact a member of our Advisor Solutions Team

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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 Municipal Fixed Income strategy may not achieve its objective if the managers' expectations regarding particular securities or markets are not met. Fixed income investments generally involve three principal risks—interest rate risk, credit risk, and liquidity risk. Prices of fixed-income securities rise and fall in response to interest rate changes (interest rate risk). Generally, when interest rates rise, prices of fixed-income securities fall. The longer the duration of the security, the more sensitive the security is to this risk. There is also a risk that the issuer of a note or bond will be unable to pay agreed interest payments and may be unable to repay the principal upon maturity (credit risk). Lower-rated bonds, and bonds with longer final maturities, generally have higher credit risks. As interest rates rise and/or the credit risk associated with a particular issuer changes, bonds held within a portfolio may become difficult to liquidate without realizing a loss (liquidity risk). Many municipal bonds also include call features that allow the issuer to call the bonds—repaying the principal before maturity—usually done in the context of a refinancing transaction if/when interest rates fall. When a bond is called, the holder does not incur a loss, but cash received from the call must be re-deployed, generally in a less favorable interest rate environment (call risk).

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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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