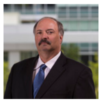
CROSSMARK
GLOBAL INVESTMENTS

MUNICIPAL FIXED INCOME
COMMENTARY | QUARTERLY UPDATE: 4Q 2022

Separately Managed Account



written by
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Markets and Performance

Municipal bonds have experienced wide swings and volatility to end the final quarter of 2022. For the quarter, October continued to post losses while November posted one the best monthly positive performances in history with a 5.06% increase according to the ICE municipal index. December began with positive carry over until the last two weeks of the year when low trade volume coupled with continued municipal bond mutual fund liquidations forced a monthly loss of -0.11 percent. Municipal bond mutual funds have witnessed net outflows totaling over $140 billion, according to Bloomberg indexes. The Crossmark Global Investments Municipal Fixed Income composite outperformed its benchmark for the year 2022 returning -3.56% while the Bloomberg Barclay's Quality Intermediate Municipal index returned -5.15%. The year to date municipal bond total return is worse than any full year in the Bloomberg Barclay's index dating back to 1988.

Positive and Negative Contributors to Performance

The Crossmark Municipal Fixed Income composite posted a gain of 2.77% for the quarter ending December 31, 2022 versus a gain of 3.42% for the Bloomberg Quality Intermediate Municipal Index. Investing in high-quality credit with a premium coupon positively contributed to the portfolio's performance as lower coupon bonds in the index declined more than premium coupon bonds held in the portfolio as municipal bond rates were volatile during 4Q22. 3.00% coupon bonds underperformed 5.00% coupon bonds. The shorter duration positioning of the Strategy was also a positive contributor to performance versus the index in 2022 as the FOMC delivered 425-basis point rate increases in an attempt to slow stubbornly high inflation. Shorter duration of the municipal bond market was heavily preferred during 2022.

Looking Ahead

Municipal bond volatility, primarily from municipal bond mutual funds liquidating large positions has created an oversold sector and could continue to be an opportunity to acquire municipal bonds at favorable levels for Separately Managed Accounts (SMA) and patient investors in 1Q23. Bids wanted for bonds greater than $1,000,000 in size could continue to be actively traded in early 2023. This activity is providing high quality inventory at reasonable pricing to build portfolios. January redemptions from called, maturing and interest is scheduled to be $17.1 Billion with very little new issuance to offset until secondary inventory fills the difference around mid-month. This could push yields lower until additional data is presented to the FOMC before the February meeting. Investors will be speculating when the FOMC will "flip" from rate hikes to rate cuts after a period of holding rates steady. Meanwhile, the FOMC may do their best to temper speculation with hawkish discussions of holding interest rates "higher for longer" to fight inflation. It is anticipated the FOMC will be strong in the first half of 2023 while investors will get bolder as inflation and economic data levels decline. Eventually FOMC members will begin to fracture the hawkish line sometime in late 2023 or early 2024 if they stay data dependent. Volatility will increase for fixed income allowing some nimble portfolio managers to sell shorter duration bonds and lower quality into strength while taking advantage of lower pricing periods to reinvest cash, called and maturing bonds during the year.

Looking Ahead (continued)

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 seven 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 continue to utilize shorter duration positioning than the benchmark index 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	2.77%	-3.56%	-3.56%	0.02%	1.03%	1.35%
Municipal Fixed Income (Wrap) - Net*	2.01%	-6.45%	-6.45%	-2.96%	-1.97%	-1.66%
Bloomberg Municipal Quality Intermediate	3.42%	-5.15%	-5.15%	-0.16%	1.36%	1.77%

* 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.

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).

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.

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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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