

# QUARTERLY UPDATE: 1Q 2022

## SMALL CAP GROWTH COMMENTARY



Separately Managed Account



written by  
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### Small Cap Growth Top 10 Model Holdings<sup>1</sup>

National Storage Affiliates, Inc.	2.5%
Qualys, Inc.	2.3%
DigitalBridge Group, Inc.	2.1%
Renewable Energy Group, Inc.	2.0%
HealthEquity, Inc.	2.0%
Rapid7, Inc.	1.9%
Clearway Energy, Inc.	1.9%
MP Materials Corp.	1.9%
Varonis Systems, Inc.	1.9%
Shockwave Medical, Inc.	1.8%
<b>Total % of Portfolio</b>	<b>20.3%</b>

### Markets and Performance

Equity markets sold off for most of January on worries about a more hawkish Fed and higher (and more persistent) inflation. The Russia/Ukraine fighting only added to the concerns. Including intraday lows, the Russell 2000 Growth Index was down more than 20% at one point before recovering some to close out the quarter at -12.63%. The Crossmark Small Cap Growth model portfolio returned -8.93%, outperforming the Russell 2000 Growth Index by 3.70%.

### Positive and Negative Contributors to Performance

The model portfolio's top contributors during the period were Renewable Energy Group (2.0% of total net assets), up 42.91%, HealthEquity (2.0% of total net assets), up 52.44%, and Vocera Communications (1.3% of total net assets), up 22.04%. Renewable Energy, a biodiesel and renewable diesel manufacturer, was acquired by Chevron. HealthEquity, a leading provider of HSA and FSA account services, rebounded from the prior quarter on better than expected earnings. In addition, HealthEquity benefits from higher interest rates. Vocera Communications, a provider of communication software for hospitals, was acquired by Stryker.

The model portfolio's lagging contributors during the period were InMode (1.3% of total net assets), down 47.70%, Vertiv Holdings (1.3% of total net assets), down 43.93%, and NeoGenomics (1.0% of total net assets), down 64.39%. InMode, a maker of minimally invasive aesthetic medical products, reported strong earnings and announced a stock buyback. It wasn't enough to offset the dramatic multiple compression that it (and other high-growth companies) felt in the quarter. Vertiv, an equipment supplier to data centers and digital infrastructure, reported a poor quarter as it struggled with parts shortages and delays caused by global supply chain issues. This short-term problem does not affect the long-term, secular growth that the data centers and digital infrastructure are undergoing. The troubles at NeoGenomics continued as they reported another disappointing quarter and parted ways with their CEO. Our investment thesis in NeoGenomics is under review.

### Looking Ahead

We expect the market to continue to be volatile. There are numerous issues for the market to grapple with, including COVID variants, global supply chain issues, inflation, interest rates, etc. Unfortunately, a new problem added during the quarter (the Russian invasion of Ukraine) will likely exacerbate some of the previous issues. This environment makes it all the more important to focus on our key investment pillars - companies with visible and durable growth trends, strong business models, and healthy balance sheets.

<sup>1</sup> Model Portfolios are based on a hypothetical account managed during the current quarter. Actual characteristics and income may differ materially from model. As of 3/31/2022.

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The strategy's 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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