



SMALL CAP GROWTH

COMMENTARY | QUARTERLY UPDATE: 2Q 2023

Separately Managed Account



written by **Brent Lium, CFA®** Managing Director – Head of Equity Investments

Top 10 Crossmark Small Cap Growth Portfolio Holdings	
Symbotic, Inc. Class A	2.69%
World Wrestling Entertainment, Inc. Class A	2.46%
Shockwave Medical, Inc.	2.36%
Iridium Communications Inc.	2.32%
Qualys, Inc.	2.28%
Medpace Holdings, Inc.	2.16%
Academy Sports and Outdoors, Inc.	2.15%
Inspire Medical Systems, Inc.	2.13%
HealthEquity, Inc.	2.04%
Landstar System, Inc.	1.88%
Total % of Portfolio	22.48%

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.

* 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.

Markets and Performance

In the quarter ending June 30, 2023, the Crossmark Small Cap Growth composite returned 6.16% trailing the primary benchmark, the Russell 2000 Growth, by 0.89%. The Russell 2000 Growth index was up 7.05% during the quarter. Stock selection in technology and consumer discretion led to the underperformance. In addition, not owning a single stock, Super Micro Computer, which was up 133.93% in the quarter, hurt relative performance by 53 bps.

Positive and Negative Contributors to Performance

The strategy's top contributors during the period were Symbotic (2.69% of total net assets), up 87.43%, Navitas Semiconductor (1.75% of total net assets), up 44.19%, and Shockwave Medical (3.36% of total net assets), up 31.63%. Symbotic, a robotic warehouse automation supplier, in addition to a strong earnings report, gained investor interest after being highlighted at the Walmart analyst day as they are contracted to automate all of their distribution centers. Navitas Semiconductor continued its strong year to date performance with a much better than expected earnings report. Their Gallium-Nitride chips are the next generation chips for charging and powering phones, solar components, and other electronics as they are smaller and more efficient than current silicon chips. Shockwave, with a novel soundwave treatment for artery disease, continued to reflect strong fundamental performance.

The strategy's bottom contributors during the period were BioXcel Therapeutics (0.40% of total net assets), down 64.31%, National Storage Affiliates (1.57% of total net assets), down 15.31%, and Academy Sport and Outdoors (2.15% of total net assets), down 17.02%. BioXcel Therapeutics, maker of an FDA approved drug to treat agitation in Schizophrenia, released phase 3 trial results for their drug to treat agitation in dementia patients. While the trial results were positive, there was a data discrepancy in one patient in the trial in the placebo arm. This obviously scared the market, but we believe the discrepancy is minor and will be cleared up with the FDA in relatively short order. National Storage, a self-storage REIT, suffered like all REITs as interest rates went up. Academy Sports and Outdoors, the second largest sporting goods retailer, saw sales disappoint in the quarter as revenue returned to more normal levels post the covid lock down peaks. We feel this is a minor blip on a long-term growth path for Academy.

Looking Ahead

Looking forward, we think the nearly 5% increase in Fed fund rates over the last year or so is beginning to trickle into the economy. Economic data is slowing and there were a couple banking casualties due to higher rates. Given that setup, we are positioning the portfolio in a more defensive manner. We feel our focus on businesses with secular growth, good business models, and strong balance sheets will help us weather such a potential environment.

Composite Performance	QTD	YTD	1 Year	Since Inception
Small Cap Growth (Wrap) - Gross	6.16%	13.63%	11.51%	-11.03%
Small Cap Growth (Wrap) - Net*	5.42%	11.98%	8.12%	-13.72%
Russell 2000 Growth	7.05%	13.55%	18.53%	-11.17%

Our Firm

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All Investments are subject to risks, including the possible loss of principal. Past performance does not guarantee future results. The Small Cap Growth Strategy may not achieve its objective 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).

Small-cap investments may be subject to smaller companies risk. Stocks of smaller, less seasoned companies are generally subject to greater price fluctuations, less liquidity, higher transaction costs, and higher investment risk than those of larger, more seasoned issuers. Smaller companies may have limited product lines, markets, or financial resources, and they may be dependent on a limited management group or lack substantial capital reserves or an established performance record. There is generally less publicly available information about such companies than for larger, more established companies.

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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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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