SMALL CAP GROWTH

SMA Strategy Profile

Strategy Objective:

Seeks to provide above-average, long-term growth by investing in high-quality growth stocks of U.S. companies that exhibit a history of strong balance sheets, cash flow, and financial returns

Strategy Snapshot:

Product Inception	08/01/2019
Category	Small-Cap Growth

The Crossmark Small Cap Growth Strategy incorporates both a top-down and a bottom-up approach. The top-down approach utilizes macro factors including interest rates, business cycle, and secular themes to determine an overweight or underweight position in certain sectors. The bottom-up approach begins with ranking the small-cap stocks of a widely recognized small cap index by multiple factors including margins, debt levels, revenue growth, and ESG risk ratings followed by fundamental work on attractive companies looking for sustainable revenue growth, good business models, and strong balance sheets. Appropriate holdings in this strategy will meet our criteria in regards to fundamentals, valuation, and timeliness.

Key Benefits

GROWTH

1

- Invests with an emphasis on small-cap companies that potentially have larger room for future growth as compared to many large- or mega-cap companies
- Focus on companies with sustainable revenue growth, good business models, and strong balance sheets

RISK ANALYSIS

2

- To assist in consistency and risk management, investment parameters are established for sectors, industries, and individual stocks
- Our focus on balance sheets and ESG risk ratings are in an effort to reduce risk

DISCIPLINED INVESTMENT PROCESS

3

- Combination of bottom-up fundamental analysis on individual stocks and top-down portfolio construction utilized to generate a portfolio of approximately 80-100 names
- Qualitative and quantitative factors provide key components to the security selection process

Investment Process

Quantitative Elements	• Multi-factor model used to help define the universe of investable stocks beginning with the constituents of a widely recognized small-cap equity index and ranking them based on multiple characteristics including: o Margins o Debt levels o Revenue growth o ESG risk ratings • The proprietary model utilizes multiple third party data feeds to populate the data fields and can be updated daily to continually ensure accurate and up-to-date information in our process
Qualitative and Fundamental Elements	• Individual stocks are analyzed seeking companies with the best combinations of sustainable revenue growth, strong business models, and solid balance sheets. We prefer companies with sustainable, secular growth themes rather than companies with revenue growth tied to the economic cycle. Strong business models include lower capital intensity, higher margins, and competitive advantages • Macro considerations are brought into the process for a top-down component in conjunction with the more bottom-up focused quantitative factors to further narrow the universe of investable stocks. These include: o Interest rates o Business cycle o Secular themes
Established Parameters	• Constraints are maintained around sectors, industries, and individual stocks as part of the investment management process • These constraints are basis point parameters versus the benchmark • Capitalization and style constraints are established to maintain the integrity of the Strategy within the small-cap growth category

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