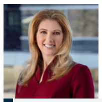
QUARTERLY UPDATE: 1Q 2021

TAXABLE FIXED INCOME COMMENTARY

Core Fixed Income, Current Income Portfolio, Intermediate Fixed Income and Income Opportunities are separately managed account investment strategies



written by
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Markets and Performance

The first quarter of 2021 saw a jump in Treasury yields to levels many didn't expect to see until much later in the year. The quick pace of yield movement from around 0.92% on the 10-Year Treasury at the beginning of the year to around 1.70% at the end of the first quarter was a shock to many fixed income investors. It is not necessarily the level of 1.70% that makes people nervous, but rather the pace at which we moved approximately 80 basis points. This also led to volatility in the equity markets although we did not see a strong "flight-to-quality" move to the bond market that many times accompanies pullbacks in equity indices. The consolidation in the 1.60% to 1.70% range for the 10-Year Treasury, along with corporate spreads that seemed to suggest there were no credit concerns, helped support the fixed income market in general.

Positive and Negative Contributors to Performance

All Crossmark taxable fixed income model portfolios outperformed their respective benchmark indices for the first quarter of 2021. Our investment process led us to maintain shorter duration positioning during the quarter. This was the largest positive contributor to outperformance for all the model portfolios versus their respective indices, along with the effect of income generation. In addition, for all model portfolios except the Fixed Income Intermediate model, the yield curve positioning was also a positive contributor to performance. For the Current Income Portfolio and Income Opportunities model portfolios, the allocation to fixed-rate preferreds was a drag on performance due to their longer duration (mitigated somewhat by the income generated by the sector). The underweight to the Treasury sector was also a positive contributor to performance.

Looking Ahead

As we move into the second quarter, we continue to extend duration across our taxable fixed income strategies. Our four-step investment process begins with the evaluation of many factors, including central bank actions and economic reports, to determine our duration target versus the comparable index. As yields have moved higher and our outlook for rates has this trend continuing in the coming quarter, we will maintain a shorter duration as compared to the index but will keep shifting that position closer to neutral. We maintain our focus on investment-grade securities that provide steady cash flow for the model portfolio which we see as a positive contribution to return over the coming quarter.

Our Firm

Crossmark Global Investments is a faith-based boutique investment management firm that provides a full suite of investment strategies to institutional investors, financial advisors, and the clients they serve. For over 30 years we have delivered uniquely constructed products based on our proprietary, disciplined, and repeatable process. We are especially known for helping our clients align their investments with their values by creating socially conscious, responsible investment strategies. Founded in 1987, we are headquartered in Houston, Texas.

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