

# Israel Impact

Commentary | Quarterly update: 1Q24

Separately managed account



**Ryan Caylor, CFA®** Portfolio Manager – Head of Research

Top 10 holdings (%)	
Microsoft Corporation	7.52
Apple Inc.	6.01
NVIDIA Corporation	5.38
Amazon.com, Inc.	4.04
Alphabet Inc. Class A	3.92
Berkshire Hathaway Inc. Class B	2.86
Meta Platforms Inc Class A	2.55
JPMorgan Chase & Co.	2.07
Coca-Cola Company	1.74
Procter & Gamble Company	1.73
<b>Total % of portfolio</b>	<b>37.83</b>

## Markets and performance

Amidst our regular quarterly update, we feel compelled to comment on the troubling resurgence of antisemitism on college campuses and in college protests around the country. In most cases, protestors are calling for universities to boycott and divest from economic and academic ties to Israel. While we certainly don't agree—in fact, we created Israel Impact to fight back against the Boycott, Divest, Sanction (BDS) Israel movement—we recognize the right to free speech and peaceful protest. Unfortunately, many protests have devolved into pro-Hamas rallies meant to disrupt classes and target, harass, and intimidate their Jewish and Israeli classmates, as covered by Bari Weiss' The Free Press and others—and this kind of unequivocally abhorrent behavior and hatred has no place in the world and no place in America.

## Positive and negative contributors to performance

For the three months ended March 31, 2024, the total return for the Israel Impact composite was 10.98%, outperforming the S&P 500 by +0.42%. Sectors contributing most to relative performance were Technology (stock selection and overweight sector allocation), Real Estate (underweight and selection effect), and Utilities (underweight allocation effect). Sectors detracting most from relative quarterly performance were Industrials (selection effect), Energy (selection and underweight sector), and Discretionary (overweight allocation).

Equity holdings contributing most to relative quarterly performance were NVIDIA (NVDA, 4.75% of average total net assets), GE (GE, 0.94%), and KLA Corp. (KLAC, 1.04%), all of which are overweight positions. Equity holdings detracting most from relative quarterly performance were McDonald's (MCD, 1.43% of average total net assets), Apple (AAPL, 6.75%), and Honeywell (HON, 1.02%). Overall, more than 100% of the 42 basis points of outperformance this quarter can be attributed to stock-specific idiosyncratic effects.

Common quantitative risk factors contributing most to relative performance were momentum (overweight), size (overweight), and earnings yield (overweight). Common quantitative risk factors detracting the most from relative performance were liquidity (underweight), volatility (underweight), and profitability (Overweight).

## Portfolio positioning

We made a handful of upgrades to the portfolio in March—adding names with more recent and/or more material engagement in Israel (Cigna, The Cooper Companies, Fortinet, and Palantir) and dropping names with less significant involvement (MGM Resorts, Target, Electronic Arts, Fidelity Info Services, and Air Products & Chemicals). We target a range between +/-140 to 180 basis points (bps) of estimated tracking error (also called "Active Risk") relative to the benchmark on an annual basis. As of March 31, 2024, the model portfolio sat at +/- 149 bps of "Active Risk" relative to the benchmark.

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.

Composite performance (%)	Quarter	YTD	1-year	3-year	5-year	Since inception
Israel Impact (Wrap) – Gross	10.98	10.98	31.44	11.09	15.10	14.81
Israel Impact (Wrap) – Net <sup>1</sup>	10.17	10.17	27.63	7.77	11.69	11.40
S&P 500 Index	10.56	10.56	29.88	11.49	15.05	14.50

1 Net performance was calculated using the hypothetical highest annual all-inclusive wrap fee of 3.00% by deducting 0.75% 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.

## 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 Israel Impact 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).

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. With respect to Equity Market Neutral, the values-based screening policies apply only to long positions.

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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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