



CROSSMARKGLOBAL.COM

June 30, 2018

GLOBAL EQUITY INCOME COMMENTARY

Performance

The second quarter of 2018 ended with positive returns overall in the U.S. but continued weakness in international equities. The Global Equity Income benchmarks of the S&P Global 1200 and the S&P 500 ended the quarter with returns of 1.29% and 3.43% respectively. For global dividend index comparison purposes, the MSCI World High Dividend Yield Index returned 0.14%.

Factors Affecting Performance

Macroeconomic factors in the U.S. for the quarter included a Fed rate hike, a strong retail sales report, a modest pickup in inflation and a tariff war. The FOMC hiked its target range by 25bp with two more increases expected in the second half of the year. This is a slightly more hawkish view by the FOMC. Retail sales in May increased 0.8%, well ahead of expectations leading GDP forecasts to rise to nearly 4%. Core inflation appears to be firming as the May core CPI index increased to a year ago change of up 2.2%. Moving to the regulatory environment, the Trump administration has announced tariffs which total about \$50 billion on Chinese imports and is threatening to potentially target \$200 billion more. This ongoing feud to level the trade playing field will at least temporarily show up in a number of inflation data categories. These tariffs however should only have a minor effect on overall inflation. In Canada, the economy is expected to slow to a more sustainable growth rate. Difficult trade negotiations with the U.S. over NAFTA does pose some additional risk. The Eurozone's ECB, despite some recent economic growth disappointments, announced that they will discontinue their asset purchases by the end of the year. In Japan, the country's effort to push inflation above 2% is proving difficult. The latest economic growth activity indicators on exports and consumption appear to be on the rebound consistent with strong growth.

Company earnings as represented by the S&P 500 have come in stronger than expected for the first quarter posting a robust growth rate of 25%. Earnings growth for the full year of 2018 is projected to come in at nearly 20% reflecting a significant upward revision. The previous year's strong rebound of the energy sector is expected to again lead the way in 2018 with an estimated growth rate of 101%.

The Global Equity Income strategy outperformed the S&P Global 1200 and substantially outperformed the MSCI World High Dividend Yield Index for the second consecutive

CROSSMARK STWARD GLOBAL EQUITY INCOME FUND

Institutional (SGISX)

BEST GLOBAL
EQUITY INCOME
FUND AWARD
WINNER
FOR 5-YEAR PERIOD



2018
THOMSON REUTERS
LIPPER FUND AWARDS
UNITED STATES
FOURTH CONSECUTIVE YEAR

Thomson Reuters recognized the Crossmark Steward Global Equity Income Fund at the U.S. Lipper Fund Awards on February 27, 2018 for delivering consistently strong risk-adjusted performance relative to its peers in the Global Equity Income Funds category for the three-year and five-year periods ending 11/30/2017. The number of peer funds included in the category was 36 for the three-year category and 31 for the five-year category. Each award was based on the Fund achieving the highest Lipper Leader for Consistent Return (Effective Return Net of Expenses) value over the stated time period.

From Thomson Reuters Lipper Awards, ©2018 Thomson Reuters. All rights reserved. Used by permission and protected by the Copyright Laws of the United States. The printing, copying, redistribution, or retransmission of this Content without express written permission is prohibited.

quarter. The portfolio equity allocation at the end of the period was 61% U.S. and 39% international. Positive relative performance was led by individual holdings rather than any specific industry or sector. The largest positive contributor to performance was Valero Energy Corp. +20.30%. Shares rose on a first quarter earnings report that beat analyst expectations. Profits increased on solid refining results and a benefit from a renewable fuel blending credit. The company also announced that it was raising its quarterly dividend by 14%. Automatic Data Processing, Inc. +18.81% shares climbed as management raised its long term earnings guidance from a previously reported 12-14% range to a 16-19% range. This increase in growth is expected to be primarily driven by stronger margin expansion and various efficiency initiatives implemented by the company. Another positive relative performer was Encompass Health Corp. 18.89%, a national leader in post-acute care, offering facility-based and home-based patient care through its network of inpatient rehabilitation hospitals. The company posted a high quality earnings quarter that beat analyst estimates both on the bottom line as well as top line sales revenue. This has led analysts to raise their price targets on the stock.

Negative relative performance was also a result of individual holdings such as Taiwan Semiconductor Manufacturing Co. -14.02% which reported a weak sales quarter. The company delivered guidance which was lower than analysts expected further lowering the stock price during the quarter. Fundamentals for the company however remain intact with no other visible material downside risks. Shares of Honda Motor Co. -15.72% declined on President Trump's trade agenda specifically targeting tariffs on foreign made autos. Honda currently has U.S. assembly plants that build approximately 60% of the vehicles that are sold in the U.S. The remaining 40% of the vehicles sold by Honda in the U.S. are assembled outside the country. The uncertainty regarding U.S. policy has affected stock valuations. Overall, the Global Equity Income strategy has exceeded our expectations for the quarter providing exceptional performance with a lower risk dividend portfolio profile.

Global Equity Income Strategy

The Global Equity Income strategy pursues its objective through the investment in U.S. and non-U.S. dividend-paying stocks that have demonstrated the ability to maintain a higher yield, increase dividends over time and generate significant earnings. These companies also represent a broad spectrum of the global economy. The objective of this strategy is to provide current dividend income and the potential for capital appreciation at lower than overall market risk.

The second quarter of 2018 ended with positive returns overall in the U.S. but continued weakness in international equities.

Top 10 Model Holdings ¹	Weight
1. Microsoft Corp.	3.37%
2. Automatic Data Processing	2.47%
3. McDonald's Corp.	2.34%
4. Quest Diagnostics, Inc.	2.31%
5. Raytheon Co.	2.29%
6. Unilever N V	2.20%
7. Intel Corp.	2.18%
8. Accenture plc	2.15%
9. Texas Instruments, Inc.	2.13%
10. Exxon Mobil Corp.	2.10%
Total of Portfolio	23.54%

¹ Model Portfolios are based on a hypothetical account managed during the current quarter. Actual characteristics and income may differ materially from model. As of 6/30/2018.

Crossmark Global Investments, Inc. (Crossmark) is an investment adviser registered with the Securities and Exchange Commission that provides discretionary investment management services to mutual funds, institutions, and individual clients. Investment advice can be provided only after the delivery of Crossmark's firm Brochure and Brochure Supplement (Form ADV Parts 2A and 2B) and once a properly executed investment advisory agreement has been entered into by the client.

Information and recommendations contained in market commentaries and writings are of a general nature and are not intended to be construed as investment, tax or legal advice. These materials reflect the opinion of Crossmark on the date of production and are subject to change at any time without notice. Where data is presented that was prepared by third parties, the source of the data will be cited, and we have determined these sources to be generally reliable. However, Crossmark does not warrant the accuracy of the information presented.

All investments are subject to risk, including the possible loss of principal. Past performance does not guarantee future results.

The Crossmark Steward Funds are distributed by **Crossmark Distributors, Inc.**, member **FINRA** and **SIPC**. Crossmark Distributors is an affiliate of Crossmark Global Investments, the Steward Funds' investment adviser.

Before investing in a mutual fund, you should read the fund's prospectus carefully and consider the fund's investment objectives, risks, charges and expenses. The prospectus contains this and other information about the fund. A copy of the Steward Funds' prospectus may be obtained free of charge by calling Crossmark Distributors at 800-262-6631.

Thompson Reuters recognized the Crossmark Steward Global Equity Income Fund at the U.S. Lipper Fund Awards on February 27, 2018 for delivering consistently strong risk-adjusted performance relative to its peers in the Global Equity Income Funds category for the three-year and five-year periods ending 11/30/2017. The number of peer funds included in the category was 36 for the three-year category and 31 for the five-year category. Each award was based on the Fund achieving the highest Lipper Leader for Consistent Return (Effective Return Net of Expenses) value over the stated time period.

Crossmark Global Investments, Inc.
15375 Memorial Drive, Suite 200, Houston, TX 77079
888.845.6910 advisorsolutions@crossmarkglobal.com
crossmarkglobal.com

Crossmark Distributors, Inc.
Member FINRA/SIPC.

About Crossmark's 30 Year History

Crossmark Global Investments is an innovative investment management firm. The firm provides a full suite of investment management solutions to institutional investors, financial advisors and the clients they serve. We have a multi-decade legacy of specializing in responsible investment strategies for clients. Founded in 1987, the firm is headquartered in Houston, Texas. Additionally, Crossmark is the exclusive manager of the Crossmark Steward Funds, which is a fund family that applies an overarching values-based screening methodology to its suite of equity and fixed income funds, including its award-winning Steward Global Equity Income Fund - named Lipper's "Best Global Equity Income Fund" for the last four consecutive years.

For more information contact our
Advisor Solutions Group:
advisorsolutions@crossmarkglobal.com
888-845-6910