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GLOBAL EQUITY INCOME COMMENTARY

Performance

The third quarter followed the pattern of the previous two since the beginning of the year with equity markets moving higher once again. The Global Equity Income benchmarks of the S&P Global 1200 and the S&P 500 ended the quarter with returns of 5.22% and 4.48% respectively. For dividend income comparison purposes, the MSCI World High Dividend Yield Index returned 4.43%.

Factors Affecting Performance

The U.S. economy continues to grow at a moderate pace, however, second quarter GDP came in at a stronger than expected 3.1%. August reports on retail sales and industrial production came in somewhat weak, but the data appears strong enough for the Fed to keep its plans on track. The expectation is for one more rate hike in December and to begin the balance sheet normalization in October. On the political front, a deal reaching across the aisle resulted in putting spending and debt ceiling debates on hold until December. The next significant item is tax reform and whether the Republicans can produce a tax plan that will be capable of getting enough votes. The prospects for passing such tax legislation will ultimately depend on whether they can reconcile their desire for tax cuts versus not wanting to increase the deficit. The Canadian economy is anticipated to continue with above trend growth for 2017. The Bank of Canada has begun raising interest rates to moderate the economy's unexpected strength. Stronger than expected economic growth in the UK has shifted the Bank of England's concern of a drag from Brexit. Japan has joined this economic pattern with three consecutive quarters of growth at nearly double its normal trend rate. Global growth in the first half of 2017 has averaged 3.5% making this the strongest economic start since 2014.

Company earnings have moderated slightly from the strong start of 2017. For the second quarter as represented by the S&P 500, earnings grew 10.4% over the previous quarter. Estimated earnings growth for the full year of 2017 is now expected to increase 9%. While a strong rebound from the energy sector is making a significant contribution, all sectors have participated in positive earnings growth for the second quarter.

The Global Equity Income strategy underperformed the S&P Global 1200 but outperformed the S&P 500 and the MSCI World High Dividend Yield Index in the third quarter. The portfolio equity allocation at the end of the quarter was 59% U.S. and 41%

2015 • 2016 • 2017
LIPPER BEST
STEWARD GLOBAL
EQUITY INCOME
FUND
Institutional (SGISX)
AWARD WINNER
FOR 5-YEAR PERIOD



WINNER OF THE 2017
THOMSON REUTERS
LIPPER FUND AWARDS
UNITED STATES
THIRD CONSECUTIVE YEAR

The U.S. Lipper Fund Awards recognized The Fund on March 31, 2015, March 22, 2016 and March 23, 2017 for delivering consistently strong risk-adjusted performance, relative to its peers, for the 5-year period. Chosen out of 66 others in 2015, 80 others in 2016, and 22 others in 2017, the Fund achieved the highest Lipper Leader for Consistent Return (Effective Return Net of Expenses) value over an individual time period in its classification.

international. The largest contributor to positive performance was Valero Energy Corp. +13.41% as shares trended higher on second quarter earnings and revenue that came in ahead of analyst estimates. The company also reiterated third quarter guidance post hurricane Harvey indicating the damage and restart time for affected refineries should not be a factor. Shares of KLA-Tencor +20.11% gyrated during the quarter but rallied significantly in September. The company operates in the semiconductor process control segment of the industry and dominates with over 50% of the market. The last reported 10-K disclosed impressive results with revenue growth of 17% for 2017. Banco Santander-Chile +16.92% shares rose on quarterly earnings that easily beat analyst consensus estimates. Revenue soared to \$704 million during the quarter which was substantially higher than analyst expectations of \$459 million.

Underperforming holdings on a relative basis for the quarter included Quest Diagnostics Inc. -15.41%. An analyst downgrade to market perform from outperform negatively impacted the stock. This follows a quarter where the stock significantly outperformed the market. The downgrade was issued despite good second quarter results with solid earnings, revenue that matched analyst expectations and a slight increase to full year guidance. Shares of advertising firm WPP Plc -11.96% dropped after the company reported an organic revenue decline of -1.7% versus expectations of a +1% increase. This coincided with a similar reduction of guidance for the year which reflected the drop in revenue. The significant decline in the stock's value however appears to be worse than warranted by the results. On balance, the effectiveness of the methodology and quantitative screens for stock selection continue to perform as designed and are meeting expectations.

Global Equity Income Strategy

The Global Equity Income strategy pursues its objective through investment in U.S. and non-U.S. dividend-paying stocks that have demonstrated above median yield, a positive trend in dividends and favorable earnings growth. These companies also represent a broad spectrum of the global economy. The objective of this strategy is to provide current income and the potential for capital appreciation at lower than overall market risk.

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About Crossmark's 30 Year History

Crossmark, previously Capstone Asset Management Company, is an independent investment advisor headquartered in Houston, Texas. Founded in 1987, Crossmark has a multi-decade legacy of providing portfolio solutions for financial advisors and institutional investors with values-based, SRI and ESG values and factor-based strategies. 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 three consecutive years.

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