

Steward Equity Market Neutral Fund

Commentary | Quarterly update: 2Q24

Institutional shares



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Snapshot

Ticker	SMNIX
Inception date	11/15/2021
Prospectus dated	8/28/2023
Prospectus expense ratio	2.18%
Primary benchmark	ICE BofA US Treasury Bill 3 Month Index

Top 10 long holdings (%)

Salesforce, Inc.	1.03
Synchrony Financial	1.02
Intuit Inc.	1.01
Discover Financial Services	1.01
Twilio, Inc. Class A	1.00
Deckers Outdoor Corporation	0.99
Iron Mountain, Inc.	0.99
H&R Block, Inc.	0.98
LPL Financial Holdings Inc.	0.98
DocuSign, Inc.	0.97
Total % of portfolio	9.99

Top 10 short holdings (%)

Ionis Pharmaceuticals, Inc.	-1.07
Liberty Broadband Corp. Class A	-1.05
Boeing Company	-1.05
Corning Inc	-1.03
Kemper Corp	-1.03
Madison Square Garden Sports Corp. Class A	-1.02
IAC Inc.	-1.02
Zillow Group, Inc. Class A	-1.02
Choice Hotels Intl, Inc.	-1.01
Stericycle, Inc.	-1.01
Total % of portfolio	-10.31

Markets and performance

Steward Equity Market Neutral Fund returned 0.34% during the second quarter, underperforming its primary benchmark, the ICE BofA US Treasury Bill 3 Month Index (1.33%), by 98 basis points. During the quarter, the long portfolio was down approximately -3.65%, detracting from performance, while the short portfolio was down approximately -3.30%, adding to the performance of the fund. Strongest net performance came from positions within the consumer staples, healthcare, and industrials, while positions in consumer discretionary, utilities, and IT detracted from performance.

Positive and negative contributors to performance

The fund maintained a small net short position during the quarter, which detracted from performance during the large up move in the market. Looking at the individual stocks, the top-performing long positions included Cirrus Logic (0.98% of total net assets), Qualcomm (0.87%), and HP Inc. (0.80%), and the largest detractors from performance included UiPath (0.38%), Carter's Inc. (0.66%), and Robert Half (0.94%). The top contributors within the short portfolio included 10x Genomics (-1.00%), Five Below Inc. (-0.58%), and Apellis Pharmaceuticals (-0.59%). The short positions within GameStop (-0.44%), Alnylam Pharmaceuticals (-1.01%), and Ubiquiti (-0.96%) detracted from performance.

Looking ahead

Investors have been lulled into a false sense of security concerning the resiliency of the U.S. economy. Investors believe the economy is in a steady state if nothing changes. However, our assessment that the monetary policy stance is tight means that something must change for a recession to be avoided. The U.S. avoided a recession in 2023 due to the deployment of excess household savings and a strong contribution to growth from fiscal spending. Fiscal thrust is set to be negative this year, and multiple measures of excess savings now point to their exhaustion. Forward-looking indicators of the U.S. labor market are no longer pointing to significant excess labor demand, which, along with rising consumer loan delinquencies, supports the view that excess savings have been spent. Business loan lending standards remain tight, and aggregate U.S. credit growth remains weak. Inflation will likely remain in a downtrend, but a return to target levels is unlikely. At some point, stocks are likely to run into difficulty when earnings estimates come under pressure.

Considering the market environment, the fund is continuing to focus on higher-quality companies with more predictability, while shorting lower quality companies with higher valuations. At the end of the quarter, the fund has the largest net overweight within financials, IT, and consumer discretionary, while underweight healthcare, communication services, and utilities.

Performance (%)	Quarter	YTD	1-year	Since inception
Steward Equity Market Neutral Fund (SMNIX)	0.34	7.80	12.07	8.54
ICE BofA US Treasury Bill 3 Month Index	1.33	2.65	5.43	3.49

Index returns shown assume the reinvestment of all dividends and distributions. An investment cannot be made directly in an index. Past performance is no guarantee of future results. Investment return and principal value will fluctuate so that shares, when redeemed, may be worth more or less than their original cost. The fund's current performance may be lower or higher than quoted. 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. To obtain fund performance as of the most recent month-end or to obtain a copy of the Steward Funds' prospectus free of charge, call Crossmark Distributors at 888-845-6910.

Our firm

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The fund 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 Steward Equity Market Neutral Fund also exposes the investor to short sale risk. An investor's account will incur a loss as a result of a short sale if the price of the security sold short increases in value between the date of the short sale and the date on which the account purchases the security to replace the borrowed security. In addition, the securities sold short may have to be returned to the lender on short notice, which may result in the account having to buy the securities sold short at an unfavorable price to close out a short position. If this occurs, any anticipated gain to the account may be reduced or eliminated or the short sale may result in a loss.

The fund's values-based screening policies exclude certain securities issuers from the universe of otherwise available investments. As a result, the fund may not achieve the same level of performance as it otherwise would have in the absence of the screening process. If the fund 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 fund. Further, the fund's values-based screening policies may prevent the fund from participating in an otherwise suitable investment opportunity. With respect to Steward Equity Market Neutral Fund, the values-based screening policies apply only to long positions.

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