

Steward Large Cap Value Fund

Commentary | Quarterly update: 2Q24

Institutional shares



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Snapshot

Ticker	SJVIX
Inception date	11/15/2021
Prospectus dated	8/28/2023
Prospectus expense ratio ¹	Gross 1.03% Net 0.75%
Primary benchmark	Russell 1000 Value Index

Top 10 holdings (%)

JPMorgan Chase & Co.	3.76
Berkshire Hathaway Inc. Class B	2.59
Bank of America Corp	2.35
Cisco Systems, Inc.	1.98
Verizon Communications Inc.	1.90
International Business Machines Corporation	1.78
AT&T Inc.	1.67
Citigroup Inc.	1.67
Coca-Cola Company	1.62
Elevance Health, Inc.	1.50
Total % of portfolio	20.81

Markets and performance

Steward Large Cap Value Fund returned -2.30% in the second quarter, trailing the Russell 1000 Value Index (-2.17%) by 12 basis points. Value stocks underperformed growth stocks. Within the benchmark, healthcare and consumer discretionary companies were notable underperformers. While stock selection was positive for the fund, the overall allocation detracted from returns. The fund's overweight to earnings yield and management quality proved beneficial, while the underweight to size detracted from performance.

Positive and negative contributors to performance

The overweight and stock selection within consumer discretionary was the largest detractor, driven by consumer durable and apparel companies. Stock selection within the energy sector also detracted, as refinery companies lagged on the back of weaker-than-expected refinery margins. The lack of exposure to the utility sector contributed to underperformance as well; the sector outperformed during the quarter as interest rates declined. On the positive side, stock selection within the information technology sector was the largest contributor to performance, driven by semiconductor companies. Stock selection within communication services added to performance, along with the underweight to/stock selection within healthcare.

On an individual position basis, XP Inc. was the largest detractor from performance, as the company's second-quarter earnings per share and revenue fell short of analysts' expectations. The market continues to be concerned about the impact of the higher-for-longer interest rate environment and slower business momentum for the company. We sold our position during the quarter. In addition, the positions within apparel company PVH Corp. (0.93% of total net assets) and personnel services company Robert Half (1.02%) were among the top detractors. On the positive side, Cirrus Logic (1.04%) was the top contributor to performance after delivering impressive earnings results, with meaningful content growth for iPhone 16 driving gains. Finally, lack of exposure to Intel and overweight to Hewlett Packard Enterprise (1.10%) added to performance.

Looking ahead

Investors have been lulled into a false sense of security concerning the resiliency of the U.S. economy, and believe the economy is in a steady state if nothing changes. At some point, stocks are likely to run into difficulty when earnings estimates come under pressure. Given the market environment, the fund is continuing to focus on higher-quality companies with more earnings predictability. Last quarter, the fund trimmed exposure to the materials, energy, and healthcare sectors while adding exposure to industrials. The largest adds included Citigroup (1.67%) and Progressive (1.22%); the largest sells included BlackRock, Applied Materials, and AFLAC. At the end of the quarter, the largest overweight positions were financials and consumer discretionary, with healthcare and utilities underweight.

¹ The net expense ratio reflects a contractual commitment by the fund's investment adviser to waive fees and/or reimburse expenses through Aug. 31, 2024. Absent the waiver and/or reimbursement, expenses would be higher and total returns would be less. Please see the prospectus for details.

Performance (%)	Quarter	YTD	1-year	Since inception
Steward Large Cap Value Fund (SJVIX)	-2.30	9.19	19.39	5.30
Russell 1000 Value Index	-2.17	6.62	13.06	4.04

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 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.

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