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GLOBAL INVESTMENTS

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GLOBAL EQUITY INCOME COMMENTARY

Performance

The fourth quarter ended with a significant downturn in returns that was broad based throughout the developed markets and affected all equity styles. This erased all of the equity market gains attained previously during the year. The Global Equity Income benchmarks of the S&P Global 1200 and the S&P 500 ended the quarter with returns of –12.91% and –13.52% respectively. For global dividend index comparison purposes, the MSCI World High Dividend Yield Index returned –8.54%.

Factors Affecting Performance

Despite the recent sharp downturn in the equity markets, the economic front is still poised for sustained growth albeit a slightly slower rate. Recent sales and jobless claims in the U.S. surprised favorably further supporting the 2.5% forecast for Q4 real GDP growth. The Fed has continued to increase its funds rate target during the quarter however they have signaled at their last meeting that further increases will be less than previously anticipated for 2019. Trade policy could potentially still be a headwind going forward despite a temporary reprieve with China as additional tariffs have been postponed. Canada's economic growth has been slowing slightly due to slumping oil prices and higher interest rates which should continue to impact further into next year. Moving overseas, the Euro area has had a hit to growth with weak data reported by France in the face of a wave of street protests. The French government announced a package that is expected to calm protests and restore growth in the next quarter. In the UK, slow progress is being made towards Brexit. The prime minister has a difficult task of convincing a majority of the MPs that the deal she negotiated with the EU is in their best interests. Global economic growth is projected to come it at 3.7% for 2018. Forecasts for 2019 by the International Monetary Fund and the Organization for Economic Cooperation and Development have recently been lowered from 3.7% to 3.5%.

Company earnings as represented by the S&P 500 have posted another stellar performance with a 26% growth rate for the third quarter topping both previous quarters. Earnings growth for the full year of 2018 continues to be projected at a very healthy 20%. The energy sector continues to lead the group despite the recent sharp decline in oil prices with an estimated growth rate of 109%. All sectors are still projected to have positive growth rates for the year.

CROSSMARK STEWARD 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.

The Global Equity Income strategy outperformed the S&P Global 1200 but underperformed the MSCI World High Dividend Yield Index for the fourth quarter. This completes another year of outperformance by the strategy against both benchmarks. The portfolio equity allocation at the end of the period was 61% U.S. and 39% international. Positive relative performance was led by McDonald's Corp. +6.80% which announced solid third quarter results. This represented 13 consecutive quarters of positive global comparable sales. In addition, the company has made substantial progress modernizing restaurants around the world and they remain confident that their current strategy will drive long-term profits and growth. Smith & Nephew +1.53% reported numbers that were in-line with analyst consensus and confirmed the outlook for the fiscal year. Guidance looking forward included an acceleration of growth from the slower first half of the year and a better margin expansion forecast even without the benefit of a pending favorable legal settlement. ResMed Inc. -0.94% achieved solid global revenue growth over the past several quarters which was led by sales of sleep devices, respiratory care devices, mask systems and software solutions. The company has outperformed its industry and has done impressively well across all of its geographical regions. Recent analyst upgrades cite a favorable outlook for 2019 based upon new product launches and a positive impact from recent M&A activity.

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Negative contributors to relative performance included Valero Energy Corp. –33.44%. The company sold off due to the sharp decline of oil prices as well as a buyback of all outstanding units of Valero Energy Partners at a premium. The company however is still posting good results and its continuing investments in ethanol and its Diamond Green Diesel joint venture should position it well in the green energy space moving forward. Shares of China Petroleum & Chemical Corp. –29.71% slid on reports from various financial media that the company may have suffered transaction losses in its crude oil and petrochemical products trading business. The company disclosed that the business unit did incur some losses during certain crude oil transactions due to the oil price drop however they were not significant. Financial reports however indicated improved performance in four core business segments with significant cost savings and efficiency enhancements. Overall, the effectiveness of the methodology and quantitative screens for stock selection continue to perform as designed and are meeting or exceeding expectations.

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.

Top 10 Model Holdings [1]

Microsoft Corp.
McDonald's Corp.
Unilever N V
Intel Corp.
Taiwan Semiconductor Mfg Co.
Pepsico, Inc.
Smith & Nephew plc
ResMed, Inc.
Medtronic plc
Verizon Communications

% of Total Portfolio: 23%

[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 12/31/2018.

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