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June 30, 2017

STEWARD SELECT BOND FUND COMMENTARY

Factors Affecting Performance

It's summertime – which means we have maneuvered through the first half of the year with fixed income markets rallying (i.e., rising bond prices and falling bond yields) for the majority of that time and credit spreads (the difference in yields between corporate vs. government bonds) remaining contained at low levels. We began the year with the US 10yr Treasury Note yielding around 2.44%, rallying to a 2017 year-to-date low yield of 2.13% in June (as bond prices rally/rise, the yield on bonds fall – and vice versa) before a brief reversal to end the 2nd quarter at 2.30%. The recent rebound in interest rates was sparked by European Central Bank (ECB) President Mario Draghi's comment in June that perhaps it is time for the ECB to look at removing some of their monetary stimulus policies – a move that would more closely align the ECB with the recent monetary tightening actions by the US Federal Reserve (“the Fed”).

Looking at the second half of the year, there appears to be plenty of fodder for increased volatility in markets: increasing geopolitical tensions with North Korea; domestic US policy issues regarding healthcare, tax reform and infrastructure stimulus; and market uncertainty around both the path of future Fed interest rate hikes and in guessing how the Fed will wind down its \$4.2T balance sheet (prior to the financial crisis in 2008, the Fed balance sheet was just \$2B).

With these uncertainties looming, the Steward Select Bond Fund continues to favor a more conservative, risk-averse fixed income portfolio. As such, the fund is structured accordingly: 1) with a shorter duration (i.e., less sensitivity to rising interest rates) relative to comparable and benchmark indices to help reduce interest-rate risk; 2) with high-quality investments to counter credit risk (i.e., the risk that a borrower cannot make its coupon and/or principal payments); and 3) with large global bond issues to diminish liquidity risk (i.e., risk that a

bond holding cannot be sold quickly at a favorable price). With an overweight allocation to investment-grade corporate bonds relative to our benchmark index, we are able to focus on increased levels of income generation to buffer market value volatility and help support total return for the portfolio.

“Looking at the 2nd half of the year, there appears to be plenty of fodder to increase volatility in the markets including geopolitical issues with North Korea, domestic policy issues regarding healthcare, tax reform and infrastructure stimulus, along with continual guesses by the market on how the Federal Reserve will wind down its balance sheet and the path of future rate hikes.”

Steward Select Bond Fund Commentary

Performance

For the month of June, the Steward Select Bond Fund slightly underperformed its benchmark index. However, we are confident that our more conservative income and allocation decisions will continue to provide positive contributions to return. With additional volatility likely on the horizon, we will continue to utilize our four-step strategy focusing on duration, yield curve, sectors and security selection to help determine the most appropriate allocations within the Steward Select Bond Fund to meet the needs of our clients.

Values-Based Screening Methodology:

The Fund uses Crossmark Consulting, LLC as its provider of widely held values research data in the screening of securities. The management team at Crossmark Consulting, LLC pioneered the initial development of values-based investing in the mid 1990's. Their experience includes having started an investment research firm dedicated to values-based investing data and analysis in 1996.

The Fund applies a comprehensive set of widely held values screens to all of the investments. Screens applied to the portfolio management process allow investors to avoid owning securities in companies that choose to profit from businesses that are at odds with values-based investing.

Strict exclusionary screens are applied to companies involved in the businesses of abortion and pornography. In addition, the Fund screens for businesses that are principally involved in gambling, or the manufacturing of alcoholic or tobacco products. The Fund employs only avoidance screens and does not dilute the portfolio by seeking to invest in companies that promote any individual widely held values or social issue.

This methodology gives the Fund the ability to serve a rapidly growing number of investors seeking competitive investment returns without compromising their personal convictions.

For more information contact us at: **Steward Funds** 713.243.6720 info@stewardmutualfunds.com

Risk Factors: *The Fund may not achieve its stated investment objective. Please be aware that the Fund may be subject to certain additional risks such as **Cultural Values Screening and Credit and Interest Rate Risk**. **The Fund could lose money if an issuer of fixed income securities defaults on its interest payments, fails to repay principal or its credit rating is downgraded. In general, bond prices rise when interest rates fall. This effect is usually more pronounced for bonds with long-term maturities.** Please see the Fund's prospectus for a further explanation of these risks.*

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. For the Fund's performance as of the most recent month end, please call 888-556-5369. Returns are historical and are calculated by determining the percentage change in the net asset value (NAV) with all income and capital gain distributions reinvested.

This is not an offer to sell or a solicitation to buy Fund shares. Sales of Fund shares may only be made by prospectus. Before investing you should carefully consider the Fund's investment objectives, risks, charges and expenses. This and other information is in the prospectus, a copy of which may be obtained by calling Crossmark Distributors, Inc. Distributor for the Steward Funds, Inc., 800-262-6631. Please read the prospectus carefully before you invest.

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