

QUARTERLY UPDATE: 1Q 2021

STEWARD COVERED CALL INCOME FUND COMMENTARY



written by **Paul Townsen**, Managing Director – Head of Trading & Investment Operations

Steward Covered Call Income Fund - Instl	
Ticker	SCJIX
Inception Date	12/14/2017
Net Expense Ratio	1.00%
Primary Benchmark	CBOE S&P 500 BuyWrite BXM

Top 10 Holdings

MICROSOFT CORP	4.40%
APPLE INC	4.36%
AMAZON.COM INC	3.45%
FACEBOOK INC	2.54%
ADOBE INC	2.52%
ALPHABET INC	2.30%
NVIDIA CORP	2.23%
BERKSHIRE HATHAWAY INC	1.92%
VISA INC	1.89%
MASTERCARD INC	1.88%
Total % of Portfolio	27.49%

Markets and Performance

The first quarter of 2021 is not looking much different from where we finished in 2020. U.S. equity markets experienced some volatility but for the most part continued to advance with cyclical stocks leading the way, building on outperformance that started with positive vaccine news last November. Market volatility from last month seemed to center around the potential for higher inflation, rising bond yields and the collapse of the investment firm Archegos Capital. The Fund (Institutional Shares) benefitted from the rise in volatility by having the trade team strategically execute trades on the option overlay to maximize income and limit as much risk as possible. The Fund slightly underperformed its primary benchmark (the CBOE S&P 500 Buy/Write Index) by 7 basis points.

Positive and Negative Contributors to Performance

With regard to performance attribution for the Fund during the first quarter, there are several sectors and individual stocks worth highlighting. For the quarter, all S&P 500 sectors returned positive performance, but the Fund was led by positive contributions from the energy, financial and industrial sectors. Several stocks that performed well relative to the benchmark were JP Morgan (1.57% of total net assets), Bank of America (1.62% of total net assets), Home Depot (1.79% of total net assets), and Caterpillar (0.97% of total net assets). The Fund incurred a negative contribution to return by holding Apple (4.36% of total net assets), Amazon (3.45% of total net assets), Qualcomm (0.78% of total net assets), and Tesla Motors (1.49% of total net assets). When considering the values-based screening policies that are applied, the impact for the Covered Call Income Fund was a positive 13 basis points due to not owning Merck or Altria. These are screened out due to embryonic stem cell research and tobacco business, respectively.

Looking Ahead

As we look ahead to the second quarter (April in particular), investors will be seeking solid evidence that the economic recovery is firmly in place. Earnings season will be in full swing in a few weeks with the street wanting to see a continuation of momentum from the fourth quarter of 2020. Historically, April has been the second strongest month for performance on average. Outside of earnings announcements, April could witness market-moving news coming from the COVID vaccine rollout and the reopening of the economy.

Trailing Returns

	Qtr	YTD	1 Year	3 Years	Since Inception
Steward Covered Call Income Fund- Instl	5.66	5.66	40.03	10.08	8.73
CBOE S&P 500 BuyWrite BXM	5.73	5.73	32.20	4.79	4.01

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Options are not suitable for every investor. Writing call options to generate income and to potentially hedge against market declines by generating option premiums involves risk. These risks include, but are not limited to, potential losses if equity markets or an individual equity security do not move as expected, and the potential for greater losses than if these techniques had not been used. If the market price of a security increases, a call option written against that security limits the gain that can be realized. And, there are significant differences between the securities and options markets that could result in an imperfect correlation between these markets, causing a given transaction not to achieve its objectives.

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