

# QUARTERLY UPDATE: 2Q 2021

## STEWARD COVERED CALL INCOME FUND COMMENTARY



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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

APPLE INC	4.67%
MICROSOFT CORP	4.55%
AMAZON.COM INC	3.61%
ALPHABET INC	2.56%
FACEBOOK INC	2.56%
NVIDIA CORP	2.10%
ALPHABET INC	1.97%
BERKSHIRE HATHAWAY INC	1.97%
VISA INC	1.96%
JPMORGAN CHASE & CO	1.88%
Total % of Portfolio	27.85%

### Markets and Performance

For the quarter ended June 30, 2021, the Steward Covered Call Income Fund Institutional Class shares returned 6.86%. For comparison purposes, the total return of the S&P 500 Index was 8.55% over the same period. This performance represents a continuation of solid large-cap equity gains in the aftermath of the first quarter 2020 COVID-19 market panic (which ended abruptly the following quarter). Since the beginning of the second quarter last year, the S&P 500 has returned nearly 53% through June 30, 2021. Given that a covered call strategy intentionally caps upside equity exposure in return for upfront option premium income, an equity recovery of this magnitude makes it difficult for call option writing portfolios to keep pace. However, the Fund's primary benchmark (CBOE S&P 500 BuyWrite Index - BXM) returned just 5.08% in the recent quarter. In comparison, the Institutional Class shares outperformed by 178 basis points. Furthermore, since March 31, 2020, the Institutional Class shares have outperformed the BXM benchmark by 790 basis points.

### Positive and Negative Contributors to Performance

All sectors returned positive performance over the second quarter. Still, from an allocation standpoint, the sectors contributing the most to relative performance against the S&P 500 were Tech and Healthcare (both slightly overweight relative to the S&P 500). Detracting the most from relative performance were Consumer Staples (overweight) and Real Estate (underweight). Several stocks that contributed the most to relative performance were NVIDIA (2.10% of total net assets), Adobe (1.84% of total net assets), and Biogen (0.36% of total net assets). Stocks detracting the most from relative performance were Booking (1.15% of total net assets) and Intel (0.96% of total net assets). When considering the values-based screens we apply, the net impact for the Fund by not owning the screened-out companies was a positive 20 basis points, with a majority of this impact coming from our Embryonic Stem Cell Research screens.

### Looking Ahead

As we look ahead to the rest of 2021, investors will continue to weigh what appear to be dueling equity market narratives. First, we have ongoing monetary/fiscal stimulus and an economic reopening/recovery in developed markets, which could lead to higher inflation. Second, there is the possibility of transitory inflation, valuation bubbles in several asset classes, and more virulent and transmissible SARS-CoV-2 variants. While implied volatility has come down dramatically since March of last year, we believe we've entered a new environment characterized by higher implied volatility than the historically low readings bookended between the Great Financial Crisis of 2008-2009 and the current pandemic.

### Trailing Returns

	Qtr	YTD	1 Year	3 Years	Since Inception
Steward Covered Call Income Fund- Instl	6.86%	12.91%	30.43%	11.71%	10.14%
CBOE S&P 500 BuyWrite BXM	5.08%	11.10%	27.28%	5.36%	5.18%

Source: Morningstar Direct

### Our Firm

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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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