

# Steward Covered Call Income Fund

## Commentary | Quarterly update: 4Q 2023

Institutional shares



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Portfolio Manager

Steward Covered Call Income Fund	
Ticker	SCJIX
Inception date	12/14/2017
Prospectus dated	8/28/2023
Prospectus expense ratio <sup>1</sup>	Gross 1.52% Net 1.00%
Primary benchmark	S&P 500

Top 10 holdings (%)	
Microsoft Corp.	4.62
Apple, Inc.	4.56
Amazon.com, Inc.	3.81
NVIDIA Corp.	3.44
Alphabet, Inc. Class A	2.37
Berkshire Hathaway, Inc. Class B	2.35
Meta Platforms, Inc. Class A	2.15
Tesla, Inc.	1.94
Alphabet, Inc. Class C	1.91
PepsiCo, Inc.	1.73
<b>Total % of portfolio</b>	<b>28.88</b>

### Markets and performance

The fourth quarter got off to a slow start as investor sentiment and confidence declined. Then the calendar flipped to November and the markets were off and running with the release of positive economic data coupled with better than feared corporate earnings results. On top of that, inflation data began to soften faster than anticipated and neutral monetary policy guidance from the Fed led to a rapid change in investor sentiment, allowing for one of the more powerful rallies in both the stock and bond markets than we have seen in recent years. The “Magnificent Seven” accounted for a large portion of the positive returns for the quarter after losing some steam in September and October. The potential for rate cuts in 2024, which got quite a bit of attention, also played a factor in the year-end rally.

### Positive and negative contributors to performance

Steward Covered Call Income Fund underperformed the primary benchmark of the S&P 500, however outperformed the secondary benchmark of the BXM during the fourth quarter of the year. Financials and Information Technology had positive contributions to return from a sector standpoint. Some individual stocks worth mentioning that had positive contributions to return during the quarter were Broadcom (1.66% of total net assets), Advanced Micro Devices (0.88% of total net assets), and Meta Platforms (2.15% of total net assets). Consumer Staples and Utilities were among the weakest performing sectors during the quarter, with Exelon Corp. (0.61% of total net assets), Walmart (1.02% of total net assets) and Exxon Mobil (1.44% of total net assets) generating negative contributions to return. From an option overlay standpoint, we continued to be opportunistic, trading certain names and sectors with the plan being to stay short in duration. We also took advantage of some mild volatility in October by resetting multiple option strikes, allowing for a continued increase in cash flow.

When considering the Steward values-based screens we apply, the net impact on fund performance by not owning restricted companies was a positive 59 basis points (bps) relative to the S&P 500. The majority of this positive impact came from not owning pharmaceutical companies engaged in abortion and Embryonic Stem Cell Research. The largest name positive impacts on performance (+12 bps) came from not owning Pfizer Inc. and Johnson & Johnson (+11bps) (restriction: Embryonic Stem Cell Research).

<sup>1</sup> 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.

**Looking ahead**

As we close out 2023 and head into the new year, it seems as if the U.S. economy has so far side-stepped the feared recession and an acceleration of inflation, and the Fed has gone from a hawkish tone to a more neutral one. It remains to be seen how many rate cuts we see in 2024. If the economy continues its upward trend, the Fed may not feel the need cut as many times as the markets are anticipating. However, if the Fed cuts too much and too quickly, that could imply the economy was in a much weaker state than expected. Either way, expect to see some volatility through the first quarter of 2024, which will allow for methodical option trading and strategies that will benefit the fund.

Performance (%)	QTD	YTD	1-year	3-year	5-year	Since inception
Steward Covered Call Income Fund	7.26	19.38	19.38	8.47	10.51	7.98
S&P 500 Index	11.69	26.29	26.29	10.00	15.69	12.13
CBOE S&P 500 Buy/Write BXM Index	4.19	11.82	11.82	6.09	6.08	4.23

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.

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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, creditworthiness, business plan, and overall perception of the viability of the issuer's business (selection risk).

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. If the market price of a security increases, a call option written against that security limits the gain that can be realized. And, there can be 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.

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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