

Steward Covered Call Income Fund

Commentary | Quarterly update: 2Q24

Institutional shares



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Snapshot

Ticker	SCJIX
Inception date	12/14/2017
Prospectus dated	8/28/2023
Prospectus expense ratio ¹	Gross 1.52% Net 1.00%
Primary benchmark	S&P 500 Index

Top 10 holdings (%)

NVIDIA Corporation	4.79
Apple Inc.	4.64
Microsoft Corporation	4.58
Amazon.com, Inc.	4.39
Alphabet Inc. Class A	2.72
Meta Platforms Inc Class A	2.64
Broadcom Inc.	2.62
Berkshire Hathaway Inc. Class B	2.42
Alphabet Inc. Class C	2.11
Eli Lilly and Company	2.00
Total % of portfolio	32.90

Markets and performance

After the markets continued their runup during the first quarter of the year, the second quarter got off to a fairly rough start, with a bleak outlook for Fed rate cuts and more of the same regarding high inflation. The second quarter brought investors relatively weaker economic data, which had the street questioning key areas of economic resilience. It's hard to believe there were talks of five rate cuts during the year, then three rate cuts, then potentially no rate cuts at all. By the end of the quarter, however, the outlook had changed to a positive one as inflation news turned more favorable—to the point that investors were cautiously optimistic the Fed would be lowering rates in September. One key trend from 2023 and the first quarter of 2024 was the dominance of stocks benefiting from products tied directly to AI. The so-called Magnificent 7 (Microsoft, Apple, Google, Meta Platforms, NVIDIA, Amazon, and Tesla) continued to make up the majority of the returns within the S&P 500 Index year-to-date.

Positive and negative contributors to performance

Steward Covered Call Income Fund underperformed its primary benchmark (S&P 500 Index) but outperformed its secondary benchmark (BXM Index). Healthcare, industrials, and consumer staples sectors had positive contributions to return. Some individual stocks worth mentioning with positive contributions were NVIDIA (NVDA), Broadcom Inc. (AVGO), and Costco Wholesale (COST). Consumer discretionary and financials were among the weakest performing sectors; Salesforce (CRM), Lowes (LOW), and McDonalds Corp. (MCD) all had negative contributions to return. From an option overlay standpoint, we were opportunistic in trading certain names and sectors while continuing to stay short in duration. We also took advantage of some volatility during the first few weeks of April 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 that came from not owning restricted companies was +40 basis points (bps) relative to the S&P 500. The majority of this came from not owning pharmaceutical companies engaged in abortion and embryonic stem cell research. Excluding Johnson & Johnson (JNJ) from the portfolio made the largest single positive impact (+10 bps).

Looking ahead

The S&P 500 Index has gained over 15% the first two quarters of the year, and investors are still waiting for that first interest rate cut. The second half of the year looks to be quite busy. The second-quarter earnings season starts the second week of July, and there's a renewed focus on economic data. The markets will also be paying close attention to the presidential election and surrounding events. Expect to see volatile markets as we head into the hot summer months of the third quarter, which will allow for methodical option trading opportunities that could benefit Steward Covered Call Income Fund.

¹ 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.

Performance (%)	Quarter	YTD	1-year	3-year	5-year	Since inception
Steward Covered Call Income Fund (SCJIX)	2.71	9.64	16.97	7.41	10.18	8.88
S&P 500 Index	4.28	15.29	24.56	10.01	15.05	13.61
CBOE S&P 500 BuyWrite Index (BXM)	1.49	7.59	8.91	4.96	5.56	5.07

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.

Our firm

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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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