



STEWARD EQUITY MARKET NEUTRAL FUND

COMMENTARY | QUARTERLY UPDATE: 1Q 2023

Institutional Shares



written by **Robert C. Doll, CFA**® Chief Investment Officer

Steward Equity Market Neutral Fund - Institutional	
Ticker	SMNIX
Inception Date	11/15/2021
Prospectus Dated	8/28/2022
Prospectus Expense Ratio	3.11%
Primary Benchmark	ICE BofA 3 M U.S. Treasury Bill

Top 10 Long Holdings	
Booking Holdings, Inc.	1.41%
WEX, Inc.	1.27%
Mastercard, Inc.	1.26%
Adobe, Inc.	1.23%
American Express Co.	1.23%
Autodesk, Inc.	1.22%
Kroger Co.	1.22%
Qualcomm, Inc.	1.21%
US Foods Holding Corp.	1.20%
Cadence Design Systems, Inc.	1.20%
Total % of Portfolio	12.45%

Top 10 Short Holdings	
Aspen Technology, Inc.	-1.13%
IAC, Inc.	-1.11%
Boeing Co.	-1.10%
Credit Acceptance Corp.	-1.10%
JetBlue Airways Corp.	-1.10%
Domino's Pizza, Inc.	-1.10%
Enovis Corp.	-1.10%
Steris PLC	-1.09%
Reynolds Consumer Products	-1.09%
Tyler Technologies, Inc.	-1.09%
Total % of Portfolio	-11.01%

Markets and Performance

The Steward Equity Market Neutral Fund fell -4.07% in the quarter ending March 31, 2023, underperforming its ICE BofA 3-month US Treasury Bill benchmark (+1.08%) by 515 basis points. The long positions in the fund were up less than the equity market and the short positions were up more. Simply stated, we owned too many cheap stocks with good earnings and cash flow profiles in a quarter where the market rewarded low quality, high valuations, and mediocre (or worse) fundamentals.

Positive and Negative Contributors to Performance

From a macro perspective, positive factors during the quarter included disinflation momentum, positive macro surprise momentum, soft landing expectations, an accelerated China reopening following the unexpected zero Covid pivot late last year, warmer weather in Europe that helped prevent an energy crisis, and one-off global liquidity injections that seemed to dampen some of the bite from the Fed's QT. Banking sector turmoil grabbed the headlines in March with the focus on the funding/liquidity pressures at the regional level from deposit flight and the impact of the Fed's aggressive tightening cycle on investment portfolios. Fed pivot expectations provided an outsized tailwind for big tech (and other growth/long duration plays). In the fund, the long positions increased 3.94% and the short positions were up 16.8%. (The benchmark Russell 1000 index was up 7.45%.) Long underperformance came primarily from healthcare holdings, while the performance drag from the short positions came from healthcare and technology. The best performing long positions were Cirrus Logic (1.16% of total net assets), Cadence Design (1.20% of total net assets), and W.W. Grainger (1.10% of total net assets). The worst performing long position was Cigna Group (1.02% of total net assets). The best performing short positions were Enviva (-0.66% of total net assets), Novocure (-0.66% of total net assets), and Signature Bank (0.00% of total net assets) while the worst performing short positions were Sotera Health (-1.04% of total net assets), Warner Bros (-1.00% of total net assets), and Seagen (-1.05% of total net assets).

Looking Ahead

Our view is that the impact of the fastest rise in Fed funds (0 to 4¾% in twelve months) has only begun to be felt as evidenced in the March banking crisis. A significant economic slowdown and perhaps a recession still looms. As such, we remain focused on quality, earnings and cash flow deliveries, reasonable valuations and below market betas. The events over the past month have strengthened our conviction that investors should be conservatively positioned. We continue to expect that the U.S. economy will likely enter a recession over the coming year and that defensive positions are warranted within an equity portfolio.

Performance	QTD	YTD	1 Year	Since Inception
Steward Equity Market Neutral Fund - Institutional	-4.07%	-4.07%	6.34%	6.82%
ICE BofA 3 M U.S. Treasury Bill	1.08%	1.08%	2.53%	1.87%

Index returns shown assume the reinvestment of all dividends and distributions.

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

The Steward Equity Market Neutral Fund also exposes the investor to short sale risk. An investor's account will incur a loss as a result of a short sale if the price of the security sold short increases in value between the date of the short sale and the date on which the account purchases the security to replace the borrowed security. In addition, the securities sold short may have to be returned to the lender on short notice, which may result in the account having to buy the securities sold short at an unfavorable price to close out a short position. If this occurs, any anticipated gain to the account may be reduced or eliminated or the short sale may result in a loss.

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. With respect to Steward Equity Market Neutral Fund, the values-based screening policies apply only to long positions.

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