

Steward Equity Market Neutral Fund

Commentary | Quarterly update: 4Q 2023

Institutional shares



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Steward Equity Market Neutral Fund	
Ticker	SMNIX
Inception date	11/15/2021
Prospectus dated	8/28/2023
Prospectus expense ratio	2.18%
Primary benchmark	ICE BofA 3 M U.S. Treasury Bill Index

Top 10 long holdings (%)	
Adobe, Inc.	1.08
LPL Financial Holdings, Inc.	1.08
Home Depot, Inc.	1.06
Splunk, Inc.	1.06
Ameriprise Financial, Inc.	1.06
Ryder System, Inc.	1.06
Premier, Inc. Class A	1.06
Qualcomm, Inc.	1.05
Intuit, Inc.	1.05
Synchrony Financial	1.04
Total % of portfolio	10.61

Top 10 short holdings (%)	
Madison Square Garden Sports Corp. Class A	-1.09
U-Haul Holding Company	-1.08
Axon Enterprise, Inc.	-1.08
Kemper Corp.	-1.08
Inspire Medical Systems, Inc.	-1.08
Clearway Energy, Inc. Class A	-1.08
RBC Bearings, Inc.	-1.07
Five Below, Inc.	-1.07
Equifax, Inc.	-1.07
IAC, Inc.	-1.06
Total % of portfolio	-10.77

Markets and performance

The Equity Market Neutral Fund (institutional shares) fell 0.23% during the fourth quarter, underperforming the ICE BofA 3-month U.S. Treasury Bill benchmark (+1.37%) by 160 basis points (bps). Our long positions were up 13.14% during Q4 while our shorts were up 14.51%. The run up in our short position during the late year rally was the primary detractor from performance. Strongest net performance came from consumer discretionary and technology, while healthcare and industrials detracted.

Positive and negative contributors to performance

The best performing stocks were longs of Gap (0.99% of total net assets), Top Build (0.97% of total net assets), and Jones Lang LaSalle (1.00% of total net assets). The worst performing shorts were Spirit AeroSystems (-1.00% of total net assets), Apellis Pharmaceuticals (-0.95% of total net assets), and Rocket (-0.98% of total net assets). Low quality shorts were up a lot in Q4 and hurt our performance.

Looking ahead

We expect a more challenging backdrop for stocks in 2024 with softening consumer spending at a time when investor sentiment has turned bullish. Equities are richly valued with volatility near historic lows, even as geopolitical and domestic political risks remain elevated. The main focal point for 2024 is likely to be whether investors can enjoy a Goldilocks (or Nirvana) environment; namely, further significant progress on inflation, decent economic growth and double-digit earnings growth. We are skeptical. Either 1) we get a noticeable slowdown/recession and earnings fall short, or 2) double-digit earnings growth materializes, probably requiring stronger economic growth, less progress (if any) on inflation and a Fed that is boxed in.

At the end of the quarter, the fund has the largest net overweight within real estate, information technology and financials and underweight consumer staples, communication services, and healthcare.

Performance (%)	QTD	YTD	1-year	Since inception
Steward Equity Market Neutral Fund	-0.23	0.75	0.75	6.79
ICE BofA 3 M U.S. Treasury Bill Index	1.37	5.04	5.04	3.05

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, 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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