

Steward Equity Market Neutral Fund

Commentary | Quarterly update: 1Q25

Institutional shares



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Snapshot

Ticker	SMNIX
Inception date	11/15/2021
Prospectus dated	8/28/2024
Prospectus expense ratio	2.33%
Primary benchmark	ICE BofA US Treasury Bill 3 Month Index

Top 10 long holdings (%)

Booking Holdings Inc.	1.20
LPL Financial Holdings Inc.	1.14
International Business Machines Corp.	1.08
Jones Lang LaSalle Inc.	1.08
Hartford Insurance Group, Inc.	1.08
Gilead Sciences, Inc.	1.07
Grand Canyon Education, Inc.	1.05
Iron Mountain, Inc.	1.05
Premier, Inc. Class A	1.04
Webster Financial Corp.	1.03
Total % of portfolio	10.82

Top 10 short holdings (%)

Atmos Energy Corp.	-1.08
Grocery Outlet Holding Corp.	-1.06
Skechers U.S.A., Inc. Class A	-1.04
Liberty Broadband Corp. Class A	-1.04
Intra-Cellular Therapies, Inc.	-1.03
Norfolk Southern Corp.	-1.03
American Financial Group, Inc.	-1.03
Celsius Holdings, Inc.	-1.02
Lamb Weston Holdings, Inc.	-1.02
Spirit AeroSystems Holdings, Inc. Class A	-1.02
Total % of portfolio	-10.36

Markets and performance

The Steward Equity Market Neutral Fund (Institutional shares) returned 3.46% during the first quarter, outperforming the ICE BofA US Treasury Bill 3 Month Index benchmark (1.03%) by 243 basis points (bps). During the quarter, the short portfolio was the primary driver of the outperformance, with the long portfolio detracting from performance in the declining market.

Positive and negative contributors to performance

Within the portfolio, the short portfolio contributed positively with a total effect of 7.60%, led by the healthcare sector, which alone added 2.31% to the performance. Conversely, the long portfolio detracted from overall performance with a total effect of -4.16%, with the consumer discretionary sector being the largest detractor, contributing -1.68%.

Looking at the individual stocks, the top-performing long positions included Cencora Inc., Gilead Sciences, and McKesson Corporation. The largest detractors from performance included Deckers Outdoor, PVH Corp., and Tetra Tech Inc. The top contributors within the short portfolio included Sarepta Therapeutics Inc., Astera Labs Inc., and Freshpet Inc. The worst-performing short positions included Intra-Cellular Therapies, MP Materials Corp, and Super Micro Computer.

Looking ahead

Recently, the S&P 500 traded at an all-time high with enthusiasm among consumers, businesses, and investors. While the initial reaction to Trump's victory in November was certainly pro-risk (stocks rose, the U.S. dollar strengthened, and bond yields fell), the markets settled back into an uneasy holding period, acknowledging the challenges that await the new administration, and corrected 10%. The policy uncertainty stemming from the on-again, off-again tariff announcements has done little to restore confidence, and the biggest risk now is that the market has entered a negative feedback loop, contributing to a sentiment-induced slowdown. As a result, recession probabilities have moved up from 20% at year-end to 35–40% now. Earnings estimates are only beginning to fall and multiples, while down a bit, are still high.

Considering the market environment, the fund continues to focus on management quality, earnings yield, and earnings quality and is maintaining a slightly negative beta exposure. At the end of the quarter, the fund has the largest net overweight within financials, consumer discretionary and real estate while net underweight healthcare, materials, and consumer staples.

Performance (%)	Quarter	YTD	1-year	3-year	Since inception
Steward Equity Market Neutral Fund (SMNIX)	3.46	3.46	0.27	6.36	6.55
ICE BofA US Treasury Bill 3 Month Index	1.03	1.03	5.00	4.26	3.80

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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