

Steward Equity Market Neutral Fund

Commentary | Quarterly update: 1Q24

Institutional shares



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Snapshot

Ticker	SMNIX
Inception date	11/15/2021
Prospectus dated	8/28/2023
Prospectus expense ratio	2.18%
Primary benchmark	ICE BofA US Treasury Bill 3 Month Index

Top 10 long holdings (%)

Kohl's Corporation	1.07
Williams-Sonoma, Inc.	1.05
Core & Main, Inc. Class A	1.04
Discover Financial Services	1.04
Deckers Outdoor Corporation	1.03
Acuity Brands, Inc.	1.02
YETI Holdings, Inc.	1.02
Synchrony Financial	1.02
Jones Lang LaSalle Inc.	1.00
Mastercard Inc. Class A	1.00
Total % of portfolio	10.28

Top 10 short holdings (%)

United Airlines Holdings, Inc.	-1.08
Apellis Pharmaceuticals, Inc.	-1.06
Boeing Company	-1.06
Churchill Downs Incorporated	-1.06
Kemper Corp	-1.05
Mister Car Wash, Inc.	-1.05
Entegris, Inc.	-1.05
10x Genomics Inc Class A	-1.04
U-Haul Holding Company	-1.04
UWM Holdings Corp. Class A	-1.04
Total % of portfolio	-10.52

Markets and performance

The Steward Equity Market Neutral Fund rose 7.44% during the first quarter, outperforming the ICE BofA US Treasury Bill 3 Month Index benchmark (+1.30%) by 614 basis points (bps). Our longs were up 11.03% during the quarter, significantly outperforming the short portfolio, which was up 3.33%, while the cash position was up 1.31%, contributing 137 bps to performance. Strongest net performance came from positions within the consumer discretionary, information technology, and financials sectors, while utilities, consumer staples, and materials detracted from performance.

Positive and negative contributors to performance

The top long positions included Williams-Sonoma (1.05% of total net assets), Dick's Sporting Goods (0.95% of total net assets), Decker Outdoor (1.03% of total net assets), Gap Inc. (0.93% of total net assets), and Acuity Brands (1.01% of total net assets), which added to performance during the period. On the negative side, the long positions in Humana (0.63% of total net assets), Dropbox (0.72% of total net assets), Adobe Inc. (0.79% of total net assets), C.H. Robinson Worldwide, and Lululemon detracted. Within the short book, positions within 10x Genomics (-1.04% of total net assets), Liberty Broadband (-0.99% of total net assets), Unity Software (-0.58% of total net assets), Sotera Health Company (-0.81% of total net assets), and MP Materials (-1.00% of total net assets) added value during the quarter, while short positions in Shockwave Medical (-1.09% of total net assets), Constellation Energy (-1.04% of total net assets), Celsius Holdings Inc. (-0.92% of total net assets), Natera (-1.05% of total net assets), and Lyft (-1.02% of total net assets) detracted.

Looking ahead

The key economic question for 2024 is whether central banks can continue the "landing of the plane" (soft landing) without a crash (recession). The consensus view of 2024 is a Goldilocks environment of not too hot and not too cold. Expectations include a soft economic landing, a continued decline in inflation toward targets, and double-digit earnings growth. We think that fairy tale is unlikely, meaning either 1) the economy weakens enough for a bumpy ride (perhaps a recession) and earnings fall short (most likely), or 2) the economy remains strong enough to support double-digit earnings growth at the risk of little progress on inflation and Fed rate cuts.

Considering the market environment, the fund continued to focus on higher quality companies with more predictability, while shorting lower quality companies with higher valuations. At the end of the quarter, the fund had the largest net overweight within financials, information technology, and consumer discretionary, while being underweight healthcare, utilities, and consumer staples.

Performance (%)	Quarter	YTD	1-year	Since inception
Steward Equity Market Neutral Fund (SMNIX)	7.44	7.44	12.83	9.32
ICE BofA US Treasury Bill 3 Month Index	1.30	1.30	5.27	3.29

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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