

QUARTERLY UPDATE: 2Q 2021

STEWARD GLOBAL EQUITY INCOME FUND COMMENTARY



written by
John Wolf, Managing Director

| Steward Global Equity Income Fund - Instl | |
|---|--------------------|
| Ticker | SGISX |
| Inception Date | 4/3/2008 |
| Net Expense Ratio | 0.95% |
| Primary Benchmark | S&P Global 1200 TR |

Top 10 Holdings

| | |
|-------------------------|--------|
| ELI LILLY & CO | 2.76% |
| INFOSYS LTD | 2.72% |
| TEXAS INSTRUMENTS INC | 2.58% |
| MCDONALD'S CORP | 2.40% |
| TAIWAN SEMICON. MFG. AD | 2.38% |
| NETAPP INC | 2.31% |
| ANALOG DEVICES INC | 2.10% |
| SAP SE ADR | 2.00% |
| CUMMINS INC | 1.95% |
| RELX PLC ADR | 1.93% |
| Total % of Portfolio | 23.14% |

Markets and Performance

Performance momentum for the global equity market again posted significant increases in total return for the second quarter. The S&P Global 1200 Index and the S&P 500 Index ended the quarter with returns of 7.53% and 8.55%, respectively. Dividend stocks overall underperformed the general equity market. For global dividend index comparison purposes, the MSCI World High Dividend Yield Index returned 4.14%. The Steward Global Equity Income Fund underperformed its benchmark for the second quarter, with Institutional shares gaining 3.89%.

Positive and Negative Contributors to Performance

The quarter's positive relative performance was led by Eli, Lilly and Co. (2.76% of total net assets), which climbed 23.39% on FDA Breakthrough Therapy designation for its new Alzheimer's therapy despite first-quarter results that came in slightly lower than analyst expectations. Investors looked past the minor underperformance of the past quarter and focused on the company's strong drug pipeline that included several significant advancements. Recently approved drugs in diabetes and immunology hold the highest current sales potential, and several new cancer drugs also look very promising should the clinical data hold up. Shares of Infosys Ltd. (2.72% of total net assets) climbed 14.19% as clients accelerated spending in cloud migration which has become a top priority. Management expects this cloud migration and integration to be the start of a multi-year tech cycle that will open even more opportunities when completed. Infosys has begun tapping into additional growth areas such as cybersecurity which it believes will sustain growth for several years. The company also announced a buyback program that has commenced in late June and has had a positive effect on share prices. Shares of Canadian Imperial Bank of Commerce (1.47% of total net assets) jumped 17.58%. Banks, in general, posted a strong quarter with the gradual reopening of the economy and rising interest rates. Profitability is on track to return to pre-pandemic levels, and provisions for credit losses across all of its strategic business units have been significantly reduced from their peak levels in 2020. Canadian Imperial Bank of Commerce has also maintained its balance sheet quality and liquidity and has continued to pay its dividend through these challenging times.

Negative contributors to relative performance included KB Home (1.82% of total net assets), which closed down 12.22%. This comes after a solid first-quarter performance for the company; however, housing sentiment is beginning to decline as inflationary pressure on building supplies continues to rise. On the positive side, the company has exposure in all the states where demand is strong. It also has lowered its financial leverage and is able to generate healthy cash flow.

Housing demand will return as the ongoing housing shortage has not gone away, and sentiment will eventually improve. Shares of Intel Corp. (1.70% of total net assets) dropped 11.75% despite the company reporting a strong first-quarter report that exceeded its guidance on higher than expected laptop demand related to the ongoing work from home environment. However, forward-looking guidance from management reflected the higher costs associated with the company’s attempt to regain process leadership and build additional capacity for foundry services. This is anticipated to cause a drag on the company’s margins that should continue for several additional quarters. For the second quarter, the values-based investment policies had a slight negative impact on performance.

Looking Ahead

Retail sales dropped in May, indicating a shift in consumer spending habits from big-ticket items such as autos and furniture to goods and services such as restaurants and entertainment. This is consistent with business reopening and higher COVID-19 vaccination rates. The economic reopening combined with soaring stimulus-driven demand is creating supply issues and material shortages, pushing prices higher. While the Federal Reserve states that this condition will be temporary, it bears careful watching as sustained inflation could put a significant damper on equity markets in the near future. In this uncertain environment, dividend income stocks with their lower market volatility are an attractive equity allocation.

Trailing Returns

| | Qtr | YTD | 1 Year | 3 Years | 5 Years | 10 Years |
|---|-------|--------|--------|---------|---------|----------|
| Steward Global Equity Income Fund - Instl | 3.89% | 13.99% | 42.12% | 12.07% | 13.13% | 10.68% |
| S&P Global 1200 TR | 7.53% | 13.22% | 39.13% | 15.36% | 15.40% | 11.11% |
| MSCI World High Dividend Yield NR | 4.14% | 10.51% | 27.24% | 9.18% | 8.73% | 7.70% |
| S&P 500 TR USD | 8.55% | 15.25% | 40.79% | 18.67% | 17.65% | 14.84% |

Source: Morningstar Direct

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