

QUARTERLY UPDATE: 3Q 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	0.98%
Primary Benchmark	S&P Global 1200 TR

Top 10 Holdings	
ELI LILLY & CO	2.80%
TEXAS INSTRUMENTS INC	2.60%
NETAPP INC	2.56%
MCDONALD'S CORP	2.52%
TAIWAN SEMICON. MFG. AD	2.23%
QUEST DIAGNOSTICS INC	2.12%
RELX PLC ADR	2.11%
ANALOG DEVICES INC	2.06%
KIRKLAND LAKE GOLD LTD	2.02%
PAYCHEX INC	1.99%
Total % of Portfolio	23.00%

Markets and Performance

Global equity markets posted mixed results in total return for the third quarter. The Global Equity Income benchmarks (the S&P Global 1200 Index and the S&P 500 Index) ended the quarter with returns of -0.65% and 0.58%, respectively. Dividend stocks overall underperformed the general equity market. For global dividend index comparison purposes, the MSCI World High Dividend Yield Index returned -2.04%. The Fund outperformed the MSCI World High Dividend Yield Index but underperformed the S&P Global 1200 Index for the quarter, with Institutional shares returning -1.69%.

Positive and Negative Contributors to Performance

NetApp, Inc. (2.56% of total net assets), a hybrid cloud data services and data management provider, was a positive relative performer for the quarter. Shares climbed 10.38% on a solid earnings report that beat analyst revenue and net income estimates. Additional earnings gains were generated through increased margin expansion and accelerated top-line growth. Fears of supply chain inflation (that did not materialize) and a broad recovery in enterprise spending drove the results. The company has also increased its forward guidance estimates across nearly all segments. Quest Diagnostics Inc. (2.12% of total net assets) rose 10.62% as the company updated its full-year outlook to reflect better than expected COVID-19 testing volumes. Both revenue and earnings estimates have been revised higher, and this increase has boosted guidance by approximately 9%. These higher volumes are anticipated to continue due to the surge in the Delta variant. The company's base business has also seen continued improvement despite a modest decline in August due to increased vacations and storm disruptions.

Negative contributors to relative performance included Companhia Brasileira de Distribuicao (0.70% of total net assets), which dropped -39.54% in the third quarter. The Brazil-based supermarket and department store retailer posted an impressive (+41%) second-quarter return that was boosted by increased demand for essentials. The pandemic led to customers stockpiling supplies and increasing consumption at home. This trend has moderated recently as demand returns to a more normal level. Shares of Cardinal Health Inc. (1.60% of total net assets) dropped -12.51% after the company reported weak quarterly results. The company's revenue grew at 15% versus the same fiscal quarter last year, but it was a weak comparable period. Also, an unexpected adjustment of \$197 million for inventory reserves weighed down profitability. The adjustment was due to an excess supply of personal protective equipment and a resulting reduction in price. The company also provided fiscal 2022 guidance that was below analyst consensus. For the third quarter, our faith-based investment policies had a slight negative impact on performance.

Looking Ahead

The new COVID variants have begun to impact the U.S. economic recovery, particularly in the south, where cases have been rising significantly. Renewed outbreaks across Asia have also increased risks in that region. Investors are reassessing economic growth outlooks as another wave of outbreaks is reducing expectations. This scenario has temporarily reestablished growth-style equity momentum in the market as technology software, hardware companies, and media companies were favorably positioned. The markets, however, are forward-looking, and as we project beyond the current pandemic wave, the style rotation should reverse as value and dividend income stocks come back into favor.

Trailing Returns

	Qtr	YTD	1 Year	3 Years	5 Years	10 Years
Steward Global Equity Income Fund - Instl	-1.69%	12.06%	29.68%	10.13%	11.82%	11.93%
S&P Global 1200 TR	-0.65%	12.49%	28.46%	13.23%	14.12%	13.11%
MSCI World High Dividend Yield NR	-2.04%	8.25%	20.84%	6.76%	7.73%	8.83%
S&P 500 TR USD	0.58%	15.92%	30.00%	15.99%	16.90%	16.63%

Source: Morningstar Direct

Our Firm

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SF-GEI-COMM 10/21