

# QUARTERLY UPDATE: 1Q 2021

## STEWARD INTERNATIONAL ENHANCED INDEX FUND COMMENTARY



written by  
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### Steward Intl Enhanced Index Fund - Instl

Ticker	SNTCX
Inception Date	2/28/2006
Net Expense Ratio	0.73%
Primary Benchmark	S&P ADR TR

### Top 10 Holdings

TAIWAN SEMICON. MFG. AD	4.86%
ASML HLDG. NV	3.87%
ALIBABA GRP. HLDG. LT ADR	3.03%
UNILEVER PLC ADR	2.63%
ROYAL BANK OF CANADA	2.37%
SONY CORP ADR	2.03%
SAP SE ADR	2.02%
TORONTO-DOMINION BANK	1.94%
CANADIAN NATL. RAILWAY C	1.76%
HSBC HLDGS. PLC ADR	1.72%
Total % of Portfolio	26.22%

### Markets and Performance

For the quarter ended March 30, 2021, the total return for the Steward International Enhanced Index Fund (Institutional Shares) was 6.68%. When compared against the 7.04% total return of the S&P ADR Index (the Fund's primary benchmark), the Fund underperformed by 0.36%. Going into 2021, one of the prevailing market narratives was the expectation that continued U.S. dollar weakness would be bullish for emerging market (EM) equity performance. Through mid-February, the dollar had found support but it was believed the currency would continue lower in due time. This updated outlook likely helped EM equities (led by Chinese tech stocks) to run materially higher through mid-February. However, hopes of a quick return to dollar weakness began to wane thereafter as it continued to hit new 2021 highs through the end of March. In short order, Chinese tech stocks reversed, driving EM equities lower as well. By the end of March, EM equities eventually fell below the technical trend channel that had been in place since March 2020.

### Positive and Negative Contributors to Performance

Why does this matter for the Fund? It has a dual market strategy that allocates to both non-U.S. developed market (DM) securities and to EM securities. During the quarter, this allocation remained unchanged at 85% non-U.S. DM securities and 15% EM securities, and continues to represent our relatively neutral outlook between the two going forward. The biggest driver of Fund underperformance was our allocation to EM, which reduced our return by 1.09% in the first quarter relative to the primary benchmark. More specifically, it was the Fund's exposure to Chinese tech stocks (via our EM allocation) that detracted the most on a relative basis. For example, the seven stocks with the most underperformance last quarter were all Chinese tech stocks, combining for approximately 0.96% of underperformance. Alibaba (3.03% of total net assets) was again the biggest single-name source of relative underperformance, as the stock continues to be plagued by regulatory concerns at home in China and abroad in the U.S.

Conversely, it was our values-based screening policies that contributed the most relative outperformance last quarter. As a whole, the net impact of not owning the stocks in our values-based screens added 1.55%, led by Novartis and Novo Nordisk (both screened out due to embryonic stem cell research). Overall, our restriction on stem cell research and abortion-related securities accounted for nearly all of this net relative positive impact (+1.30%). Alcohol provided the remaining 0.25% of positive screening impact, while the tobacco (+0.02%) and recreational cannabis (-0.02%) screens netted each other out.

### Looking Ahead

Going forward, we will continue to carefully examine the rationale of a neutral weighting between non-U.S. developed markets and emerging markets. Given the delayed rollout of COVID-19 vaccinations in EM countries, the abundance of more transmissible COVID-19 strains, changing views on China and Chinese securities on U.S. exchanges, a possible global movement toward de-globalization, unprecedented monetary and fiscal policy interventions by central banks and governments worldwide, and a new U.S. President with majority control in both the House and Senate, we will be monitoring the global macro situation closely to ensure the DM vs. EM allocation remains consistent with our global outlook going forward.

### Trailing Returns

	Qtr	YTD	1 Year	3 Years	5 Years	10 Years
Steward International Enhanced Index Fund - Instl	6.68%	6.68%	51.28%	5.28%	8.94%	2.85%
S&P ADR TR	7.04%	7.04%	47.47%	5.74%	8.87%	4.18%

Source: Morningstar Direct

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