

QUARTERLY UPDATE: 4Q 2021 STEWARD LARGE CAP VALUE FUND COMMENTARY



written by
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Steward Large Cap Value Fund - Instl	
Ticker	SJVIX
Inception Date	11/18/2021
Net Expense Ratio	0.75%
Primary Benchmark	Russell 1000 Value TR USD

Top 10 Holdings	
JPMorgan Chase & Co.	3.24%
Bank of America Corp.	2.56%
Alphabet, Inc.	2.10%
Intel Corp.	1.99%
Verizon Communications, Inc.	1.87%
AT&T, Inc.	1.69%
BlackRock, Inc.	1.66%
CVS Health Corp.	1.65%
Morgan Stanley	1.64%
Berkshire Hathaway, Inc.	1.63%
Total % of Portfolio	20.03%

Markets and Performance

U.S. equities were up in 2021 for a third straight year. The most significant tailwinds came from “pedal to the metal” monetary and fiscal policies. Earnings exceeded expectations by a record amount driven by solid revenue growth and further profit margin improvement. Additional stock market positives included strong consumer and corporate balance sheets, strong retail demand for stocks, and T.I.N.A. (there is no alternative!) and F.O.M.O. (fear of missing out) dynamics. Headwinds included the ongoing pandemic and new variants, supply chain constraints, a significant increase in inflation, a Fed policy pivot, and stretched valuations. The U.S. economy grew at the fastest pace since 1984, with real GDP estimates at 5.5%. In the November report, unemployment fell to 4.2%, with average hourly earnings up 3.5% through eleven months. However, the CPI rose 6.8% over the last twelve months (with core inflation up 4.9%), the highest readings in nearly 40 years. Other economic measures such as industrial production, consumer confidence, ISM manufacturing and services, and housing were strong. Within equities, growth outperformed value, and large stocks outperformed small. The Steward Large Cap Value Fund was launched on November 18, 2021. By immediately investing the Fund capital, we were able to benefit from the majority of the year-end rally, with the Fund returning 5.98% for the month of December, underperforming its benchmark (the Russell 1000 Value Index) by 33 basis points.

Positive and Negative Contributors to Performance

Stock selection aided performance in the stub part of the year in which the fund existed.

The Fund is overweight in cyclical and value-oriented names anticipating good economic growth and some valuation compression. Largest sector overweights are financials and consumer discretionary as well as value names in the technology sector.

Looking Ahead

It will be difficult for companies to sustain year-end 2021 profitability levels as revenue growth slows in the coming quarters. That said, some of the headwinds to margins from moderating top-line growth could be offset by declining shipping and raw materials input costs, as bottlenecks begin to gradually ease in response to stepped-up efforts by policymakers to resolve logistical logjams.

Looking Ahead (continue)

Sectors with relatively higher labor intensity and/or facing heightened competitive pressures will remain at greater risk of margin compression. However, significant erosion in aggregate net profit margins is unlikely if nominal economic growth remains moderately strong and keeps corporate revenues expanding at a healthy pace. The environment of rising interest rates and cyclical tailwinds has created significant stock selection opportunities. Our beta model remains modestly positive, although the decline in the growth rate of the money supply will likely cause the Fund to become more cautious in the months to come. We continue to focus on less expensive, more cyclically oriented value names.

Trailing Returns

	1 Month	Since Inception
Steward Large Cap Value Fund - Institutional	5.98%	1.53%
Russell 1000 Value TR USD	6.31%	1.05%

Source: Morningstar Direct

Our Firm

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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.

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