

# QUARTERLY UPDATE: 1Q 2021 STEWARD SELECT BOND FUND COMMENTARY



written by  
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Steward Select Bond Fund - Instl	
Ticker	SEACX
Inception Date	10/1/2004
Net Expense Ratio	0.66%
Primary Benchmark	BBgBarc US Govt/Credit TR USD

Top 10 Holdings	
UNITED STATES TREASURY	6.98%
NI FDS TREAS PORT PREMIEF	4.52%
QUALCOMM INC	2.79%
PEPSICO INC	1.99%
AMAZON.COM INC	1.90%
COMCAST CORP	1.88%
VALERO ENERGY CORP	1.85%
NIKE INC	1.81%
MCDONALD'S CORP	1.58%
FREDDIE MAC REMICS	1.56%
Total % of Portfolio	26.86%

## Markets and Performance

The first quarter of 2021 saw a jump in Treasury yields to levels many didn't expect to see until much later in the year. The quick pace of yield movement from around 0.92% on the 10-Year Treasury at the beginning of the year to around 1.70% at the end of the first quarter was a shock to many fixed income investors. It is not necessarily the level of 1.70% that makes people nervous, but rather the pace at which we moved approximately 80 basis points. This also led to volatility in the equity markets, although we did not see a strong "flight-to-quality" move to the bond market that many times accompanies pullbacks in equity indices. The consolidation in the 1.60% to 1.70% range for the 10-Year Treasury, along with corporate spreads that seemed to suggest there were no credit concerns, helped support the fixed income market in general.

## Positive and Negative Contributors to Performance

For the Steward Select Bond Fund, our investment process led us to maintain a shorter duration positioning during the quarter. This was the largest positive contributor to outperformance, with Institutional shares of the Fund reporting a return of -2.90% for the first quarter versus the Bloomberg Barclay's U.S. Government/Credit Index return of -4.28%. Along with the shorter duration, our yield curve positioning, income generation, and sector allocation were all positive contributors to the performance for the Fund. The selection effect within individual sectors was the only negative contributor last quarter, and usually is due to the Fund only having a fraction of the number of holdings as the Index.

## Looking Ahead

As we move into the second quarter, we continue to extend duration in the Fund. Our four-step investment process begins with the evaluation of many factors, including central bank actions and economic reports, to determine our duration target versus the comparable index. As yields have moved higher and our outlook for rates has this trend continuing in the coming quarter, we will maintain a shorter duration as compared to the index, but will keep shifting that position closer to neutral. We maintain our focus on investment-grade securities that provide steady cash flow for the Fund which we see as a positive contribution to return over the coming quarter.

## Trailing Returns

	Qtr	YTD	1 Year	3 Years	5 Years	10 Years
Steward Select Bond Fund - Instl	-2.90%	-2.90%	2.41%	3.22%	2.09%	2.26%
BBgBarc US Govt/Credit TR USD	-4.28%	-4.28%	0.86%	4.99%	3.36%	3.70%

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