QUARTERLY UPDATE: 1Q 2022

STEWARD SELECT BOND FUND

COMMENTARY

written by

Victoria Fernandez, CFA® Chief Market Strategist

Steward Select Bond Fund - Institutional	
Ticker	SEACX
Inception Date	10/1/2004
Net Expense Ratio	0.70%
Primary Benchmark	Bloomberg U.S. Govt/ Credit

Top 10 Holdings	
Qualcomm, Inc.	2.85%
Amazon.com, Inc.	1.97%
Comcast Corp.	1.95%
Valero Energy Corp.	1.95%
Adobe, Inc.	1.94%
Nike, Inc.	1.89%
Freddie Mac REMICs	1.63%
U.S. Bank NA	1.59%
McDonald's Corp.	1.53%
Visa, Inc.	1.43%
Total % of Portfolio	**18.74%**

Markets and Performance

The first quarter of 2022 proved to be an interesting one for fixed income markets, as inflation concerns and the Russia/Ukraine war drove the ebb and flow of trading around the globe. There was a belief the first quarter would see the peak of inflation as COVID concerns began to wane, allowing supply chain struggles to recede and demand/supply imbalances to alleviate. However, the emergence of new COVID variants worldwide, coupled with higher commodity, food, and rent costs, only pushed inflation higher. This has caused many to see the Federal Reserve (and other central banks) taking on a more hawkish tone, increasing expectations for higher and more frequent rate hikes throughout 2022. Rates across the yield curve moved significantly higher, putting pressure on fixed income markets. In this rising rate environment, the Steward Select Bond Fund (Institutional shares) outperformed its benchmark, the Bloomberg U.S. Government/ Credit Index, for the quarter ending March 31, 2022, returning -5.55% and -6.33%, respectively.

Positive and Negative Contributors to Performance

In previous communications, we mentioned anticipating U.S. 10-year yields to move slightly north of 2.00% (perhaps up to 2.25%) in 2022 before leveling off. In preparation for such a move, we planned to begin extending duration. However, the shift higher in yields across the curve was much quicker and higher than many anticipated, although we did see some pullback from the highest levels of the quarter (around 2.50% on the U.S. 10-year Treasury) reached during March. The shorter duration positioning of the Fund was the most significant positive contributor to its outperformance versus the benchmarks for the quarter, followed by effects from allocation decisions and the level of income generation. We have been working to extend duration and are now at about 85% of the benchmark duration, which benefitted performance during the quarter. Although the overall shorter duration of the Fund was beneficial, the overweight of holdings in the shorter portion of the yield curve (1-3-year maturities) compared to the benchmark was a drag on quarterly performance as yields in the 2-year part of the curve rose the most. As spreads moved wider towards the end of March due to investment-grade corporate issues, the shorter duration of our corporate holdings allowed the sector in the Fund to outperform the sector of the benchmark.

Source: Morningstar Direct

Looking Ahead

Even with the jump we have seen so far in 2022, we still believe there is room for yields to move higher throughout the coming quarters, although at a tempered pace (rather than a steady march higher). We are about to enter a historically active time of year for foreign Treasury purchases, which should keep some pressure on longer-term yields. In addition, if we see inflation trends begin to ease, resulting in a moderation of central bank tightening plans, there could be a slight re-steepening of the curve (which is currently quite flat and inverted in places). Our strategy is to continue extending duration to position the Fund closer to neutral (compared to the benchmark) as yields take more of a pause on the climb higher. We will remain overweight the investment-grade corporate sector for income purposes while watching spreads for opportunistic trades. Our strategy will continually develop based on our four-step investment process focusing on duration positioning, yield-curve placement, sector, and security selection.

Source: Morningstar Direct

Trailing Returns	Qtr	YTD	1 Year	3 Years	5 Years	10 Years
Steward Select Bond Fund - Institutional	-5.55%	-5.55%	-4.67%	0.49%	1.05%	1.35%
Bloomberg U.S. Govt/Credit	-6.33%	-6.33%	-3.85%	2.12%	2.44%	2.45%

Index returns shown assume the reinvestment of all dividends and distributions.

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Past performance is no guarantee of future results. Investment return and principal value will fluctuate so that shares, when redeemed, may be worth more or less than their original cost. The Fund's current performance may be lower or higher than quoted. Before investing in a mutual fund, you should read the fund's prospectus carefully and consider the fund's investment objectives, risks, charges, and expenses. The prospectus contains this and other information about the fund. To obtain Fund performance as of the most recent month-end or to obtain a copy of the Steward Funds' prospectus free of charge, call Crossmark Distributors at 888.845.6910.

The Fund may not achieve its objective if the managers' expectations regarding particular securities or markets are not met. Fixed income investments generally involve three principal risks—interest rate risk, credit risk, and liquidity risk. Prices of fixed-income securities rise and fall in response to interest rate changes (interest rate risk). Generally, when interest rates rise, prices of fixed-income securities fall. The longer the duration of the security, the more sensitive the security is to this risk. There is also a risk that the issuer of a note or bond will be unable to pay agreed interest payments and may be unable to repay the principal upon maturity (credit risk). Lower-rated bonds, and bonds with longer final maturities, generally have higher credit risks. As interest rates rise and/or the credit risk associated with a particular issuer changes, bonds held within a portfolio may become difficult to liquidate without realizing a loss (liquidity risk).

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.

Crossmark Global Investments, Inc.
15375 Memorial Drive, Suite 200, Houston, TX 77079
888.845.6910 advisorsolutions@crossmarkglobal.com
crossmarkglobal.com