

QUARTERLY UPDATE: 2Q 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	
NI FDS TREAS PORT PREMIEF	6.49%
UNITED STATES TREASURY	3.77%
QUALCOMM INC	2.70%
UNITED STATES TREASURY	2.68%
PEPSICO INC	1.83%
VALERO ENERGY CORP	1.78%
AMAZON.COM INC	1.75%
TAPESTRY INC	1.75%
NIKE INC	1.73%
COMCAST CORP	1.73%
Total % of Portfolio	26.21%

Markets and Performance

We saw inflation fears escalate towards the end of the first quarter, sending the yield curve steeper with longer maturities moving up to the year's highest levels. However, as the market began to build faith in the concept of transitory inflation promoted by the Federal Reserve, the reopening story, and some uncertainty as to the size of an infrastructure package, we saw U.S. 10-year Treasury yields move back towards the 1.50% level where they remained range-bound for most of the quarter. In this declining yield environment, the Steward Select Bond Fund lagged Barclay's Government Credit index for the second quarter of 2021, although still providing positive returns for the period and outperforming the index year-to-date for 2021.

Positive and Negative Contributors to Performance

For the Fund, the allocation and income components were the most significant positive contributors to performance for the quarter. The investment-grade corporate sector was the best performing sector in the Fund. The overweight to this sector and resulting income generation helped drive performance, with the Fund's Institutional Class shares, reporting a 1.64% gain for the quarter versus 2.42% for Barclay's Government/Credit Index. With a duration that is 65% of the index, a declining yield environment, and a flattening yield curve, the most significant negative contributors to performance were the shorter duration positioning and yield curve placement. Following the investment-grade corporate sector, the taxable municipal bond sector was the best performing sector. We will continue to look for opportunities that provide a yield advantage over corporate bonds as spreads remain tight for high-quality issuers.

Looking Ahead

With earnings remaining solid and other parts of the world catching up to the United States regarding vaccination rates and reopening their economies, we anticipate yields will trend higher in the second half of the year. The short-term rates will likely remain anchored at or close to zero in the short- to intermediate-term as the Federal Reserve is just beginning to discuss tapering options. This should provide a steepening of the yield curve, and the slow process of removing liquidity from the markets should support credit investments. In this environment, we will maintain a shorter duration than the benchmark index although working towards a more neutral position as yields make their way towards 2.0% for the U.S. 10-year Treasury note. The overweight to the corporate sector will continue to provide cash flow while maintaining our focus on high-quality, highly liquid securities in the Fund.

Trailing Returns

	Qtr	YTD	1 Year	3 Years	5 Years	10 Years
Steward Select Bond Fund - Instl	1.64%	-1.31%	-0.09%	3.79%	2.10%	2.27%
BBgBarc US Govt/Credit TR USD	2.42%	-1.96%	-0.39%	5.95%	3.31%	3.71%

Our Firm

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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).

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