

# QUARTERLY UPDATE: 3Q 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	0.70%
Primary Benchmark	Bloomberg US Govt/Credit TR USD

Top 10 Holdings	
NI FDS TREAS PORT PREMIER	4.72%
UNITED STATES TREASURY 2%	3.70%
UNITED STATES TREASURY 2%	2.63%
QUALCOMM INC 4.65%	2.61%
VALERO ENERGY CORP	1.73%
TAPESTRY INC	1.72%
AMAZON.COM INC	1.72%
COMCAST CORP	1.69%
NIKE INC	1.69%
ADOBE INC	1.69%
Total % of Portfolio	23.88%

### Markets and Performance

The first quarter brought inflation fears, with 10-year Treasury yields moving to a 2021 high of around 1.75%. As investors acclimated to the Fed's story of inflation being transitory, yields began to move lower. This continued into the third quarter, with yields dropping to a low of 1.13% in early August. Inflation, along with the anticipation of Fed balance sheet tapering, brought concerns once again as supply chain issues were not diminishing as quickly as expected. Some of the wage and input costs proved to be more permanent than initially thought. The quarter ended with 10-year Treasury yields at 1.53% and trending higher, benefiting the Steward Select Bond Fund as we incorporate a shorter duration strategy to reduce volatility associated with interest rate risk. The Fund has outperformed the Bloomberg Government/Credit Index this year through September 30, returning -1.57% and -1.93%, respectively. Although September proved to be a strong performance month for the Fund (outperforming the Index by 37 basis points), the move higher in yields was not quite strong enough for the Fund to outperform for the entire quarter, returning -0.26% versus 0.04% for the Index during that period.

### Positive and Negative Contributors to Performance

The two largest positive contributors to Fund performance were the duration and income effects. As mentioned, as yields move higher, the shorter duration positioning of the Fund works as a positive contributor to performance (compared to the Index). Our Treasury allocation had a much shorter duration than that of the Index, resulting in the largest positive contributor to performance. Our overweight to the corporate allocation, along with the addition of fixed-rate preferreds and taxable municipal securities, allows a higher level of income generation for the Fund (compared to the Index) while boosting the income component into one of the largest positive contributors to total return. The negative contributors to performance were the allocation and yield curve effects. During the quarter, the shape of the yield curve shifted, with the steepest part in the 2-year to 5-year area. We focused purchases on the longer end of the curve to help extend duration as yields moved towards the upper band levels.

### Looking Ahead

With yields trending up, the shorter duration positioning of the Fund should be a benefit to performance versus the Index in the final quarter of 2021. Typically, October is a volatile month, but it is followed by tailwinds pushing markets higher into the end of the year. With COVID cases and hospitalizations beginning to fall compared to the surge seen just a month ago, we should start seeing more people returning to work and conducting more “normal” activities. This would be a positive for sentiment and growth, which would help move yields back towards the 1.75% level. In that type of environment, the Fund is well-positioned, with lower-interest-rate risk than the broader market and a focus on investment-grade securities.

### Trailing Returns

	Qtr	YTD	1 Year	3 Years	5 Years	10 Years
Steward Select Bond Fund - Instl	-0.26%	-1.57%	-0.88%	3.57%	2.02%	2.12%
Bloomberg US Govt/Credit TR USD	0.04%	-1.93%	-1.13%	5.94%	3.24%	3.24%

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