



STEWARD SELECT BOND FUND

COMMENTARY | QUARTERLY UPDATE: 4Q 2022

Institutional Shares



written by **Victoria Fernandez, CFA®** Chief Market Strategist

Steward Select Bond Fund - Institutional	
Ticker	SEACX
Inception Date	10/1/2004
Prospectus Dated	8/28/2022
Prospectus Expense Ratio	0.72%
Primary Benchmark	Bloomberg U.S. Govt/Credit

Top 10 Holdings	
Qualcomm, Inc.	2.73%
Comcast Corp.	2.07%
Adobe, Inc.	2.04%
Valero Energy Corp.	1.98%
Nike, Inc.	1.88%
Freddie Mac REMICs	1.71%
CVS Health Corp.	1.38%
Home Depot, Inc.	1.38%
United Parcel Service	1.38%
Amazon.com, Inc.	1.38%
Total % of Portfolio	17.94%

Markets and Performance

If you just looked at where the U.S. 10yr treasury yield was at the beginning and end of the 4th quarter, you would assume it had been a very quiet end of the year. However, that is definitely not the case. U.S. 10yr treasury yields went from 3.83% as of 9/30/22 to 3.88% as of 12/31/22 but made a trip all the way up to 4.24% in late October. Volatility was the name of the game not just for the 10 year part of the curve but in the shorter end as well as the U.S. 2yr Treasury yield surged almost 50 basis points from 9/30/22 to early November. In this environment, the Steward Select Bond Fund (the Fund) outperformed the Barclay's Government/Credit Index for both the quarter and the year ending December 31, 2022, returning 2.12% and -11.55%, respectively while the index returned 1.80% and -13.58%, respectively.

Positive and Negative Contributors to Performance

The positive contributors to outperformance for the Fund relative to the benchmark came from multiple components including yield curve placement, sector allocation and income components. The overweight to the investment-grade corporate allocation proved beneficial as spreads tightened towards the end of the quarter. An elevated level of income as compared to the benchmark is also a result of the overweight to the corporate allocation and helped provide a buffer to the volatility we saw in yields during the quarter. At Crossmark, we have been working to extend the overall duration of our fixed income Fund as we anticipate that peak yields have been reached or are near. In previous quarters over the last year, our shorter duration positioning has been one of the largest positive contributors to outperformance. However, this quarter, the duration positioning had much less effect on performance as yield moved higher and lower throughout the quarter, as well as having a more neutral positioning as compared to the benchmark. Selection of securities within the corporate sector was a drag on performance for the Fund.

Looking Ahead

All eyes have been on central banks and their quest to tighten financial conditions and rein in some of the highest levels of inflation in decades. As we begin the new year, we could be approaching the end of the hiking cycle for the Federal Reserve, possibly by the end of the first quarter. In our Steward Select Bond Fund, we have been extending duration to be closer to neutral as we near peak Fed Funds and strive to be opportunistic in order to support the income flows with locking in some higher coupons and/or better yields along the yield curve. As the economy potentially slows towards the middle of the year with the possibility of a small recession, the steady income flows from the fixed income securities will help to buffer any volatility.

Performance	QTD	YTD	1 Year	3 Years	5 Years	10 Years
Steward Select Bond Fund - Institutional	2.12%	-11.55%	-11.55%	-3.10%	-0.56%	0.39%
Bloomberg U.S. Govt/Credit	1.80%	-13.58%	-13.58%	-2.57%	0.21%	1.16%

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

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.

Our Firm

Crossmark Global Investments is a faith-based firm that creates, manages, and distributes values-based investment strategies that equip financial intermediaries and their clients to align their wealth with their passions and convictions. For over 30 years, the firm has delivered uniquely constructed products based on its proprietary, disciplined, and repeatable process. Founded in 1987, the firm is headquartered in Houston, Texas. For more information visit: www.crossmarkglobal.com.

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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).

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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