

Steward Select Bond Fund

Commentary | Quarterly update: 3Q24

Institutional shares



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Snapshot

Ticker	SEACX
Inception date	10/1/2004
Prospectus dated	8/28/2024
Prospectus expense ratio	0.73%
Primary benchmark	Bloomberg US Government/Credit Bond Index

Top 10 holdings (%)

Qualcomm Incorporated 4.65% 20-may-2035	2.00
Government Of The United States Of America 4.0% 15-nov-2042	1.93
L3harris Technologies, Inc. 5.4% 31-jul-2033	1.52
Government Of The United States Of America 4.0% 31-jul-2030	1.49
Paypal Holdings, Inc. 4.4% 01-jun-2032	1.47
American Express Company 4.05% 03-may-2029	1.47
Valero Energy Corporation 4.0% 01-apr-2029	1.46
Visa Inc. 4.3% 14-dec-2045	1.37
Nike, Inc. 2.85% 27-mar-2030	1.36
Marathon Oil Corporation 6.6% 01-oct-2037	1.13
Total % of portfolio	15.21

Markets and performance

After many months of waiting, the third quarter of this year brought the first rate cut by the Federal Reserve at the September FOMC meeting. And they did not disappoint—kicking off the rate cut cycle with a 50 basis points (bps) move. The belief in total cuts for this year at 100 bps appears to be coming together as Powell stated that if the economy continues as expected, the possibility for two additional 25 bps cuts aligns with the projections made during the FOMC meeting by the members. I am not completely convinced that the market hasn't moved a little too far over its skis, and we could see some higher yield movement as the market reprices for fewer rate cuts ahead. There was tremendous volatility during the quarter as U.S. two-year Treasury yields dropped over 100 bps, with the U.S. 10-year Treasury yield not wanting to feel left out and moving lower by roughly 50 bps. This resulted in a steeper treasury curve that actually dis-inverted after a couple of years of the opposite positioning.

Positive and negative contributors to performance

Steward Select Bond Fund returned 4.24% for the quarter, underperforming its benchmark, the Bloomberg US Government/Credit Bond Index, which returned 5.10%, by 86 bps. Most of the relative underperformance was from the duration and income components, especially in the Treasury sector. We have been extending duration in the fund preparing for rate cuts by the central bank which helped overall, but the treasury allocation worked against us. We are underweight Treasuries in the fund versus the benchmark and when yields dropped significantly during the last two weeks of July, this caused a drag on relative performance. Growth concerns, fear of recession, and a very disappointing labor market report caused yields to drop as we moved from July into August, with the two-year Treasury yield falling over 60 bps and the 10-year Treasury yield falling over 50 bps during that short period. This caused July to be the worst-performing month of the quarter for the fund relative to the benchmark. The best performing sectors were taxable municipal bonds and investment grade corporate bonds, especially holdings with longer durations like Duke Energy, Bank of America, United Parcel Service and NVIDIA. Our yield curve placement and the allocation within the corporate sector were the positive contributors to performance for the quarter.

Looking ahead

As we approach the final quarter of the year, there are still some uncertainties facing us including how many more cuts we see from the Federal Reserve, the outcome of the U.S. election, watching to see if cracks intensify in the labor market, and geopolitical events. We have moved our duration longer in the fund but will still position ourselves slightly shorter than the benchmark to help buffer against any potential black swan event in the closing months of the year. Our investment process continues to focus on the four steps of determining duration, yield curve placement, appropriate sectors and security selection, allowing us to evaluate the economy and participate in opportunistic trades as appropriate, while monitoring our exposure to rate volatility.

Performance (%)	Quarter	YTD	1-year	3-year	5-year	10-year	Since inception
Steward Select Bond Fund (SEACX)	4.24	4.03	9.29	-1.11	0.12	1.26	2.27
Bloomberg US Government/Credit Bond Index	5.10	4.39	11.31	-1.50	0.41	2.00	3.30

Index returns shown assume the reinvestment of all dividends and distributions. An investment cannot be made directly in an index. 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.

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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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