

Steward Select Bond Fund

Commentary | Quarterly update: 1Q24

Institutional shares



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Snapshot

Ticker	SEACX
Inception date	10/1/2004
Prospectus dated	8/28/2023
Prospectus expense ratio	0.74%
Primary benchmark	Bloomberg US Government/Credit Bond Index

Top 10 holdings (%)

Qualcomm Inc. 4.65% 20-may-2035	2.04
L3harris Technologies, Inc. 5.4% 31-jul-2033	1.56
Comcast Corporation 3.7% 15-apr-2024	1.55
Government Of The United States Of America 4.0% 31-jul-2030	1.53
Adobe Inc. 3.25% 01-feb-2025	1.52
American Express Company 4.05% 03-May-29	1.50
Valero Energy Corporation 4.0% 01-apr-2029	1.48
Nike, Inc. 2.85% 27-mar-2030	1.40
Home Depot, Inc. 5.875% 16-dec-2036	1.11
Marathon Oil Corporation 6.6% 01-oct-2037	1.09
Total % of portfolio	14.77

Markets and performance

The discussion around rate cuts has dominated the narrative over the past quarter, as investors attempt to decipher every word coming from Jerome Powell and a new set of intriguing dots from the Summary of Economic Projections at the last FOMC meeting. With a mixed bag of data, a labor market that continues to support spending by the US consumer, and an economy that appears to be humming along at around 2.50% expected growth, the Federal Reserve has an opportunity to be patient in determining the timing around the first rate cut. At Crossmark, we always anticipated that the call for six or seven rate cuts in 2024 was not realistic, and at some point those expectations would need to be priced back out of the market from late last year, forcing yields to move higher. We have seen that come to fruition during the first quarter of 2024, as the phrase “higher for longer” appears to be quite appropriate for the Fed Funds path ahead of us.

Positive and negative contributors to performance

In an environment where rates moved higher, the more conservative approach of the Steward Select Bond Fund returned -0.33%, outperforming the Bloomberg US Government/Credit Bond Index, which returned -0.72% for the first quarter. The 39 basis points of outperformance was due primarily to two factors: the shorter duration of the fund, and the chosen allocation among sectors. Although we have begun to lengthen duration as compared to the benchmark in the belief that yields will begin to fall around the middle of the year, we are still shorter than the benchmark, which provides less volatility to market values as interest rates move. This was the largest contributor to the fund’s outperformance for the quarter. In addition, the fund is overweight to the investment-grade corporate allocation, which provided solid income for the fund. The corporate sector of the fund outperformed that of the benchmark, making the overweight a solid contribution to outperformance. There was a slight drag on overall performance from positioning along the yield curve and selection within the sectors, as the fund holds more concentrated positions versus the benchmark and therefore each position makes a larger impact on the fund.

Looking ahead

As yields moved higher at the end of the quarter and into the second quarter of the year, the fund is well positioned to take advantage of market movements. As mentioned, we are lengthening duration, as we anticipate we are near the top of the yield range for this cycle and would anticipate some consolidation around current levels, and then will be prepared for falling yields later in the year. We will continue to focus on income for the fund while investing in investment-grade securities, with an overall strategy duration close to or moving towards neutral as compared to the benchmark. Our four step investment process of focusing on duration, yield curve placement, sector and security selection allows us to evaluate the economy and participate in opportunistic trades as appropriate.

Performance (%)	Quarter	YTD	1-year	3-year	5-year	10-year	Since inception
Steward Select Bond Fund (SEACX)	-0.33	-0.33	2.49	-2.07	-0.01	0.97	2.10
Bloomberg US Government/Credit Bond Index	-0.72	-0.72	1.74	-2.35	0.62	1.70	3.12

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.

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).

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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