

QUARTERLY UPDATE: 1Q 2021

STEWARD SMALL-MID CAP ENHANCED INDEX FUND COMMENTARY



written by
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Steward Small-Mid Cap Enhanced Idx - Instl	
Ticker	SCECX
Inception Date	4/3/2006
Net Expense Ratio	0.56%
Primary Benchmark	S&P 1000 TR

Top 10 Holdings

NI FDS TREAS PORT PREMIEF	0.74%
FULGENT GENETICS INC	0.53%
SOLAREDEGE TECHS. INC	0.50%
WILLIAMS-SONOMA INC	0.47%
RH	0.47%
SCOTT'S MIRACLE-GRO CO/T	0.44%
MR COOPER GRP. INC	0.43%
REPLIGEN CORP	0.43%
LITHIA MOTORS INC	0.42%
IROBOT CORP	0.41%
Total % of Portfolio	4.83%

Markets and Performance

For the quarter ended March 30, 2021, the total return for the Steward Small-Mid Cap Enhanced Index Fund (Institutional Shares) was 14.97%. When compared against the 14.88% total return of the S&P 1000 TR Index (the Fund's primary benchmark), the Fund outperformed by 0.09%. For comparison purposes, pure value stocks in the U.S. small and mid-cap (SMID) space advanced by 29.2% on a total return basis for the quarter, led by energy and financials. Pure U.S. growth stocks in the SMID space also performed well, with a total return of 11.9% last quarter, but underperformed both pure value and the primary benchmark. Energy names were boosted by a 21.9% rise in spot crude oil prices and from the optimistic narrative of a coming commodity supercycle. Banks, which borrow short and lend long, benefitted from an approximately 80 basis point widening of 10-Year Treasury yields relative to 3-Month bills, with similar optimism in the outlook going forward.

Positive and Negative Contributors to Performance

Throughout the quarter, the blended style of the Fund was unchanged at 60% U.S. SMID, 30% pure growth securities, and 10% towards pure value securities. Our allocation toward pure growth resulted in an 89 basis point negative hit to performance. However, this was more than offset by our allocation toward pure value, which ended the quarter with a net positive performance impact of 143 basis points. In total, the net pure style impact was a positive 54 basis points for the quarter. The other material source of relative performance often comes from our values-based screens. This quarter, the net impact of not owning the stocks in our values-based screens was a negative 24 basis points, driven mainly by alcohol (-12 basis points) and gambling (-5 basis points).

Looking Ahead

The Fund's style allocation to pure growth and pure value continue to be the biggest focus of our time, thought, and research. Despite the underperformance of pure growth relative to pure value for the past six months, we continue to prefer our current overallocation toward sectors with long-term secular growth opportunities over value sectors like energy and financials that have done well recently.

We believe that the energy names face a tough road ahead with a materially backwardated commodity futures curve (current prices are higher than futures) to digest and an unsupportive political environment. For financials like banks, we think it will be increasingly difficult to outperform the current optimism in the sector. This is due to the prospects of yield curve control by the Fed and a still-tough economic and demographic backdrop that is not conducive to sustainably higher interest rates.

Trailing Returns

	Qtr	YTD	1 Year	3 Years	5 Years	10 Years
Steward Small-Mid Cap Enhanced Index Fund - Instl	14.97%	14.97%	93.33%	11.09%	13.13%	11.04%
S&P 1000TR	14.88%	14.88%	86.95%	13.50%	14.75%	12.25%

Source: Morningstar Direct

Our Firm

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