

Steward Values Enhanced Small-Mid Cap Fund¹

Commentary | Quarterly update: 2Q24

Institutional shares



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Snapshot

Ticker	SCECX
Inception date	4/3/2006
Prospectus dated	8/28/2023
Prospectus expense ratio	0.65%
Primary benchmark	S&P 1000 Index

Top 10 holdings (%)

Williams-Sonoma, Inc.	0.55
Pure Storage, Inc. Class A	0.50
Carlisle Companies Inc.	0.48
Lennox International Inc.	0.43
EMCOR Group, Inc.	0.43
Illumina, Inc.	0.41
Reliance, Inc.	0.39
Manhattan Associates, Inc.	0.39
Burlington Stores, Inc.	0.39
Owens Corning	0.38
Total % of portfolio	4.36

Markets and performance

Small and mid-cap names had a tough second quarter, reversing course from the start of the year, with each group posting negative returns over -3%. Small caps are firmly in negative territory for the year. Mid-cap names are helping to buoy the benchmark, remaining positive despite the poor second quarter. A lack of anticipated Fed cuts and persistent inflation have been a bane for these more economically sensitive stocks. All sectors apart from utilities and technology finished in the red for the quarter. Utilities was the strongest absolute performer, led by Vistra Corp which was promoted to the S&P 500. For the period, Steward Values Enhanced Small-Mid Cap Fund returned -3.71%, underperforming the primary benchmark, the S&P 1000 Index, which returned -3.34%.

Positive and negative contributors to performance

The fund implements a strategy to upweight companies that score at the top of its values-focused composite rankings. At quarter end, the fund upweighted 38 companies by 10 basis points (bps) each, which is two more than the 36 names used in the prior quarter.

The performance of the fund can also be affected by its values-based exclusionary screening policies. For the quarter, the net impact of the values-based exclusionary screening detracted from relative fund performance by 14 bps. Tenet Healthcare (26.56%), Casey's General Stores (19.95%) and Halozyme Therapeutics (28.71%) all had impressively strong quarters that detracted 18bps of relative performance. Tenet and Halozyme both engage in abortion-related activities while Casey's generates revenue from both alcohol and tobacco barring all three from investment.

On the positive side, Carlyle Group (-13.66%) and Performance Food Group (-11.43%) each had double-digit declines for the second quarter, which collectively added 8 bps of relative performance. Carlyle is removed from the investable universe due to abortion-related activities while Performance Food generates revenue from tobacco.

Looking ahead

The spread between small/mid-cap and large-cap performance continues to widen with the AI boom and a narrow market driving large caps higher, leaving small/mid-cap names without any clear direction. Prolonged Fed rate cuts will continue to be a headwind for these stocks which are more sensitive to higher interest rates. The shift in narrative from persistent to cooling inflation also removed any hope of a near-term rate decrease, adding downward pressure to the benchmark. Although the economy remains healthy, there are signs of slowing momentum which could be cause for concern. If the U.S. dips into a recession, small cap names may suffer outsized impact relative to their large cap counterparts.

¹ Effective Aug. 27, 2024, Steward Values-Focused Small-Mid Cap Enhanced Index Fund has been renamed Steward Values Enhanced Small-Mid Cap Fund.

Performance (%)	Quarter	YTD	1-year	3-year	5-year	10-year	Since inception
Steward Values Enhanced Small-Mid Cap Fund (SCECX)	-3.71	3.08	11.15	2.60	8.89	7.66	8.02
S&P 1000 Index	-3.34	4.03	12.08	3.02	9.61	8.87	8.83

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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