

Steward Covered Call Income Fund

Commentary | Quarterly update: 3Q24

Institutional shares



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Snapshot

Ticker	SCJIX
Inception date	12/14/2017
Prospectus dated	8/28/2024
Prospectus expense ratio ¹	Gross 1.25% Net 1.00%
Primary benchmark	S&P 500 Index

Top 10 holdings (%)

NVIDIA Corp.	4.97
Apple Inc.	4.66
Microsoft Corp.	4.55
Amazon.com, Inc.	3.91
Meta Platforms Inc Class A	2.91
Berkshire Hathaway Inc. Class B	2.48
Alphabet Inc. Class A	2.30
Broadcom Inc.	2.14
Eli Lilly and Co.	1.88
Alphabet Inc. Class C	1.84
Total % of portfolio	31.64

Markets and performance

Last summer, it looked as if the bull market might actually be in some trouble. However, stocks rebounded after an August and September pullback with a rotation from big tech and growth stocks to value stocks and smaller companies. Value stocks posted strong relative returns over the third quarter. The recovery in September was also fueled by half a percentage point cut to the Federal funds rate to the 4.75%-5% range. Uncertain economic conditions and higher unemployment were reasons for the half-point cut, instead of a quarter point, with officials now directing their attention to supporting economic growth versus reducing inflation. This was the first rate cut since the market-related COVID-19 turmoil in March 2020.

Positive and negative contributors to performance

Steward Covered Call Income Fund underperformed its primary benchmark (S&P 500 Index) and slightly underperformed its secondary benchmark (BXM) 3Q24. Information technology, consumer discretionary, and financials had positive contributions to return from a sector standpoint. Individual stocks worth mentioning that had positive contributions to return were NVIDIA (NVDA), Microsoft Corp (MSFT), and Lowe's Companies Inc. (LOW). Industrials, real estate, and materials were among the weakest-performing sectors. Qualcomm (QCOM), Conoco Phillips (COP), and Emerson Electric (EMR) had negative contributions to return. From an option overlay standpoint, we were opportunistic in trading certain names and sectors while continuing to stay short in duration. We also took advantage of volatility spikes in August and September by resetting multiple option strikes, allowing for a continued increase in cash flow.

When considering the Steward values-based screens we apply, the net impact on fund performance by not owning restricted companies was -29 basis points (bps) relative to the S&P 500. The majority of this negative impact came from not owning pharmaceutical companies engaged in abortion and embryonic stem cell research. The largest single-name negative impact on performance (-10 bps) came from not owning United Healthcare Group Inc. (UNH).

Looking ahead

The equity markets produced impressive returns through the first three quarters of the year, with the S&P 500 Index up over 21% year-to-date, even with a shift in leadership from growth to value. While the overall outlook for the 4Q24 is somewhat optimistic, several factors will at some point produce increased volatility in the markets, including the highly anticipated presidential election, and the ongoing conflicts in the Middle East and Ukraine. Any potential signs of deterioration in employment data could challenge the "soft landing" narrative. Third-quarter company earnings results will also be heavily scrutinized. Expect to see quite a bit of volatility as we head into the fourth quarter and the end of the year. This will allow for methodical option-trading opportunities that could benefit the fund.

¹ The net expense ratio reflects a contractual commitment by the fund's investment adviser to waive fees and/or reimburse expenses through Aug. 31, 2025. Absent the waiver and/or reimbursement, expenses would be higher and total returns would be less. Please see the prospectus for details.

Performance (%)	Quarter	YTD	1-year	3-year	5-year	Since inception
Steward Covered Call Income Fund (SCJIX)	4.02	14.05	22.32	8.56	10.49	9.17
S&P 500 Index	5.89	22.08	36.35	11.91	15.98	14.03
CBOE S&P 500 BuyWrite Index (BXM)	5.54	13.55	18.31	6.39	6.59	5.72

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. Equity investments generally involve two principal risks—market risk and selection risk. The value of equity securities will rise and fall in response to general market and/or economic conditions (equity market risk). The value of any individual equity security will rise and fall in response to the market's perception of the issuer's revenues, earnings, balance sheet, creditworthiness, business plan, and overall perception of the viability of the issuer's business (selection risk).

Options are not suitable for every investor. Writing call options to generate income and to potentially hedge against market declines by generating option premiums involves risk. If the market price of a security increases, a call option written against that security limits the gain that can be realized. And, there can be significant differences between the securities and options markets that could result in an imperfect correlation between these markets, causing a given transaction not to achieve its objectives.

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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