

# Steward Values Enhanced Small-Mid Cap Fund<sup>1</sup>

Commentary | Quarterly update: 3Q24

Institutional shares



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## Snapshot

Ticker	SCECX
Inception date	4/3/2006
Prospectus dated	8/28/2024
Prospectus expense ratio	0.64%
Primary benchmark	S&P 1000 Index

## Top 10 holdings (%)

Williams-Sonoma, Inc.	0.57
EMCOR Group, Inc.	0.53
Carlisle Companies Inc.	0.52
Illumina, Inc.	0.51
Lennox International Inc.	0.48
Dynatrace, Inc.	0.48
Manhattan Associates, Inc.	0.46
US Foods Holding Corp.	0.45
Texas Pacific Land Corp.	0.44
Reliance, Inc.	0.44
<b>Total % of portfolio</b>	<b>4.88</b>

## Markets and performance

Small and mid-cap names had a volatile third quarter, gaining over 7% in the month of July, only to have the gains wiped away in the first week of August with contagion from the Japan carry trade unwinding. The anticipation and subsequent Fed jumbo rate caused another rally, helping the asset class to finish at just over 7.5% for the quarter. Small caps climbed out of the red and now sit in positive territory for the year. Mid-cap names are outpacing their smaller counterparts, eclipsing double digit returns for the year, up over 12%. All sectors apart from energy finished positively for the quarter. Real estate was the strongest absolute performer led by Uniti Group, which almost doubled for the period, bouncing off all-time lows. For the third quarter, Steward Values Enhanced SMID Cap Fund returned 7.38%, underperforming the primary benchmark, the S&P 1000 Index, which returned 7.93%.

## 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 the same number of 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 31 bps. Tenet Healthcare (24.93%), Gaming and Leisure Properties (15.48%) and Performance Food Group (18.54%) all had impressively strong quarters that detracted 18 bps of relative performance. Tenet engages in abortion-related activities. Gaming and Leisure Properties, as the name suggests, is involved in gambling and Performance Food Group generates revenue from tobacco barring all three from investment.

On the positive side, Light Wonder (-13.49%) and Churchill Downs Inc. (-3.14%) each had declines for the third quarter which collectively added 4 bps of relative performance. Light Wonder and Churchill Downs are both removed from the investable universe due to revenue from gambling.

## Looking ahead

Small and mid-cap names found firmer footing in the third quarter, helped predictably by Fed rate cuts and a soft-landing narrative. If the dot-plot remains unchanged and the Fed cutting cycle plays into a Goldilocks economy, expect continued success in this asset class. However, there is enough softening in the labor market and the unpredictability of the upcoming presidential election that healthy caution and an appetite for volatility remains prudent in the short-term. If the economy reverses and the U.S. dips into a recession, small cap names tend to suffer outsized impact relative to their large cap counterparts.

<sup>1</sup> Effective Aug. 28, 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)	7.38	10.69	24.67	5.68	10.61	9.05	8.33
S&P 1000 Index	7.93	12.28	26.56	6.43	11.32	10.25	9.15

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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