

# Steward Global Equity Income Fund Commentary

March 31, 2016

## Performance

Equity markets in the first quarter dropped significantly early on but then rebounded ending the period with a positive return. The Global Equity Income Fund benchmarks of the S&P 500 and the S&P Global 1200 ended the quarter with returns of 1.35% and 0.15% respectively. For dividend income comparison purposes, the MSCI ACWI High Dividend Yield Index returned 3.68%.

## Factors Affecting Performance

With most countries having reported their economic data for 2015, it's always useful to recap the year and evaluate each regional economy's relative strength. U.S. GDP growth came in at 2.4% representing a slower than desired result but leading the developed markets overall. China continued to stay in the headlines as GDP growth was reported at 6.9% for the year just missing their 7% target rate. Current year estimates however have been lowered further to 6.5% as China is expected to implement more aggressive growth policies. The Eurozone GDP growth rate for 2015 came in at a 1.5% increase, reflecting a significant positive change from the 0.9% rate of the previous year but still suboptimal. The European Central Bank is expected to provide additional easing. Japan's economy has managed to grow only a mere 0.5% prompting the Bank of Japan to reduce their interest rates into negative territory. Overall, global economic growth remains sluggish with the U.S. bucking the trend of providing additional economic stimulus. GDP estimates for 2016 indicate only a modest improvement expectation going forward.

Company earnings as represented by the S&P 500 grew at -5.4% in the fourth quarter. Earnings growth for the full year declined -1.1% with the energy sector's -61% drop having an enormous impact. The S&P 500 minus the energy sector would have had a 5.9% growth rate. Earnings growth estimates for 2016 are currently coming in at 2.3%.

The Global Equity Income Fund outperformed its global benchmark and also outperformed similar dividend income indices for the period. The portfolio equity allocation at the end of the period was 62% U.S. and 38% international. Solid first quarter performance with individual holdings led the way. Shares of engine maker

2015 & 2016  
LIPPER BEST  
GLOBAL EQUITY  
INCOME FUND  
AWARD WINNER  
FOR 5-YEAR  
PERIOD



THOMSON REUTERS  
LIPPER FUND AWARDS 2015  
UNITED STATES



2016  
THOMSON REUTERS  
LIPPER FUND AWARDS

Equity markets in  
the first quarter  
dropped significantly  
early on but then  
rebounded ending  
the period with a  
positive return.

The Global Equity Income Fund outperformed its global benchmark and also outperformed similar dividend income indices for the period.

Briggs & Stratton +39.07% jumped 11.5% after its quarterly results and outlook topped analyst expectations. Shares during previous months have lagged over concerns of its exposure to slowing global growth however adjusted earnings of \$0.34 far exceeded the \$0.18 consensus expectations alleviating those worries. Genuine Parts Co. +16.50% hit new 52-week highs as the company remains focused on increasing its sales through acquisitions and boosting earnings through aggressive share repurchases. The company raised its dividend by 7% marking the 60th

consecutive year of increases. Shares of Taiwan Semiconductor Co. +15.16 rose on better than expected fourth-quarter results and also possibly on the news that it will sell processors to Apple for the next iPhone.

Moving to relative underperformance in the portfolio, London based HSBC -18.57% warned of a “bumpier” global financial outlook due to China’s slowing economy. Europe’s largest bank posted a net profit below analysts’ forecasts and is currently in process of a sweeping reorganization that includes trimming back its global operations to focus on Asia where it expects the region’s growing affluence to drive future profits. Flowers Foods -7.20% shares tumbled on a disappointing earnings report for the quarter. With several well-known legacy brands such as Wonder Bread and Tastykake, the company is diversifying into organic foods with several acquisitions. If management delivers on its current guidance the company should recover from this recent sell off. The Global Equity Income Fund has performed extremely well over the quarter validating the effectiveness of the methodology.

## Global Equity Income Fund

The Global Equity Income Fund pursues its objective through the investment in U.S. and non-U.S. dividend-paying stocks that have demonstrated above median yield, a positive trend in dividends and favorable earnings growth. These companies also represent a broad spectrum of the global economy. The objective of this fund is to provide current income and the potential for capital appreciation at lower than overall market risk.

## Faith-Based Screening Methodology:

The Fund uses CFS Consulting Services, LLC (CCS) as its provider of cultural values research data in the screening of securities. The management team at CCS pioneered the initial development of values-based investing in the mid 1990’s. Their experience includes having started an investment research firm dedicated to values-based investing data and analysis in 1996.

The Fund applies a comprehensive set of cultural values screens to all of the investments. Screens applied to the portfolio management process allow investors to avoid owning securities in companies that choose to profit from businesses that are at odds with values consistent with a Christian lifestyle.

Strict exclusionary screens are applied to companies involved in the businesses of abortion and pornography. In addition, the Fund screens for businesses that are principally involved in gambling, or the manufacturing of alcoholic or tobacco products. The Fund employs only avoidance screens and does not dilute the portfolio by seeking to invest in companies that promote any individual cultural or social issue.

This methodology gives the Fund the ability to serve a rapidly growing number of investors seeking competitive investment returns without compromising their personal convictions.

For more information contact:

**Jack McClain**

713.243.6720

[jmclain@capstonefinancial.com](mailto:jmclain@capstonefinancial.com)

*The U.S. Lipper Fund Awards recognized The Fund on March 22, 2016 for delivering consistently strong risk-adjusted performance, relative to its peers, for the 5-year period. Chosen out of 80 others, The Fund achieved the highest Lipper Leader for Consistent Return (Effective Return Net of Expenses) value over an individual time period in its classification.*

**This is not an offer to sell or a solicitation to buy Fund shares. Sales of Fund shares may only be made by prospectus. Before investing you should carefully consider the Fund’s investment objectives, risks, charges and expenses. This and other information is in the prospectus, a copy of which may be obtained by calling Capstone Asset Planning Company, Distributor for the Steward Funds, Inc., (800) 262-6631. Please read the prospectus carefully before you invest.**