

Steward Global Equity Income Fund Commentary

September 30, 2016

Disciplined, Principled, Responsible Investing

Performance

The third quarter started with markets trading significantly higher in July and then holding those gains in August. September saw a modest pullback, but the equity markets still managed to close the quarter with a solid increase. The Global Equity Income Fund benchmarks of the S&P 500 and the S&P Global 1200 ended the quarter with returns of 3.85% and 5.07% respectively. For dividend income comparison purposes, the MSCI ACWI High Dividend Yield Index returned 3.46%.

Factors Affecting Performance

The economic data in the U.S. has generally come in fairly strong throughout the third quarter with weakness only revealing itself in September allowing the Federal Reserve to keep interest rates on hold. A current snapshot of the U.S. economy shows surprising strength with continued job gains and wage increases, jobless claims remaining fairly low and an improving housing sector. Looking overseas, the impact of the U.K. vote to leave the European Union has moved the Bank of England to lower interest rates and take a second step of expanding its quantitative easing with an additional asset purchase program. In the Eurozone, the recent leading economic indicators shows Germany being resilient to the Brexit vote but other countries such as France and Italy were being negatively impacted. In Japan, the BOJ made some adjustments to their monetary policy resulting in some modest additional monetary easing. Overall the developed countries around the world continue to report slow economic growth while implementing significant monetary easing policy.

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Earnings as represented by the S&P 500 have improved in the second quarter as the reported declining growth rate of -3.5% has nearly cut the deficit in half from the previous quarter. The energy sector continues to experience losses as earnings dropped -84% in the second quarter. Looking ahead, earnings growth estimates for the full year of 2016 have been revised downward with expectations now going negative at -0.2%.

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

After significantly outperforming the S&P Global 1200 for the first two quarters of the year, the Global Equity Income Fund gave back a little of its relative outperformance in the third quarter. The Fund, however, did outperform both the S&P 500 and its global dividend benchmark during the same period. The portfolio equity allocation at the end of the period was 60% U.S. and 40% international. Positive contributors to relative return were led by Taiwan Semiconductor Manufacturing Co. +16.62%. Market value increased on positive indicators disclosed by management which included plans for a steady increase in dividends over the long run. The company is currently the largest weight holding in the portfolio. China Life Insurance Co. Ltd. +21.56% shares steadily rose as the company optimized its business structure transitioning towards higher margin products with longer payment durations. Shares of Magna International, Inc. +23.23% climbed on better than expected quarterly earnings results. Lower gasoline prices and stronger sales of automobiles in both North America and Europe propelled the auto parts maker revenue higher with improved margins.

Holdings that were negative contributors to relative return included Flowers Foods, Inc. -18.49% as shares dropped sharply after an announcement of an investigation by the Department of Labor. This event triggered an immediate review of the company and it was determined that the level of risk to Flower's Foods was sufficiently high to warrant it being sold out of the portfolio prior to the quarterly trading cycle. Cracker Barrel Old Country Store, Inc. -20.71% declined after company management reported their full-year outlook which was lower than analysts were collectively expecting. Overall the Fund has performed well for the period and will continue to seek high quality dividend paying companies that provide superior results over the long-term.

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.

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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.