Steward Funds
Managed by CAPSTONE

A LEADER IN VALUES-BASED INVESTING

STEWARD FUNDS COMMENTARIES

1Q 2017 Commentaries

- Steward Global Equity Income Fund
- Steward Select Bond Fund

www.stewardfunds.com

Steward Funds
Managed by CAPSTONE

www.stewardfunds.com

Steward Global Equity Income Fund Commentary

March 31, 2017

Performance

The first quarter of 2017 was favorable to the equity markets as valuations rose significantly during the period. The Global Equity Income Fund benchmarks of the S&P 500 and the S&P Global 1200 ended the quarter with returns of 6.07% and 6.80% respectively. For dividend income comparison purposes, the MSCI ACWI High Dividend Yield Index returned 6.03%.

Factors Affecting Performance

The U.S. is in the spotlight as it breaks from its recent policy path with the new administration's proposals for fiscal stimulus, trade policy, tax reform and a regulatory reset. While not all of these policies would boost growth, the overall impact would be a strong positive catalyst. The Euro area is also expected to increase growth this year as continued easing monetary policy and neutral fiscal policy should further stimulate the economy. Japan, while still maintaining a low GDP growth rate of 1%, is showing signs of strength with average January and February exports running 9% above the previous quarter's average. If we look at G7 countries and include the Eurozone, the U.S. is still the strongest economy of the group with estimated 2017 GDP expected to come in at 2.3%. Canada is second behind the U.S. with estimated 2017 GDP growth at 2.1%, and the Eurozone follows at 1.6%. While these numbers represent only modest increases, the combination of potential catalysts and upbeat reported data indicate the potential for strengthening global growth.

The U.S. is in the spotlight as it breaks from its recent policy path with the new administration's proposals for fiscal stimulus, trade policy, tax reform and a regulatory reset.

Earnings growth in the fourth quarter of 2016 as represented by the S&P 500 has improved to 5.1% signaling a modest increase over the previous quarter. The energy sector is now reflecting a full year since the steep declines generated by low oil prices and is recording a positive growth rate of 3.6%. Looking forward, earnings growth estimates for the full year of 2017 are expected at 9.8%, a significant improvement from the 0.6% growth rate of 2016.

2015 • 2016 • 2017
LIPPER BEST
STEWARD GLOBAL EQUITY INCOME FUND
Institutional (SGISX)
AWARD WINNER
FOR 5-YEAR PERIOD

WINNER OF THE 2017
THOMSON REUTERS
LIPPER FUND AWARDS
UNITED STATES
THIRD CONSECUTIVE YEAR

The U.S. Lipper Fund Awards recognized The Fund on March 31, 2015, March 22, 2016 and March 23, 2017 for delivering consistently strong risk-adjusted performance, relative to its peers, for the 5-year period. Chosen out of 66 others in 2015, 80 others in 2016, and 22 others in 2017, the Fund achieved the highest Lipper Leader for Consistent Return (Effective Return Net of Expenses) value over an individual time period in its classification.

The Global Equity Income Fund moderately underperformed the S&P Global 1200 and the MSCI ACWI High Dividend Yield Index in the first quarter of 2017 signifying a modest reversion to the mean following an exceptional outperformance year of 2016. The portfolio equity allocation at the end of the period was 59% U.S. and 41% international. Positive contributors of relative performance for the quarter included Unilever NV +21.85% as shares soared after The Kraft Heinz Company made a potential offer for the company. Unilever declined Kraft's cash and share offer valuing the company at $143 billion as it sees no merit, either financial or strategic. Taiwan Semiconductor Mfg. Co. +14.23% shares climbed after a solid fourth quarter earnings report that beat market expectations on strong demand for advanced chips and foreign exchange rates. Banco Santander Chile +14.68% reported net income results in line with expectations, however the bank continues to execute its strategy of growing faster in mid and high income consumer loans as well as lending to middle market companies raising the overall loan credit quality.

Negative contributors to relative performance included Meridian Bioscience Inc. –21.24% whose shares dropped on dismal quarter results that missed expectations by 8% on the top line and 25% on the bottom line. The company also slashed its dividend by 37.5% which caused it to fail the quantitative screens, and the holding was subsequently sold. Toyota Motor Corp. –7.32% shares slid on a number of recent analyst reports which have lowered their price targets or downgraded their ratings. It is important to note that this trend was not universal among analysts with at least one giving the company an upgrade to Outperform. While the Global Equity Income Fund underperformed for the quarter, its methodology and strategy continues to be effective and perform well 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.

Values-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-based investing.

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 us at: **Steward Funds** 713.243.6720 info@stewardmutualfunds.com

***Risk Factors**: The Fund may not achieve its stated investment objective. Please be aware that the Fund may be subject to certain additional risks such as **Cultural Values Screening and Foreign Securities Risk. The Fund may not achieve the same level of performance as it would have without the application of the Cultural Values Screening policies. Investments in foreign securities may involve greater risk, including political and economic uncertainties of foreign countries as well as the risk of currency fluctuations.** Please see the Fund's prospectus for a further explanation of these risks.*

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. For the Fund's performance as of the most recent month end, please call 888-556-5369. Returns are historical and are calculated by determining the percentage change in the net asset value (NAV) with all income and capital gain distributions reinvested.

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., (888) 556-5369. Please read the prospectus carefully before you invest.

NOT FDIC INSURED - NO BANK GUARANTEE - MAY LOSE VALUE © 2017 CAPSTONE ASSET PLANNING COMPANY, DISTRIBUTOR (MEMBER FINRA/SIPC) 3700 WEST SAM HOUSTON PARKWAY SOUTH, SUITE 250, HOUSTON, TX 77042, 888-556-5369

Steward Funds
Managed by CAPSTONE

www.stewardfunds.com

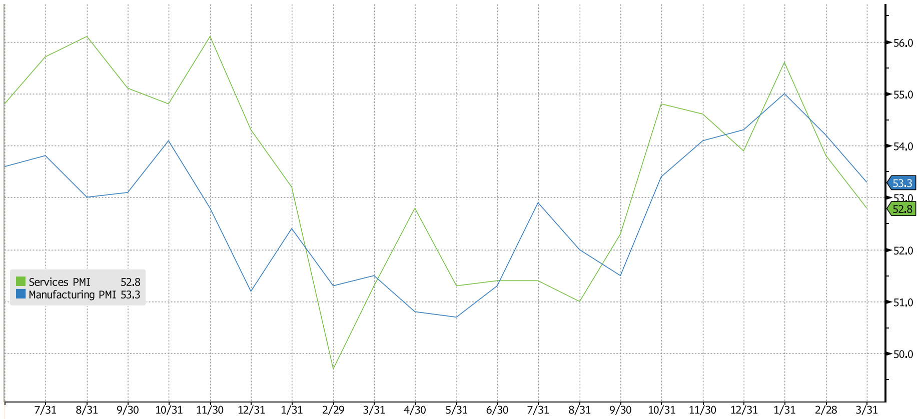
Steward Select Bond Fund Commentary

March 31, 2017

March Madness may have come to an end, but the market madness we have seen throughout the first quarter will probably linger just a little longer. From optimism on new policy agendas and stronger labor markets to uncertainty over the Federal Open Market Committee (FOMC) forward path and global elections, the first few months of 2017 have provided plenty of fodder to drive investors mad. So how do these events shape our outlook and strategy going forward? Let's take a look at our final four and see what we can determine.

Our four teams come down to the Federal Reserve, PMI readings, global issues and Washington. Between these four factors, the market madness continues as we move into the second quarter. As the March FOMC meeting approached, a rate hike was already basically priced in to the market and therefore the announcement of a 25bps hike really didn't move yields. We did have a slightly more dovish tone in the press conference, which also kept yields from climbing post meeting. The U.S. 10yr Treasury note went from a high for the quarter of 2.63% prior to the meeting down to a 2.39% at the end of March. Some of this was also due to the fact that a record number of shorts existed during the month and many of those have now been covered, giving a bid to the market.

Market Manufacturing and Services PMI
March 2015 – March 2017



Source: Bloomberg

- Our four teams come down to the Federal Reserve, PMI readings, global issues and Washington.
- The PMI numbers show us that we have experienced economic growth, but there is some hesitation as to how long this will continue.
- With a focus on duration, yield curve, sector and individual security selection, all of our fixed income products outperformed their respective indices for the month of March while generating a strong income flow for our clients.
- With short coverings on the decline and a Fed that is leaning towards additional rate hikes this year, we would anticipate higher yields over the coming quarter which supports our current strategy.

The soft data has been improving with investors questioning whether the hard data is to follow. Looking at our second of the final four, the PMI numbers show us that we have experienced economic growth, but there is some hesitation as to how long this will continue. Both manufacturing and non-manufacturing PMIs have trended higher and are above the 50 mark between expansion and contraction, although we are seeing a declining expansion over the last couple of months.

Our final two teams come down to happenings in Washington, which are closely related to on-going events around the world. There are all sorts of animal spirits running around Washington that began as great optimism in the New Year for some, with healthcare and tax reform on the horizon. With a setback in healthcare, spirits shifted and more hesitation about fiscal stimulus began to evolve diminishing what some termed the "Trump trade rally" in the markets. In addition to policy uncertainty, the administration must also address issues with Russia, North Korea and Syria.

With a setback in healthcare, spirits shifted and more hesitation about fiscal stimulus began to evolve diminishing what some termed the "Trump trade rally" in the markets.

When we look around the globe, populist movements are taking center stage and central banks must weigh their options on the best path forward. We have the formal beginnings of Brexit, French elections in the near future and the ECB, BOE and BOJ determining their next steps in monetary policy. An interesting note is that following a few months of relative stability, we did see global yields move higher during the month of March. The Swiss 10yr broke above the zero mark hitting an 18-month high, with German, Spanish, Australian, Canadian and Japanese sovereign yields all in an upward trend as well.

So what do these final four players in our market madness signal as the next play? At Capstone, we continue to focus on generating income for our clients through our taxable fixed income products while reducing interest-rate risk. Although we did experience a 30+ basis point move in U.S. 10yr Treasury yields this month, we have remained within the established trading range of 2.30-2.65%. As we continue to vacillate within this range, our fixed income products retain a conservative approach with an overweight to investment-grade corporate names for income and shorter duration to reduce volatility. Once we see a breakout from this range, we will search

***Risk Factors**: The Fund may not achieve its stated investment objective. Please be aware that the Fund may be subject to certain additional risks such as **Cultural Values Screening and Credit and Interest Rate Risk. The Fund could lose money if an issuer of fixed income securities defaults on its interest payments, fails to repay principal or its credit rating is downgraded. In general, bond prices rise when interest rates fall. This effect is usually more pronounced for bonds with long-term maturities.** Please see the Fund's prospectus for a further explanation of these risks.*

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. For the Fund's performance as of the most recent month end, please call 888-556-5369. Returns are historical and are calculated by determining the percentage change in the net asset value (NAV) with all income and capital gain distributions reinvested.

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., (888) 556-5369. Please read the prospectus carefully before you invest.

NOT FDIC INSURED - NO BANK GUARANTEE - MAY LOSE VALUE © 2017 CAPSTONE ASSET PLANNING COMPANY, DISTRIBUTOR (MEMBER FINRA/SIPC) 3700 WEST SAM HOUSTON PARKWAY SOUTH, SUITE 250, HOUSTON, TX 77042, 888-556-5369

for opportunities to move further out the yield curve adding additional income opportunities for the portfolios.

With a focus on duration, yield curve, sector and individual security selection, all of our fixed income products outperformed their respective indices for the month of March while generating a strong income flow for our clients. With short coverings on the decline and a Fed that is leaning towards additional rate hikes this year, we would anticipate higher yields over the coming quarter which supports our current strategy. So even though you college basketball fans are either celebrating or throwing your brackets away with hopes of a better shot next year, we will continue to monitor the markets and guide you through any market madness that lies ahead.

Values-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-based investing.

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 us at: **Steward Funds** 713.243.6720 info@stewardmutualfunds.com

Risk Factors**: The Fund may not achieve its stated investment objective. Please be aware that the Fund may be subject to certain additional risks such as* ***Cultural Values Screening and Credit and Interest Rate Risk. The Fund could lose money if an issuer of fixed income securities defaults on its interest payments, fails to repay principal or its credit rating is downgraded. In general, bond prices rise when interest rates fall. This effect is usually more pronounced for bonds with long-term maturities. *Please see the Fund's prospectus for a further explanation of these risks.*

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. For the Fund's performance as of the most recent month end, please call 888-556-5369. Returns are historical and are calculated by determining the percentage change in the net asset value (NAV) with all income and capital gain distributions reinvested.

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., (888) 556-5369. Please read the prospectus carefully before you invest.

NOT FDIC INSURED - NO BANK GUARANTEE - MAY LOSE VALUE © 2017 CAPSTONE ASSET PLANNING COMPANY, DISTRIBUTOR (MEMBER FINRA/SIPC) 3700 WEST SAM HOUSTON PARKWAY SOUTH, SUITE 250, HOUSTON, TX 77042, 888-556-5369