



CROSSMARKGLOBAL.COM

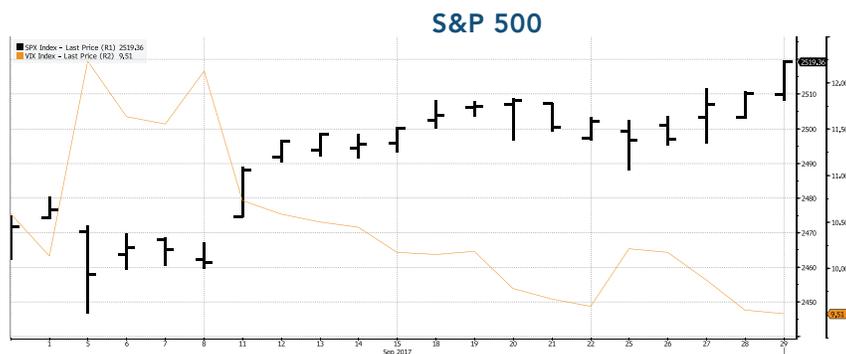
October 2017

# GOT IT COVERED

## COVERED CALL INCOME (previously Theta Growth)

### Covered Call Income: September in Review

So much for August and September being the worst months of the year, on a historical basis, in relation to the S&P 500. September brought little in the way of weakness and in fact, was the least volatile month of September on record. This year has been marked by historically low volatility and there doesn't seem to be a catalyst on the horizon that could change that trend. The US equity markets have had a rather smooth journey in 2017. Healthy market gains combined with low volatility, are being driven by the fact that investors are seeing positive earnings growth with hardly any sign of a near-term recession. Couple that with increased consumer confidence and the renewed talk of tax reform from Washington and you are going to get continued strength in the US equity markets. On a total return basis, the markets have now had 11 positive months in a row. Investors who followed the old adage "sell in May and go away" have missed out on some strong returns over the past several months.



Source: Bloomberg

Covered Call Income continued its strong year as the strategy returned another positive performance month and outperformed both the S&P 500 covered call index and the BXM. The energy sector finally showed up in 2017 as it had an impressive 10.17% return for September. The Covered Call Income strategy has an equal weight in the energy sector and benefited from owning two refiners, Valero (VLO) and Phillips 66 (PSX) as those names returned 12.97% and 9.31% respectively for the month of September. The second best performing S&P 500 sector was financials as that sector was up 5.13%. The Covered Call Income strategy has a slight overweight to the financial sector. Two names owned in the financial sector that had nice performance returns for September were Discover Financial (DFS) and Charles Schwab (SCHW) which were up 9.38% and 9.62% respectively. On the flip side, two names that had off months were Nike (NKE) and Walgreens Boots Alliance (WBA) as those names were down -1.82% and 5.25% for September. Even with historical low volatility, the Covered Call Income team was still able to generate attractive premiums from the sale of covered calls over the month of September as opportunities presented themselves.

Covered Call Income strategy is designed for investors who want equity market participation with enhanced income potential. This approach is appropriate for investors looking for higher yields, capital appreciation and reduced risk levels.

#### Expiration Calendar as of September 30, 2017

Month	Date	Number of Options
October	10/20/17	11
November	11/17/17	10
December	12/15/17	11
January	1/19/18	5



Source: Bloomberg

**Looking ahead to the Fourth Quarter**

Historically, October has been one of the worst performing months of the year to go along with August and September. However, when September has positive returns that bodes well for an even stronger fourth quarter. With the months of December and November being two of the best performing months of the year historically, the markets are in a good position to run even more. The trends that have guided the markets higher remain intact as we head into earnings season. Typically the fourth quarter of the year is an active one, and like the fourth quarter of 2016, this quarter doesn't appear to be any different. The Covered Call Income strategy is well positioned for the balance of the year and will continue to look for trading opportunities as they are presented.

**Tools of the Trade – Option Rolls**

An option roll consists of closing out a current option and opening a new option position. The roll may generate additional premium, cost money, or have no net cash flow. The following table illustrates the new option position with respect to the previous option:

Action:	Strike Price	Expiration Date
Roll Up	Higher	Unchanged
Roll Down	Lower	Unchanged
Roll In	Unchanged	Shorter
Roll Out	Unchanged	Longer

These option rolls can be combined. For example, an option may be rolled down and in or up and out by changing both the expiration date and strike price.

This information has been provided by Crossmark Global Investments, Inc. All material presented is compiled from sources believed to be reliable and current, but accuracy cannot be guaranteed. This is not to be construed as an offer to buy or sell any financial instruments and should not be relied upon as the sole factor in an investment making decision. The views and opinions expressed are those of the portfolio manager at the time of publication and are subject to change. There is no guarantee that these views will come to pass. As with all investments there are associated inherent risks. Please obtain and review all financial material carefully before investing. Past performance does not guarantee future results.

The Crossmark Steward Funds are distributed by **Crossmark Distributors, Inc., member FINRA and SIPC**. Crossmark Distributors is an affiliate of Crossmark Global Investments, Inc., the Steward Funds' investment adviser. Crossmark Global Investments is an investment adviser registered with the Securities and Exchange Commission that provides discretionary investment management services to mutual funds, institutions, and individual clients.

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. A copy of the Steward Funds' prospectus may be obtained free of charge by calling Crossmark Distributors at 800-262-6631.

The U.S. Lipper Fund Awards recognized The Steward Global Equity Income 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.

**Crossmark Global Investments, Inc.**  
 3700 W. Sam Houston Parkway S., Suite 250, Houston, Texas 77042  
 800.262.6631 info@crossmarkglobal.com  
**crossmarkglobal.com**



**Crossmark Distributors, Inc.**  
 Member FINRA/SIPC.

**Expiration Summary**

Called Away – Repurchased

- Dow Chemical Co. ( DOW )
- General Motors Co. ( GM )
- Lowes Cos. ( LOW )
- Pfizer Inc. ( PFE )
- Textron Inc. ( TXT )
- Valero Energy Corp. ( VLO )
- Visa Inc. ( V )

Expired Worthless

- General Electric Co. ( GE )
- Medtronic PLC ( MDT )
- Starbucks Corp. ( SBUX )

Rolled Out

- Mondelez Intl Inc. ( MDLZ )
- Morgan Stanley ( MS )
- Schwab Charles Corp. ( SCHW )
- Verizon Comm. ( VZ )

**About Crossmark's 30 Year History**

Crossmark, previously Capstone Asset Management Company, is an independent investment advisor headquartered in Houston, Texas. Founded in 1987, Crossmark has a multi-decade legacy of providing portfolio solutions for financial advisors and institutional investors with values-based, SRI and ESG values and factor-based strategies. Additionally, Crossmark is the exclusive manager of the Crossmark Steward Funds, which is a fund family that applies an overarching values-based screening methodology to its suite of equity and fixed income funds, including its award-winning Steward Global Equity Income Fund- named Lipper's "Best Global Equity Income Fund" for the last three consecutive years.

For more information contact our Advisors Solutions Group:

888-845-6910