



CROSSMARKGLOBAL.COM

September 2017

GOT IT COVERED

A COVERED CALL STRATEGY (previously Theta Growth)

Covered Call Income: August in Review

Historically August is the worst performing month of the year in relation to the S&P 500. However, there is a historic trend that shows the markets usually do better than average after a strong month of July and that is exactly what was delivered. After the S&P 500 returned over 2% for the month of July, the index followed that up with a +.31% return for August, which is the fifth positive month in a row. The traditionally low-key summer months were interrupted by an upsurge of political risk led by mounting U.S. and North Korea tensions and the terrorist attacks in Spain, which triggered investor nerves and boosted volatility. The unfortunate events at the demonstrations in Charlottesville served to also increase disarray within the Trump administration. All that being said, the U.S. continued to demonstrate solid growth.

Covered Call Income (Theta Growth) had another positive performance month as the strategy outperformed both the S&P 500 covered call index and the BXM. A few individual names in the strategy that produced positive performance for the month of August were Gilead Sciences (GILD), Microchip Technologies (MCHP) and Cerner Corp. (CERN) with returns of 10.01%, 8.92% and 5.27% respectively. Gilead Sciences followed up a nice month of July with an even better month of August as it continued to perform well over the summer. Nike (NKE) was down -10.26% for the month as it traded off in the sector following Foot Lockers (FL) horrendous earnings announcement. Lowes Cos. (LOW) seems to follow up one good earnings announcement with a poor one as the



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 August 31, 2017

Month	Date	Number of Options
September	9/15/17	14
October	10/20/17	10
November	11/17/17	3
December	12/15/17	5

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stock was down -4.53% on poor earnings that were announced this month. Covered Call Income benefitted from having a slight overweight to the technology sector as that sector returned 2.92% for the month of August.

After seeing the VIX index hit a lifetime low of 8.84 during the third week of July and close with a 9 handle for ten straight days, the VIX soared over 40% on North Korea tensions to 16.04 on August 10th. The index then retraced back before spiking again on the Spain terrorist attacks. When the month of August was over the VIX index was back under 11. The volatile month gave the Covered Call Income team trading opportunities to boost income levels for the strategy.

On a Personal Note

Thank you to everyone for all the prayers and well wishes for our colleagues here at Crossmark Global Investments as the city of Houston and surrounding communities were impacted by Hurricane Harvey. Amid the destruction and trials of Hurricane Harvey, it was an amazing and powerful sight to witness people risking everything to try and save and help those in need. Houstonians and Texans are a strong and resilient group and will recover and rebuild better than ever. Thank you again!

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.

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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 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.

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Expiration Summary

Called Away – Repurchased

- Abbott Labs (ABT)
- Citigroup Inc. (C)
- Comcast Corp (CMCSA)
- Coca-Cola Co. (KO)
- Microsoft Corp. (MSFT)
- Phillips 66 (PSX)

Expired Worthless

- Activision Blizzard (ATVI)
- American Intl Group (AIG)
- Cisco Systems Inc. (CSCO)
- Delta Airlines Inc. (DAL)
- Emerson Electric Co (EMR)

Rolled Out

- Cerner Corp. (CERN)
- Gilead Sciences Inc. (GILD)
- Medtronic Inc. (MDT)
- Wal-Mart Stores Inc. (WMT)

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. Crossmark manages approximately \$5 billion in assets with clients nationwide.

For more information contact our Advisors Solutions Group:

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