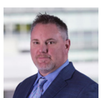
CROSSMARK
GLOBAL INVESTMENTS

QUARTERLY UPDATE: 2Q 2021
COVERED CALL INCOME
COMMENTARY

Covered Call Income is a separately managed account investment strategy



written by
Paul Townsen, Managing Director – Head of Trading & Investment Operations

Markets and Performance

In the first quarter of 2021, markets exhibited volatility stoked by inflation fears, with 10-year Treasury yields selling off from 0.91% to 1.74%. The second quarter continued with this theme as investors stayed cautious amid rising inflation uncertainty, potentially hurting corporate earnings and derailing the bull market run. Investors weighed the risks of taking stocks higher throughout the quarter in light of rich valuations, potential inflation, imminent Fed tapering, higher tax proposals, COVID-19 variants, and ongoing geopolitical tensions. One of the main tail risks for investors was inflation. Investors scrutinized any additional signs of higher inflation, looking for hints that would compel the Fed to taper sooner than expected. Inflationary pressures started to creep into the economic reports, such as Non-Farm payrolls, CPI, and PPI data. The May CPI index increased 5% year-over-year, which was the highest since August 2008. Oil prices rose from $59.16 per barrel to $73.47 due to reopening demand and progressing OPEC supply negotiations. As investors closely monitored rising input costs, the debate on whether inflation was transitory or persistent became the recurring focal point. Despite the increase in commodity prices and supply shortages, the Fed continued to reassure the market they would continue their accommodative support. They reiterated that increased prices would be transitory, and the Fed has tools to curb inflation if prices get out of hand. The Crossmark Covered Call Income model portfolio took advantage of the volatility during the quarter to generate over 3% in income between the premiums generated from the sale of covered calls and dividends paid during the quarter.

Positive and Negative Contributors to Performance

The Crossmark Covered Call Income model portfolio slightly underperformed its primary benchmark (the CBOE S&P 500 BuyWrite Index) mainly due to a sector-neutral weight to the technology sector. Not owning names like Google, Amazon, and Microsoft was a drag against performance for the quarter, a reverse from the first quarter's performance. Stocks with prices over $140 are excluded from the portfolio due to single stock risk. From an attribution angle, Energy, Consumer Staples, and Financial sectors led the way, while not owning the tech names mentioned above contributed to a negative contribution to return. The holdings that contributed positive returns for the quarter were Capital One (3.10% of total net assets), Morgan Stanley (3.70% of total net assets), Nike (4.70% of total net assets), and CVS Corporation (2.50% of total net assets).

Looking Ahead

As we head into the third quarter, investors will likely continue to try to understand a monetary and economic environment that seems to be in constant transition. This uncertainty is playing out in sector rotation, with a drop in the economic recovery theme relative to the S&P 500. All this should lead to heightened volatility across the broad equity markets. The Crossmark team will continue to monitor volatility, intending to trade the option overlay to maximize income and reduce market risk.

Covered Call Income Top 10 Model Holdings [1]

Nike, Inc.	4.70%
Applied Materials, Inc.	4.30%
Apple, Inc.	4.20%
Oracle Systems Corp.	3.90%
Activision Blizzard, Inc	3.90%
Medtronic PLC	3.80%
Bank America Corp.	3.80%
Morgan Stanley	3.70%
Western Digital Corp.	3.60%
Abbott Labs	3.50%

% of Total Portfolio: 39.40%

[1] Model Portfolios are based on a hypothetical account managed during the current quarter. Actual characteristics and income may differ materially from model. As of 6/30/2021.

Our Firm

Crossmark Global Investments is a faith-based investment management firm that provides a full suite of investment strategies to institutional investors, financial advisors, and the clients they serve. For over 30 years we have delivered uniquely constructed products based on our proprietary, disciplined, and repeatable process. We are especially known for helping our clients align their investments with their values by creating socially conscious, responsible investment strategies. Founded in 1987, we are headquartered in Houston, Texas.

Contact a member of our Advisor Solutions Team

advisorsolutions@crossmarkglobal.com | 888.845.6910

Crossmark Global Investments, Inc. (Crossmark) is an investment adviser registered with the Securities and Exchange Commission that provides discretionary investment management services to mutual funds, institutions, and individual clients. Investment advice can be provided only after the delivery of Crossmark's firm Brochure and Brochure Supplement Form ADV (Parts 2A and 2B) and Form CRS, and once a properly executed investment advisory agreement has been entered into by the client.

All Investments are subject to risks, including the possible loss of principal. Past performance does not guarantee future results. The Covered Call Income strategy may not achieve its objective if the managers' expectations regarding particular securities or markets are not met. Equity investments generally involve two principal risks—market risk and selection risk. The value of equity securities will rise and fall in response to general market and/or economic conditions (equity market risk). The value of any individual equity security will rise and fall in response to the market's perception of the issuer's revenues, earnings, balance sheet, credit worthiness, business plan, and overall perception of the viability of the issuer's business (selection risk).

Options are not suitable for every investor. Writing call options to generate income and to potentially hedge against market declines by generating option premiums involves risk. These risks include, but are not limited to, potential losses if equity markets or an individual equity security do not move as expected, and the potential for greater losses than if these techniques had not been used. If the market price of a security increases, a call option written against that security limits the gain that can be realized. And, there are significant differences between the securities and options markets that could result in an imperfect correlation between these markets, causing a given transaction not to achieve its objectives.

These materials reflect the opinion of Crossmark on the date of production and are subject to change at any time without notice. Where data is presented that was prepared by third parties, the source of the data will be cited, and we have determined these sources to be generally reliable. However, Crossmark does not warrant the accuracy of the information presented.

Information and recommendations contained in market commentaries and writings are of a general nature and are not intended to be construed as investment, tax or legal advice. These materials reflect the opinion of Crossmark on the date of production and are subject to change at any time without notice. Where data is presented that was prepared by third parties, the source of the data will be cited, and we have determined these sources to be generally reliable. However, Crossmark does not warrant the accuracy of the information presented.

Crossmark Global Investments, Inc.
15375 Memorial Drive, Suite 200, Houston, TX 77079
888.845.6910 advisorsolutions@crossmarkglobal.com
crossmarkglobal.com