



COVERED CALL INCOME COMMENTARY | QUARTERLY UPDATE: 4Q 2022

Separately Managed Account



written by
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Top 10 Crossmark Covered Call Income Portfolio Holdings	
Apple, Inc.	3.9%
Electronic Arts, Inc.	3.7%
Microchip Technology, Inc.	3.5%
Morgan Stanley	3.4%
Oracle Systems Corp.	3.3%
Merck & Company	3.3%
Qualcomm, Inc.	3.3%
Exxon Mobil Corp.	3.3%
Coca Cola Co.	3.2%
Raytheon Technologies Corp.	3.0%
Total % of Portfolio	33.9%

Crossmark uses a model account to manage the individual client accounts that have selected this investment strategy. The portfolio characteristics shown are based on the model account. The characteristics of any individual account may differ from those of the model account. All performance information shown is composite performance derived from the aggregate of all accounts included in the composite.

* Net performance was calculated using the hypothetical highest annual all-inclusive wrap fee of 3.00% by deducting .75% from the last month of each quarter. Gross performance is shown as supplemental information and is stated as pure gross of all fees as the returns have not been reduced by transaction costs. Wrap fees include Crossmark's portfolio management fee as well as all charges for trading costs, custody, and other administrative fees. Due to the effect of compounding, annual returns shown net of fees may be lower than the return that would be shown if the fee were deducted from the gross return at a single point in time.

Markets and Performance

Equity markets capped off a tumultuous year with positive returns during the fourth quarter of 2022 with much of the gain coming during the month of November. Strong corporate earnings in several sectors paved the way during the quarter as well as investors balancing ongoing caution from the Fed with indications that the pace of policy tightening would slow and signs of inflation could be cooling. Inflation concerns and aggressive rate hikes from the Fed battered the stock markets and weighed on investor sentiment throughout most of the year. Continued volatile economic data and geopolitical issues kept the markets on edge as well. Despite the losses, the Dow and S&P 500 returned to positive territory after three months of negative returns. The Nasdaq, however, suffered through its fourth losing quarter for the first time since 2001.

Positive and Negative Contributors to Performance

The Covered Call Income composite outperformed the primary benchmark of the BXM as well as the S&P 500 during the fourth quarter ending December 31, 2022, returning 10.12%, 6.80% and 7.56%, respectively. Information technology, consumer discretionary and communication services sectors had positive contributions to return from a sector standpoint. Some individual stocks worth mentioning that had positive contributions to return during the quarter include Merck (MRK, 3.3% of total net assets), Nvidia (NVDA, 3.3% of total net assets), and Oracle (ORCL, 3.3% of total net assets). Healthcare and financials were among the weakest performing sectors during the quarter with Amazon (AMZN, 2.5% of total net assets), Qualcomm (QCOM, 3.3% of total net assets), and Wells Fargo (WFC, 2.1% of total net assets) generating negative contributions to return during the fourth quarter. From an option overlay standpoint, we continued to be opportunistic trading certain names and sectors with the intention to stay short in duration. Taking advantage of the volatility throughout the fourth quarter by resetting multiple option strikes allowed for a continued increase in cash flow.

Looking Ahead

Investors suffered through a brutal 2022, with all three of the major indices, S&P 500, Dow, and Nasdaq producing their biggest declines since the financial crisis in 2008. The combination of high inflation, sharply rising interest rates, growing recession risks, and rising geopolitical tensions will most certainly keep volatility front and certain as we turn the calendar to 2023. The big question for the stock markets entering the new year is whether the U.S. will enter a recession as the Federal Reserve tries to slow down inflation. At the FOMC meeting in December 2022, the central bank signaled it would raise its funds rate to as high as 5.25% in 2023. It is not impossible to think that the market tries to test new lows during the first part of this new year. The Crossmark team will continue to look for trading opportunities on the option overlay with the goal of increasing income through call option premiums and reducing overall volatility.

Composite Performance	QTD	YTD	1 Year	3 Years	5 Years	10 Years
Covered Call Income (Wrap) - Gross	10.12%	-6.21%	-6.21%	5.54%	6.37%	8.14%
Covered Call Income (Wrap) - Net*	9.28%	-9.11%	-9.11%	2.35%	3.18%	4.93%
CBOE S&P 500 Buy/Write BXM	6.80%	-11.37%	-11.37%	1.26%	2.73%	5.71%

Our Firm

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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. If the market price of a security increases, a call option written against that security limits the gain that can be realized. And, there can be 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.

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Crossmark claims compliance with the Global Investment Performance Standards (GIPS®). Prospective clients can obtain a GIPS Composite Report by sending a request to: advisorsolutions@crossmarkglobal.com.

The U.S. Dollar is the currency used to express performance. The performance reflects the reinvestment of dividends and other earnings to the extent that client accounts included in the composite elected to reinvest dividends and earnings. Performance figures shown gross of fees do not reflect the payment of investment advisory fees.

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