

Covered Call Income

Commentary | Quarterly update: 3Q25

Separately managed account



Paul Townsend Managing Director – Portfolio Manager

Top 10 holdings (%)	
Micron Technology, Inc.	5.29
Alphabet Inc. Class C	4.62
QUALCOMM Incorporated	4.20
Advanced Micro Devices, Inc.	4.09
Bank of America Corp	3.91
Applied Materials, Inc.	3.88
Electronic Arts Inc.	3.82
Western Digital Corporation	3.79
TJX Companies Inc	3.65
NVIDIA Corporation	3.54
Total % of portfolio	40.79

Markets and performance

The markets continued their strong push into the third quarter of 2025 with the S&P 500 and Nasdaq hitting new all-time highs. Sentiment remained optimistic with investors, as stocks traded higher due to strong earnings and the Fed's pivot toward rate cuts, which helped ease trade tensions. Artificial intelligence was a big headliner, thanks to strong earnings growth and continued spending into the billions. After a nine-month pause, the Fed cut interest rates in September after holding steady in July. This was a clear shift from fighting inflation to supporting the labor market.

Positive and negative contributors to performance

The Crossmark Covered Call Income strategy outperformed the primary benchmark of the BXM during 3Q25. Information technology and communication services had positive contributions to return from a sector standpoint. Some individual stocks worth mentioning that had positive contributions to return were Western Digital Corp. (WDC), Micron Technologies (MU), and Electronic Arts (EA). Consumer staples and utilities were among the weakest-performing sectors with PayPal Inc. (PYPL), Mondelez Intl. (MDLZ), and Coca-Cola Co. (KO) having negative contributions to return as well. From an option overlay standpoint, the trading team was opportunistic in trading certain names and sectors while continuing to stay short in duration. We also took advantage of volatility spikes throughout the quarter by resetting multiple option strikes allowing for a continued increase in cash flow.

Looking ahead

The fourth quarter of the year figures to be a busy one. Fed monetary policy will be front and center, as policymakers signaled a gradual easing cycle rather than being overly aggressive. The markets are forecasting two more rate cuts prior the end of the year. That could change quickly if inflation reaccelerates or the labor market stabilizes. Earnings season kicks off the second week of October and solid consumer spending remains. AI will also dominate the headlines as earnings are announced. In the short term, look for increased volatility as the markets navigate unexpected policy shifts, which seem to be a fairly common occurrence. Crossmark Covered Call Income strategy's inherent downside protection offers a defensive posture against further tariff-related disruptions. These attributes align precisely with the Covered Call Income strategies investment philosophy, which leverages market volatility to generate income while managing risk in uncertain economic environments.

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.

Composite performance (%)	Quarter	YTD	1-year	3-year	5-year	10-year	Since inception
Covered Call Income (Wrap) – Gross	6.72	11.59	10.74	16.41	12.29	9.96	7.33
Covered Call Income (Wrap) – Net ¹	5.94	9.16	7.53	13.01	8.98	6.71	4.16
CBOE S&P 500 BuyWrite Index (BXM)	3.53	2.23	8.15	13.60	9.53	7.05	5.63

1 Net performance was calculated using the hypothetical highest annual all-inclusive wrap fee of 3.00%, with a deduction of 0.25% from each month's return. Gross performance is shown as supplemental information and represents pure gross returns, as they have not been reduced by transaction costs or fees. Wrap fees include Crossmark's portfolio management fee, 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.

Our firm

Crossmark Global Investments (Crossmark) is a faith-based investment management firm that creates and manages values-based investment strategies with a goal of providing performance excellence for financial intermediaries and their clients. Founded in 1987, the firm specializes in developing tailored solutions and has a rich history of inspiring and equipping its clients to align their investments with their values. For more information, visit crossmarkglobal.com.

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. 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.

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.

This content may not be reproduced, copied or made available to others without the express written consent of Crossmark.

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.

GIPS is a registered trademark of CFA Institute. CFA Institute does not endorse or promote this organization, nor does it warrant the accuracy or quality of the content contained herein.

Not FDIC Insured — No Bank Guarantee — May Lose Value