

CROSSMARKGLOBAL.COM

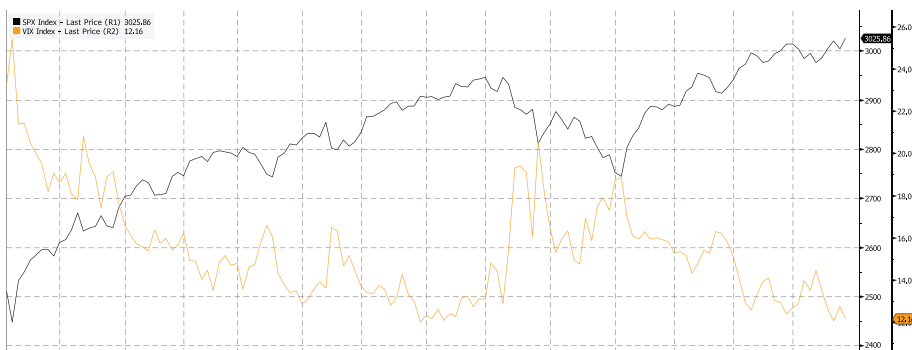
Covered Call Income: July in Review

U.S. equity markets followed up a nice month of performance in June with broad gains throughout most of the month of July. Unfortunately for the markets, the month ended on a down note following a disappointing, at least to the markets, Federal Open Market Committee meeting and corresponding rhetoric. The Fed delivered on a much anticipated rate hike of 25bp and pulled forward by two months the end of its balance sheet reduction program. What followed next was a head scratching (and somewhat confusing) press conference by Chairman Powell as he lowered expectations for extended rate cuts, coming across less dovish than what the markets were expecting. Equity prices then tumbled, followed by a flattening yield curve and a breakout in the U.S. dollar to almost two year highs. A strong dollar will potentially be a problem for multinational companies which include the market leading technology sector.

At the S&P 500 sector level, performance was led by Technology, Communications and Financials for the month of July. Consumer Staples also generated a positive month of performance. The sectors that underperformed for the month were Energy and Healthcare. The U.S. dollar index had its best month of performance since November of 2016 which led President Trump to criticize the Fed and the hawkish rate cut. President Trump also lashed out against China for not honoring commitments to buy agriculture products from the U.S. as well as imposing a September 1st deadline in which an additional 10% tariff would be placed on the remaining products coming into the U.S. from China.

Even though the S&P 500 made fresh all-time highs in July, there were already signs that a near term pullback was on the horizon. The month of August historically has been one of the worst performing months of the year and over the last ten years has been the worst performing month. The chess match between the U.S. and China, and President Trump appearing to leverage the trade war to force the hand of the Fed will make for continued market volatility in the weeks ahead. The Crossmark trading team will continue to monitor volatility with the intent of strategically placing option trades in order to maximize income as well as capture as much upside in the markets as possible.

S&P 500 vs VIX YTD 2019



Source: Bloomberg

About Covered Call Income

Covered Call Income strategy is designed for investors who want equity market participation with enhanced income potential. This approach is appropriate for investors who are willing to give up some market growth potential in exchange for higher yields and reduced risk.

Expiration Calendar as of July 31, 2019

| Month | Date | Number of Options |
|-----------|----------|-------------------|
| August | 8/16/19 | 11 |
| September | 9/20/19 | 12 |
| October | 10/18/19 | 5 |

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.

Covered Call Income Got it Covered

Our Firm

Crossmark Global Investments is an innovative investment management firm. We provide a full suite of investment management solutions to institutional investors, financial advisors and the clients they serve. We have a multi-decade legacy of specializing in values based investment strategies for clients. Founded in 1987, the firm is 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 once a properly executed investment advisory agreement has been entered into by the client.

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.

All investments are subject to risk, including the possible loss of principal. Past performance does not guarantee future results.

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.

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

Expiration Summary

Called Away and Repurchased

- Cisco Systems Inc. (CSCO)
- Lowe's Co., Inc. (LOW)
- PayPal Holdings Inc. (PYPL)
- Qualcomm Inc. (QCOM)

Called Away and Replaced

- Microsoft Corp. (MSFT) called away-purchased Micron Technology Inc. (MU)
- Discover Financial Services (DFS) called away – purchased U S Bancorp (USB)

Expired worthless

- Exelon Corp. (EXC)
- Exxon Mobil Corp. (XOM)
- Intl Paper Co. (IP)
- Morgan Stanley (MS)
- Nike Inc. (NKE)
- Verizon Comm (VZ)

Top 10 Model Holdings ¹

Lowe's Co., Inc.
Qualcomm, Inc.
Starbucks Corp.
Cisco Systems, Inc.
United Technologies Corp.
Coca Cola Co.
Abbott Labs
Nike, Inc.
Intel Corp.
Delta Air Lines, Inc.

% of Total Portfolio: 36%

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 7/31/2019.

Not FDIC Insured - No Bank Guarantee - May Lose Value