



CROSSMARKGLOBAL.COM

December 2017

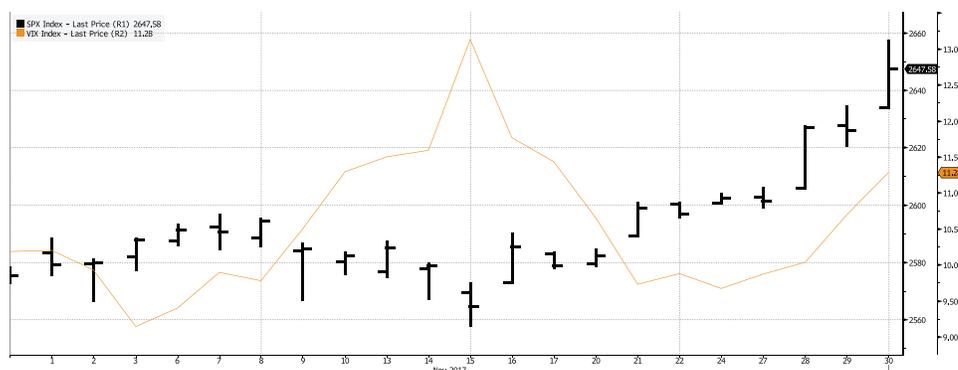
# GOT IT COVERED COVERED CALL INCOME

## Covered Call Income: November in Review

Another month in the books and more record highs for the markets. The markets continued to see strong third quarter earnings results in November and better-than-expected GDP data further boosted investors' sentiment. The GDP data showed that the economy grew at its fastest pace in three years. The month of November also saw the nomination of Jerome Powell as the new chairman of the Federal Reserve. There were initial rumblings that this pick for Fed chair could create some uncertainty, but in the end it was seen as the choice for continuity. As the month of November came to a close, investors rotated out of tech stocks and into financial stocks causing the Technology sector to retreat. This move was made after both Fed chair Yellen and Fed chair elect Powell hinted at a December rate hike.

Covered Call Income continued its strong year as the strategy returned another positive performance month but slightly underperformed the primary benchmark of the S&P 500 covered call index. It did, however, continue to outperform the BXM. The markets were led by another sector other than the technology sector for the first time in a few months. Consumer staples and consumer discretionary were the leading sectors for November up 5.58% and 5.07% respectively. The Covered Call Income strategy has an equal weight to both sectors and benefitted from owning Wal-Mart (WMT) which was up 11.36% for the month on blowout earnings and Walgreens (WBA) which was up 10.41% in the consumer staple sector. In the consumer discretionary sector, the Covered Call Income strategy held Nike (NKE) which returned 9.87% for the month as well as Starbucks (SBUX) and Lowes (LOW) which were up 5.99% and 4.27% for November. As investors rotated out of technology names and into the financial sector at the end of the month, the

### S&P 500 vs. VIX



Source: Bloomberg

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 November 30, 2017

Month	Date	Number of Options
December	12/15/17	12
January	1/19/18	13
February	2/16/18	7

Covered Call Income strategy held Allstate (ALL) and Discover Financial (DFS) which returned 9.77% and 6.68% respectively. The financial sector continued to be a leading sector as it returned 3.46%. The Covered Call Income strategy has a slight overweight to the financial sector. One name that was a drag on performance for November was General Electric (GE), which was down -11.21% prior to it being sold from the strategy on November 14th and replaced with United Technologies (UTX). Even with historical low volatility, the Covered Call Income team was still able to generate attractive premiums from the sale of covered calls over the month of October as opportunities presented themselves.

**Covered Call Income: Looking Ahead**

December has historically been one of the best performing months of the year for the markets. While the month looks to be quite busy from an event standpoint, there does not seem to be a catalyst that could dampen what has been a rather impressive year for the broad markets. The equity markets seem to have already priced in a December rate hike, and Yellen and her counterparts have been dropping hints at a possible rate hike for months. Getting the tax plan through does not seem as unrealistic as it once did, but still has potential challenges as we head into the final month of the year. And let us not forget about the all-important “Santa rally.” The Covered Call Income strategy is well positioned for the remainder of the year and will continue to look for trading opportunities as they are presented.

**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.

This information has been provided by Crossmark Global Investments, Inc. All material presented is compiled from sources believed to be reliable and current, but accuracy cannot be guaranteed. This is not to be construed as an offer to buy or sell any financial instruments and should not be relied upon as the sole factor in an investment making decision. The views and opinions expressed are those of the portfolio manager at the time of publication and are subject to change. There is no guarantee that these views will come to pass. As with all investments there are associated inherent risks. Please obtain and review all financial material carefully before investing. Past performance does not guarantee future results.

The Crossmark Steward Funds are distributed by Crossmark Distributors, Inc., member FINRA and SIPC. Crossmark Distributors is an affiliate of Crossmark Global Investments, Inc., the Steward Funds’ investment adviser. Crossmark Global Investments is an investment adviser registered with the Securities and Exchange Commission that provides discretionary investment management services to mutual funds, institutions, and individual clients.

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 Steward Global Equity Income 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.

**Crossmark Global Investments, Inc.**  
 3700 W. Sam Houston Parkway S., Suite 250, Houston, Texas 77042  
 800.262.6631 info@crossmarkglobal.com  
 crossmarkglobal.com



**Crossmark Distributors, Inc.**  
 Member FINRA/SIPC.

**Expiration Summary**

Called Away – Repurchased

- Abbott Labs ( ABT )
- Microsoft Corp. ( MSFT )
- Morgan Stanley ( MS )

Expired – Stock Retained

- Activision Blizzard ( ATVI )
- American International Group ( AIG )
- Coca-Cola Company ( KO )
- Gilead Sciences ( GILD )
- Mondelez International ( MLDZ )
- Textron Inc. ( TXT )

Rolled Out

- Phillips 66 ( PSX )

New Buys for Covered Call Income

- Halliburton Co. ( HAL )
- United Technologies ( UTX )

Sold from Covered Call Income

- General Electric ( GE )

**About Crossmark’s 30 Year History**

Crossmark Global Investments is an innovative investment management firm. The firm provides 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 responsible investment strategies for clients. Founded in 1987, the firm is headquartered in Houston, Texas. 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.

For more information contact our **Advisor Solutions Group:**  
 advisorsolutions@crossmarkglobal.com  
 888-845-6910