



CROSSMARKGLOBAL.COM

December 2018

GOT IT COVERED COVERED CALL INCOME

Covered Call Income: November in Review

Geopolitical events continued to move the markets over most of the month of November. The U.S. mid-term elections produced an outcome that most everyone expected as the Democrats took control of the House of Representatives with the Republicans increasing their hold on the senate. Risk off sentiment within the markets prevailed through most of the month as the U.S. administrations approach to global trade continued to be quite hostile. The most important meeting at the G-20 event turned out to be a dinner between President Xi of China and President Trump as the two world leaders sat down to discuss quite a few topics but none more important than the issues surrounding trade. Any whisper of good news coming out of that dinner meeting would have the markets off to the races again. All one had to do was look at S&P futures on Sunday night to determine how global equity investors thought of how the meeting went between the leaders of the world's two largest economies.

As far as the Fed goes, the markets did not have to wait until the December meeting to receive some good news from Fed Chair Powell. Chairman Powell's comments indicated a more meaningful dovish tone which was drastically different than anything he had stated publically in the past several months. As with the Trump/Xi dinner, the markets again reacted favorably. Volatility was prevalent throughout November and doesn't look to dissipate any as we head into the final month of the year.

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.

Writing calls on securities held in the portfolio maximizes the gains that can be realized if the price of a stock increases, and investing in equity securities involves market risk, including the possible loss of principal.

Expiration Calendar as of November 30, 2018

Month	Date	Number of Options
December	12/21/18	16
January	1/18/19	15
February	2/15/19	5

S&P 500 vs VIX



Source: Bloomberg

About Crossmark's 30 Year History

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 we 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 and manages approximately \$5.0 billion in AUM.

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Covered Call Income: Looking Ahead

As the end of 2018 approaches, there are several hot button topics to digest as we head into December. The results from the Xi-Trump meeting need to be contemplated as well as the upcoming Fed monetary policy meeting set for December 18th. A December rate hike seems to be completely priced into the markets. Continued uncertainty surrounding the markets will provide for more volatility. Look for the Crossmark Covered Call Income team to strategically place trades in order to generate additional income while using volatility to the strategies advantage. The final month of 2018 is shaping up to be quite an end to a very eventful year.

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.

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 9/30/2018.

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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.

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Expiration Summary

Called Away – Repurchased

- Coca-Cola Company (KO)
- Comcast Corp (CMCSA)
- Starbucks Corp (SBUX)

Expired – Stock Retained

- Activision Blizzard (ATVI)
- American Intl Group (AIG)
- Cisco Systems Inc. (CSCO)
- Emerson Elec Co. (EMR)
- Exxon Mobil Corp. (XOM)
- Visa Inc. (V)

Rolled and Collected

- Abbott Labs (ABT)
- Gilead Sciences Inc. (GILD)
- Microsoft Corp. (MSFT)

Top 10 Model Holdings ¹ Weight

1. Abbott Labs	4.18%
2. Visa, Inc.	4.00%
3. Coca Cola Co	3.56%
4. Intel Corp.	3.48%
5. Oracle Systems Corp.	3.44%
6. Delta Air Lines, Inc.	3.43%
7. Cisco Systems, Inc.	3.38%
8. Exelon Corp.	3.27%
9. Nike, Inc.	3.18%
10. Microsoft Corp.	3.13%
Total of Portfolio	35.05%

Not FDIC Insured - No Bank Guarantee - May Lose Value