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## Covered Call Income: Outperformance Continues

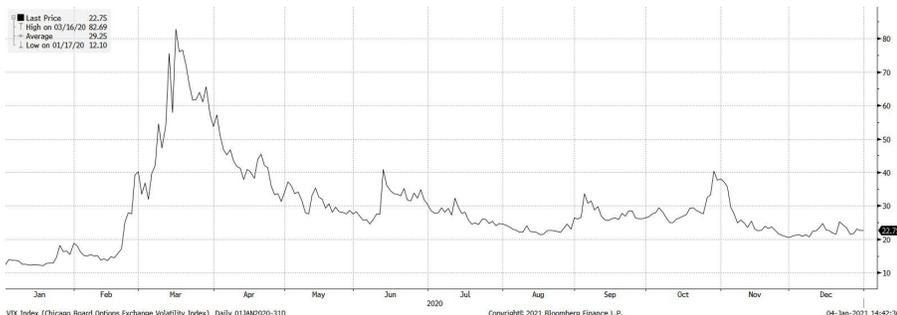
For decades, December has historically been a strong month for equities - this year was no different as the markets continued to set new highs. The Covered Call Income Strategy took advantage of this wave, once again outperforming its primary benchmark (the CBOE S&P 500 BuyWrite Index - BXM) last month. It was also able to deliver another 1.50% in total income between dividends and option premiums. From a sector standpoint, the portfolio had positive contributions to return from the energy, financial and industrial sectors. Negative contributions to return lied with the communication services sector due to names the strategy could not own due to price constraints. Several stocks worth mentioning that helped boost performance were Chevron, Capital One, Applied Materials, and Micron Technology.

## Getting Paid for Uncertainty

For now, we will generally maintain the short duration of the option overlay, with the majority of option strikes written in January and February. There is still quite a bit of uncertainty in the markets and we are hesitant to extend past three to four months. Implied volatility is still high and the option premiums we are currently receiving (from the shorter durations) are still attractive.

With most of the world more than ready to say goodbye to 2020, there are still plenty of unsettled issues that could bring higher volatility back to the markets as we move into the new year. Perhaps the two most noteworthy are the new administration in Washington and how quickly the COVID-19 vaccine will be distributed, who will receive it and will its effectiveness be confirmed. This could potentially play well for the CCI Strategy. The Crossmark trading team will monitor volatility with the intent to strategically place option trades to maximize income and reduce as much inherent risk as possible.

**VIX YTD**  
as of December 31, 2020



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 December 31, 2020

Month	Date	Number of Options
January	01/15/21	16
February	02/19/21	11
March	03/19/21	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 a boutique investment management firm that provides a full suite of investment strategies to institutional investors, financial advisors, and the clients they serve. For over 30 years, we have delivered uniquely constructed products based on our proprietary, disciplined, and repeatable process. We are especially known for helping our clients align their investments with their values by creating socially conscious, responsible investment strategies. Founded in 1987, we are headquartered in Houston, Texas.

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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. 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 and Repurchased

- Cisco Systems, Inc. (CSCO)
- Delta Airlines, Inc. (DAL)
- Emerson Electric Co. (EMR)
- General Motors Co. (GM)
- JP Morgan Chase & Co. (JPM)
- Pfizer, Inc. (PFE)
- Raytheon Technologies Corp. (RTX)
- US Bancorp (USB)

### Called Away and Replaced

- Charles Schwab Corp. (SCHW)
- Valero Energy Corp. (VLO)

### Rolled and Collected

- Coca-Cola Company (KO)
- Mondelez Intl., Inc. (MDLZ)

### New Buys

- Bank America Corp. (BAC)
- Phillips 66 (PSX)

## Top 10 Model Holdings <sup>1</sup>

Micron Technology, Inc.  
Medtronic PLC  
Applied Materials, Inc.  
Abbott Labs  
Oracle Systems Corp.  
Starbucks Corp.  
Capital One Financial Corp.  
DuPont de Nemours, Inc.  
Nike, Inc.  
Activision Blizzard, Inc.

% of Total Portfolio: 37%

<sup>1</sup> Model Portfolios are based on a hypothetical account managed during the current quarter. Actual characteristics and income may differ materially from model. As of 12/31/2020.

Not FDIC Insured - No Bank Guarantee - May Lose Value