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February 2018

GOT IT COVERED COVERED CALL INCOME

Covered Call Income: January in Review

The markets picked up right where they left off at the end of 2017, sprinting to more record highs in January before tailing off the last few days of the month. The S&P 500 was up another 5.72% for the month of January on top of a fourth quarter of 2017 that saw the S&P 500 up 6.64%. The markets were led by the consumer discretionary and technology sectors while rate sensitive utility and telecom sectors lagged. There were no surprises in the Federal Open Market Committee (FOMC) statement which means that for now the Fed will stay the course with a rate hike in March all but guaranteed barring any unpleasant data and unforeseen market surprises. The language from the FOMC meeting suggested that three total rate hikes for 2018 seemed reasonable. Despite the continued success of the markets, the last week of the month saw back to back declines that had been very uncommon. The Dow lost 540 points over a two day span and up until the 29th of January the S&P 500 had enjoyed a record long streak without consecutive declines of .50%. Healthcare stocks dragged the markets lower after Jeff Bezos, Warren Buffett and Jaime Dimon unveiled a plan to get into the health insurance business. The VIX, Wall Street's fear gauge, ran up close to 35% to the highest level since this past August. The selloff comes at a time when the markets were continuing to climb higher and higher. Pull backs are healthy and give investors time to take a breather and focus on new market levels to then build upon.



Source: Bloomberg

Covered Call Income started off 2018 on a strong note as the strategy returned another positive performance month but slightly underperformed the primary benchmark of

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 January 31, 2018

Month	Date	Number of Options
February	2/16/18	11
March	3/16/18	12
April	4/20/18	7
May	5/18/18	1

Covered Call Income Got it Covered

the S&P 500 covered call index, however continued to outperform the BXM. For the month of January, the markets were led by the consumer discretionary sector followed by technology. The Covered Call Income strategy benefitted from owning Lowe's (LOW) and Nike Corp (NKE) in the consumer discretionary space and saw Intel (INTC) and Activision Blizzard (ATVI) lead the way in the technology sector. The utility sector was the worst performing sector for the month. Covered Call Income has a slight underweight to the utility sector and continues to hold Exelon (EXC) in that space. 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 January as opportunities presented themselves.

Covered Call Income: Looking Ahead

If the last week of January is any indication, the markets could be in for more scrutiny and volatility. The first week of February sees several high profile companies reporting earnings that could play heavily in which way the markets move. Those being Apple (AAPL), Amazon (AMZN) and Alphabet (GOOG). One thing to keep in mind with markets priced for moderate growth and low volatility, are the potential risks that include higher inflation and the possibility of more central bank tightening than expected. Volatility is a healthy aspect of the markets and gives the Covered Call Income team more opportunities to enhance income by strategically executing option orders as they present themselves. February looks to be an eventful month!

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.

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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.

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Expiration Summary

Called Away – Repurchased

- Discover Financial Services (DFS)
- International Paper (IP)
- Lowe's (LOW)
- Medtronic PLC (MDT)
- Microchip Technology (MCHP)
- Nike Inc. (NKE)
- PayPal Holdings (PYPL)
- Textron Inc. (TXT)

Expired – Stock Retained

- Exelon Corp (EXC)
- Oracle Corp (ORCL)
- Pfizer Inc. (PFE)
- Walgreens Boots All (WBA)

Rolled and Collected

- General Motors Co (GM)

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.

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This past trading week woke everyone up. When volatility spikes, some investment strategies suffer while others thrive. Friday the 9th was just as volatile as earlier in the week. After Thursday's sell off, the markets opened up over 1.50% only to see that vanish in a matter of minutes. At the closing bell, the market was up 1.80% and had traded in an 800-point range that day.

After approaching the 200-day moving average, the S&P 500 Index erased the losses for the day and started its run up into the close. The VIX hit 40 at one point before falling back towards 30 where it has traded most of the week – up from 15 a week ago.

The markets are fluctuating surrounding inflation and the possibility of more rate hikes than expected for the year. Next week's U.S. inflation figure should be a key indicator – a stable number could be reassuring to the markets while a strong inflation print could cause the markets to remain volatile.

From a trading standpoint, Crossmark's Covered Call Income Investment Team has put on several credit spreads to increase income and reset our hedge ratio. Covered Call Income's delta averaged around 42 in the prior week, however it was 22 on Friday morning—this is below our desired level. It is a new week, and Crossmark will continue to capitalize on volatility by looking for trading opportunities as we head into this Friday's expiration.

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. Crossmark's 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.

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Time Frame

February 2nd through February 9th

Performance

Crossmark Covered Call Income -6.31%

Benchmarks

S&P 500 Stock Covered Call Index -7.72%

CBOE S&P 500 BuyWrite Index -7.33%

S&P 500 Index -8.51%

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