



CROSSMARKGLOBAL.COM

November 2017

GOT IT COVERED

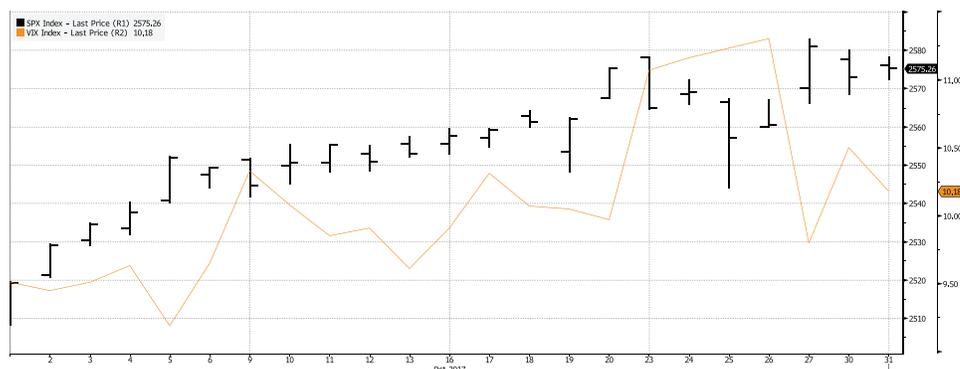
COVERED CALL INCOME (previously Theta Growth)

Covered Call Income: October in Review

The markets continued to set new record highs in October along with investor sentiment measures showing widespread optimism. Third quarter earnings season has been solid so far and economic growth has continued to surge forward. That being said, we did experience four straight days in October where the VIX closed above 11 as equities dipped ever so slightly as a few high profile negative earnings surprises hit the street. However, as has been the case almost all year long, even the slightest of pullbacks are met swiftly with investors eager to buy on the dip. From a technical standpoint the buy the dip strategy will likely continue as long as it keeps working.

Covered Call Income continued its strong year as the strategy returned another positive performance month and outperformed both the S&P 500 covered call index and the BXM. The markets were led again by the technology sector as that sector was up 6.51% for October. The Covered Call Income strategy has an equal weight in the technology sector and benefitted from owning Intel (INTC), PayPal (PYPL) and Microsoft (MSFT) as those names returned 19.46%, 13.32% and 11.66% respectively on positive earnings announcements. The financial sector followed up a solid month of September with a nice October up 2.86%. The Covered Call Income strategy has a slight overweight to the financial sector. Two names owned in the financial sector that had positive performance returns for October were American Intl Group (AIG) and Morgan Stanley (MS) which were up 5.24% and 4.31%. On the flip side, two names that performed poorly for the month of October were Cerner (CERN) which was off -5.32% due to a bad earnings announcement and Gilead Sciences (GILD) which was down -7.47%.

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 October 31, 2017

Month	Date	Number of Options
November	11/17/17	10
December	12/15/17	12
January	1/19/18	11

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

Historically, October has been one of the worst performing months of the year. That wasn't the case this year as the markets continued to rebuff historical trends. There are several upcoming events to keep an eye on as we head into November and the halfway mark of the fourth quarter. Those being, President Trumps pick for the next Fed chair and the prospects for tax reform and the implications those events have on the markets. Treasury Secretary Mnuchin recently said the markets would see a reversal of a significant amount if the tax deal the administration laid out doesn't get passed. Both the choice for the next Fed chair and tax reform will more than likely bring volatility back into play albeit on a short term basis. With the months of December and November being two of the best performing months of the year historically, the markets are in a good position to run even more. The Covered Call Income strategy is well positioned for the balance 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.

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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

- Emerson Electric Co. (EMR)
- Exelon Corp. (EXC)
- Intel Corp. (INTC)
- PayPal Holdings (PYPL)

Expired Worthless

- Allstate Corp. (ALL)
- Comcast Corp. (CMCSA)
- Oracle Corp. (ORCL)

Rolled Out

- Discover Financial Services (DFS)
- Microchip Technology (MCHP)
- Nike Corp. (NKE)
- Walgreens Boots Alliance (WBA)

About Crossmark's 30 Year History

Crossmark, previously Capstone Asset Management Company, is an independent investment advisor headquartered in Houston, Texas. Founded in 1987, Crossmark has a multi-decade legacy of providing portfolio solutions for financial advisors and institutional investors with values-based, SRI and ESG values and factor-based strategies. 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 Advisors Solutions Group:

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