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GOT IT COVERED COVERED CALL INCOME

November 2018

Covered Call Income: October in Review

October turned out to be downright scary for the markets as stocks had their worst month of performance since September of 2011. Volatility came back with a vengeance which should not come as that big of a surprise given the fact that interest rates continue to rise, Fed uncertainty seems to be higher, trade negotiations with China persist and mid-term elections are rapidly approaching. The higher volatility that investors are experiencing seems likely to persist. Sounds pretty unnerving. However, the markets are entering what has been a historically strong seasonal period. The months of November and December of mid-term election years have been quite strong as history has shown. Look for this trend to continue regardless of the election outcome. The broader fundamentals of the markets still remain favorable. Corporate earnings are up again over 20%, profit margins remain close to historical highs, and sales growth is running at a pace not seen in several years. All of these factors are indicating a healthy tailwind for the markets.

S&P 500 vs VIX



Source: Bloomberg

Covered Call Income: Looking Ahead

Stocks were able to rally the last week of the month as the markets saw three straight daily gains of at least 1%. The markets were helped by improved consumer sentiment, positive earnings growth and signs of potential progress with China and trade negotiations. Earnings season is coming to a close and quarterly profits are set to grow at the best pace in the last eight years. Looking ahead to November has the mid-

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 October 31, 2018

| Month | Date | Number of Options |
|----------|----------|-------------------|
| November | 11/16/18 | 12 |
| December | 12/21/18 | 14 |
| January | 1/18/19 | 8 |

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 \$5.2 billion in AUM.

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term elections that could very well swing control in the house and senate back to the Democrats as well as the G20 Leaders’ summit which convenes on the 30th. 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 two months of 2018 are shaping up to be quite an end to a very eventful year.

Expiration Summary

Called Away – Repurchased

- Verizon Comm. (VZ)
- Walgreens Boots Alliance Inc. (WBA)

Expired – Stock Retained

- All State Corp. (ALL)
- Discover Financial Services (DFS)
- International Paper Co. (IP)
- Lowes Companies (LOW)
- Microchip Technology (MCHP)
- Morgan Stanley (MS)
- PayPal Holdings (PYPL)
- Visa, Inc. (V)

Rolled and Collected

- Exelon Corp. (EXC)
- Nike, Inc. (NKE)

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.

Top 10 Model Holdings ¹ Weight

| | |
|--------------------------|--------|
| 1. Abbott Labs | 3.95% |
| 2. Visa, Inc. | 3.95% |
| 3. Oracle Systems Corp. | 3.50% |
| 4. Coca Cola Co. | 3.43% |
| 5. Intel Corp. | 3.36% |
| 6. Cisco Systems, Inc. | 3.28% |
| 7. Nike, Inc. | 3.23% |
| 8. Exelon Corp. | 3.14% |
| 9. Delta Air Lines, Inc. | 3.14% |
| 10. Microsoft Corp | 3.06% |
| Total of Portfolio | 34.04% |

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 10/31/2018.

Crossmark Global Investments, Inc. (Crossmark) is an investment adviser registered with the Securities and Exchange Commission that provides discretionary investment management services to mutual funds, institutions, and individual clients. Investment advice can be provided only after the delivery of Crossmark’s firm Brochure and Brochure Supplement (Form ADV Parts 2A and 2B) and once a properly executed investment advisory agreement has been entered into by the client.

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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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