

Large Cap Equity with Covered Call Overlay

**Investment Objective:** The *Union/Wennco Covered Call Overlay Strategy* seeks total return with less volatility than equity markets in general. The strategy predominately invests in large cap, dividend-paying equities and sells covered call options to create incremental portfolio income and reduce portfolio volatility. The strategy supplements the overall portfolio's dividend yield by generating an average of more than 3.5% in annualized cash proceeds in the form of option premiums. In total, the portfolio expects to generate cash proceeds composed of dividends and option premiums of more than 6.5% per calendar year. This separately managed account strategy may be appropriate for investors who are interested in a combination of current income and long-term growth potential, but who can accept potentially significant equity market volatility.

Equity Holdings by Sector

**Covered Call Overlay History**

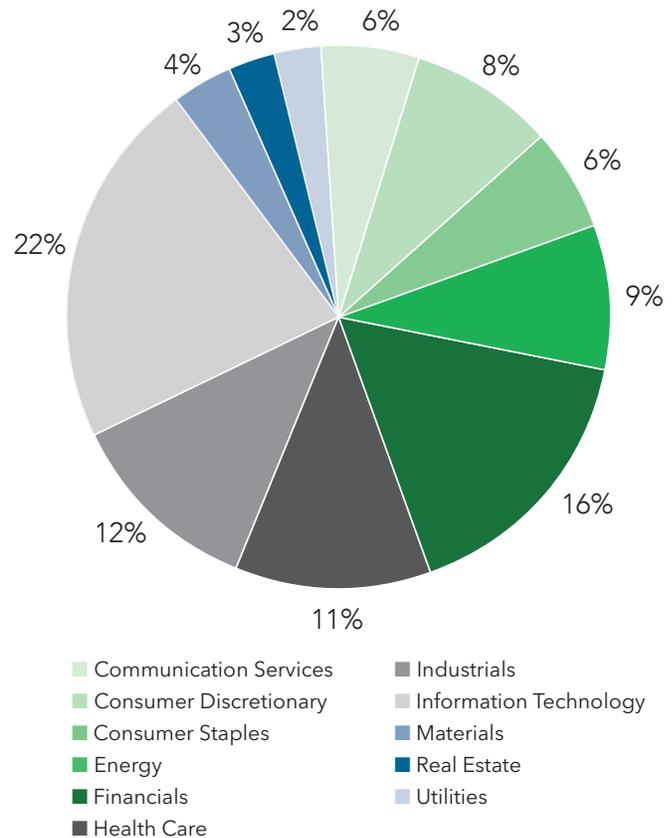
Covered call investing has been around for over 40 years and is used today by a broad range of investors as an allocation within a larger portfolio to generate income and provide steadier returns.

**Strategy Summary**

Selling upside calls on existing equity portfolios can enhance cash flow and yield, increase risk-adjusted returns, reduce overall portfolio volatility, and dampen market downturns. When markets are range-bound or experience a drawdown, sale of covered calls provides some downside protection while retaining the ability to capture approximately 80% of market upside during periods of sharply rising stock prices.

**Applications**

This strategy is suitable as an equity component or a fixed income component within a portfolio. Today's macro environment, with historically low yields and elevated risks, is potentially well suited for covered call strategies, which can offer a lower-risk equity allocation or a high-yield alternative for a fixed income allocation.



**PERFORMANCE SUMMARY<sup>1</sup>**

As of 3/31/19

FUND/BENCHMARK	YTD	1YR	Since Inception <sup>2</sup>
Union Dividend Growth Portfolio	12.5%	9.2%	2.3%
Union/Wennco Covered Call Overlay	8.3%	4.5%	1.7%
Russell 1000 Value Index	11.9%	5.7%	-1.3%
CBOE S&P 500 Buywrite Monthly Index	6.8%	3.3%	0.5%

Investment and Insurance Products:

- Are Not Insured by the FDIC or any Federal Government Agency
- Are Not Deposits of or Guaranteed by a Bank
- May Lose Value

<sup>1</sup> Gross total return; periods in excess of one year are annualized. Source of benchmark returns: Bloomberg L.P.

<sup>2</sup> Union Div Growth Covered Call Overlay inception date 2/1/18.



## Wealth Management

# Union/Wenoco Covered Call Overlay Strategy 1Q 2019 Summary

### **Important Risk Disclosures**

Performance data shown represents past performance. Investment returns and principal value will fluctuate, so that investments, when redeemed, may be worth more or less than the original cost. Past performance does not guarantee future results, and current performance may be lower or higher than the performance data shown.

The characteristics discussed herein relate to a representative SMA, and not every client's account will have these exact characteristics, as Union Bank & Trust manages its client portfolios according to each client's specific investment needs and circumstances. Union Bank & Trust cannot affirm that the characteristics of the account shown are similar to all accounts participating in the strategy. This is due in part to the timing of trades, market conditions, cash availability, and the timing of client deposits and withdrawals. Therefore, prospective clients should not assume that similar performance results to those shown would have been achieved for their accounts had they been invested in the strategy during the period. None of the information contained herein should be construed as an offer to buy or sell securities.

Investments in a particular strategy should be considered in view of a larger, more diversified investment portfolio. Diversification strategies do not ensure a profit and do not protect against losses in declining markets. Risk-management includes an effort to monitor and manage risk, but should not be confused with, and does not imply, low risk or the ability to control risk. Options carry a high level of risk and are not suitable for all investors. Please read the options disclosure document titled "Characteristics and Risks of Standardized Options" before considering any options transaction by visiting (<https://www.theocc.com/about/publications/character-risks.jsp>). Supporting documentation for any claims or statistical information is available upon request. Covered calls provide downside protection only to the extent of premiums received and prevent any profitability above the strike price of the call. Commissions, taxes and transaction costs can affect final outcome and should be considered. If the stock is called away, substantial capital gain taxes could be incurred. If the option expires worthless, the premium received is treated as a short-term capital gain at maturity. If the option is assigned and the stock is delivered, the premium is added to the total proceeds of the stock sale and is treated as a long-term capital gain or loss if the stock has been held long term and short-term capital gain or loss if held less than one year. If an option is repurchased prior to maturity, the gain or loss is treated as a short-term capital gain or loss. Prior to implementing covered call writing, you should discuss with your personal tax adviser how selling covered call options and any potential sales of underlying stock will affect your tax situation.

The Russell 1000 Value Index measures the performance of the large-cap value segment of the U.S. equity universe. The index includes those Russell 1000 companies with lower price-to-book ratios and lower forecasted growth rates. The CBOE S&P 500 BuyWrite Index is a benchmark index designed to track the performance of a hypothetical buy-write strategy on the S&P 500 Index. A "Buy-Write" strategy generally is considered to be an investment strategy in which an investor buys a stock or a basket of stocks, and also writes covered call options that correspond to the stock or basket of stocks.