

# COVERED CALL INCOME

as of September 30, 2022

## OBJECTIVE

The Covered Call Income strategy seeks income and growth of capital from the sale of covered call options on high-quality U.S. large capitalization equities. Stocks are purchased while call options are written/sold out-of-the-money with the intention of the stocks being called away by expiration.

PERFORMANCE (%)						Inception Date: 9/1/2010
Average (Annual)	2022 YTD	1-Year	3-Year	5-Year	10-Year	Inception
Covered Call, Gross	(19.56)	(12.99)	5.26	5.24	7.52	7.67
Covered Call, Net	(20.31)	(14.07)	3.96	3.94	6.20	6.35
CBOE S&P 500 BuyWrite	(17.01)	(11.21)	0.48	1.94	4.75	5.86

Prior to January 1, 2021 the performance results were from accounts managed at Sheaff Brock Investment Advisors, LLC. The same investment management team has managed the composite since its inception and the investment process has not changed. Data quoted represents past performance, which is no guarantee of future results.

## POTENTIAL BENEFITS

Seeks income through option premiums, short-term capital gains and dividends.

Short-term focus can pair well with traditional long-term strategies.

Active management focused on mitigating downside risk of individual companies.

## PORTFOLIO CONSTRUCTION

### 1ST | Macro Outlook

Review sector weighting trends based on the S&P 500 and macro-economic research.

### 2ND | Universe

Identify best candidates of U.S. listed companies finding candidates based on price and market capitalization.

### 3RD | Screen

Utilize Revelation Investment Research to analyze downside risk based on valuation, growth, fundamentals, and sentiment.

### 4TH | Decision

Select 25-30 U.S. companies with sufficient option liquidity, attractive option premiums, and near-term growth outlook. Positions are regularly reviewed.

## TOP 10 HOLDINGS (%)

Merck & Co Inc	4.32
CBRE Group Inc	4.07
Apple Inc	3.95
Hartford Financial Services Group Inc	3.85
Applied Materials Inc	3.80
Johnson & Johnson	3.73
Emerson Electric Co	3.53
United Parcel Service Inc	3.49
Edwards Lifesciences Corp	3.41
Eaton Corp PLC	3.30

## SECTOR ALLOCATION (%)

Health Care	24.0
Information Technology	20.1
Industrials	19.5
Financials	19.2
Consumer Discretionary	7.8
Real Estate	4.3
Consumer Staples	3.0
Communication Services	1.4
Materials	0.5
Energy	0.2

## MORNINGSTAR STYLE BOX BREAKDOWN<sup>1</sup>

22.8	36.2	7.7	Large
12.1	20.9	0.1	
0.1	0.2	0.0	Small

Holdings and portfolio weights are subject to change without notice. Portfolio holdings are provided for informational purposes only and should not be deemed as a recommendation to buy, sell or hold any security. Holdings data calculated only using the long position holdings of the portfolio.

## PORTFOLIO MANAGERS

### Wally Taggart

Portfolio Manager  
Industry since 1964

### Dave Gilreath, CFP®

Managing Director, Chief Investment Officer  
Industry since 1981

## COMPANY PROFILE

- SEC Registered 10/27/2015
- Principals: David S. Gilreath, CFP® and Ron Brock
- \$539 million total assets under management (as of 9/30/2022)

## ADDITIONAL STRATEGIES

### GROWTH

- Bulls of the Dow
- IntelliBuild® Growth
- Outlier Growth

### GROWTH & INCOME

- Covered Call Income
- Dividend Growth & Income
- Real Estate Income & Growth

### FIXED INCOME

- Preferred Income

### OPTION OVERLAY

- Index Income Overlay

	Annual Performance Returns - Institutional (Net of Fees) vs Benchmark (CBOE S&P BuyWrite)											Rolling Average (Net, Annualized)				
	2012	2013	2014	2015	2016	2017	2018	2019	2020	2021	2022 YTD	1-Year	3-Year	5-Year	10-Year	Inception
Institutional, Net	11.10	23.23	7.23	(0.22)	7.02	13.85	(9.63)	24.69	9.66	21.44	(19.83)	(13.38)	4.79	4.77	7.04	7.20
Benchmark	5.20	13.26	5.64	5.24	7.07	13.00	(4.77)	15.68	(2.75)	20.47	(17.01)	(11.21)	0.48	1.94	4.75	5.86

Supplemental Information, consisting of the Institutional Performance (Net of Fees) is presented to show composite performance when the maximum institutional fee of 0.45% is applied to the composite's gross return. Innovative Portfolios did not have fee-paying institutional clients for all the periods presented above. Institutional Performance (Net of Fees) is supplemental to the Annual Portfolio Performance Presentation.

**Organization:** Innovative Portfolios, LLC ("IP"), established in 2015, is registered as an investment advisor with the Securities and Exchange Commission. IP is wholly owned by Sheaff Brock Capital Management, LLC ("SBCM"). IP claims compliance with Global Investment Performance Standards (GIPS®).

**Description:** The Covered Call Composite invests in approximately 25 to 30 large or mid capitalization U.S. equity positions and writes out-of-the money call options on the same positions. The investment objective of the composite is income and capital appreciation. The Covered Call Composite consists of fully discretionary portfolios, including those accounts no longer with the firm. The composite excludes portfolios under \$100,000. For comparison purposes the composite is measured against the CBOE S&P 500 BuyWrite Index. The Composite was created on January 1, 2021 and the inception date is September 1, 2010.

IP acquired the composite through a subadvisor agreement with Sheaff Brock Investment Advisors, LLC (SBIA), wholly owned by SBCM, in December 2020. Performance prior to January 1, 2021 occurred while the investment management team was affiliated with SBIA. The same investment management team has managed the composite since its inception, and the investment process has not changed. Performance prior to January 1, 2021 is linked to performance earned at SBIA.

Performance presented are time-weighted returns. Valuations and performance is reported in U.S. dollars. Composite performance is presented on gross-of-fees and net-of-fees basis and includes the reinvestment of income (dividends/interest). Gross-of-fees returns are presented before management and custodial fees but after all trading expenses. Net-of-fees returns are calculated by deducting a model management fee of 0.3125, ¼ of the highest annual management fee of 1.25%, from the quarterly gross composite return, applied the first month of each quarter. Actual advisory fees incurred by clients may vary. Policies for valuing investments, calculating performance, and preparing GIPS reports are available upon request.

The benchmark is the CBOE S&P 500 BuyWrite Index, an index designed to track the performance of a hypothetical buy-write strategy on the S&P 500 Index. It is a passive total return based on (1) buying an S&P 500 stock index portfolio, and (2) "writing" (or selling) the near-term S&P 500 Index "covered" call option, generally on the third Friday of each month. The S&P 500 Index call written will have about one month remaining to expiration, with an exercise price just above the prevailing index level (i.e., slightly out of the money). The S&P 500 Index call is held until expiration and cash settled, at which time a new one-month, near-the-money call is written. An index should only be compared with a mandate that has a similar investment objective. An index is not available for direct investment and does not reflect any of the costs associated with buying and selling individual securities or management fees, the incurrence of which would have the effect of decreasing historical performance results. There can be no assurances that a composite will match or outperform any particular benchmark.

Past performance is no guarantee of future performance and there is a risk of loss of all or part of your investment. Individual client performance returns may be different than the composite returns listed. Changes in investment strategies, contributions or withdrawals, and economic conditions may materially alter the performance of your portfolio. Different types of investments involve varying degrees of risk, and there can be no assurance that any specific investment or strategy will be suitable or profitable for a client's portfolio. Information is obtained from sources IP believes are reliable, however, IP does not audit, verify, or guarantee the accuracy or completeness of any material contained herein.

Certain information expressed represents an assessment at a specific point in time and is not intended to be a forecast or guarantee of future performance, nor is it intended to speak to any future time periods. The information and data in the composite overview does not constitute legal, tax, accounting, investment, or other professional advice. The information provided in the composite overview should not be considered a recommendation to purchase or sell any particular security. There is no assurance that any securities discussed herein will remain in the composite at the time you receive the composite overview or that securities sold have not been repurchased. The securities discussed may not represent the entire portfolio. It should not be assumed that any securities transaction or holding discussed was or will prove to be profitable, or that the investment recommendations or decisions in the future will be profitable or will equal the investment performance of the securities discussed herein.

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