

Dividend Aristocrats Enhanced Covered Call Strategy

Strategy

The Dividend Aristocrats Enhanced Covered Call Strategy seeks to provide Dividend Growth and Enhanced Yield by investing in a portfolio of approximately twenty-five to thirty stocks with annually increasing dividends and selling Covered Call Options.

Dividend Aristocrats are S&P 500 index constituents that have increased dividends every year for at least twenty-five consecutive years. We enhanced the list of available stocks to include companies with at least eighteen years of increased dividends. Our research yielded a list of roughly one-hundred qualified companies, as of 4/1/2025 which may vary over time. The Strategy selects approximately twenty-five to thirty of the companies for inclusion, though the portfolio may fluctuate at times.

A Covered Call is an options strategy whereby an investor holds a long position in an equity and writes (sells) call options on that same equity to generate increased cash flow. The option is “covered” as there are no additional collateral requirements as long as the investor delivers the underlying shares of stock during the life of the call option. The option writer is obligated to sell the stock at the strike price at any point up to and including maturity if the option is exercised.

Stocks included in the Strategy are scored according to Earnings Estimate Revisions, Price to Cash Flow, Debt to Equity, and Return on Assets. Earnings Estimate Revisions carry the largest weight for stock inclusion.

The Dividend Aristocrats Enhanced Covered Call Strategy equally weights each position at portfolio inception and holds limited cash to potentially maximize yield received.

The Dividend Yield of the Strategy is approximately 3% gross annualized as of 4/1/2025. Covered call writing attempts to create additional cash flow.

The Covered Calls for the Dividend Aristocrats Yield Enhanced Strategy are typically written 4% to 10% Out-Of-The-Money.

All Covered Call Option positions are determined with a technical trading overlay also. The additional cash from the Covered Calls is reinvested back into the Dividend Aristocrats Enhanced Covered Call Strategy, allowing additional Options to be written as each position surpasses 100 share increment levels.

Risks of covered calls include profit potential being limited to the premium received by the investor, the investor forgoes the upside stock appreciation above the strike price. Additional risks are enumerated in the disclosures.

Additional Information: Four primary factors for Earnings Estimate Revisions

Agreement

The extent to which all brokerage analysts are revising their earnings estimates in the same direction. The greater the percentage of analysts that are revising their estimates higher, the better the score will be for this component.

Magnitude

The size of a recent change in the current consensus estimate for the fiscal year and the next fiscal year. A 5% increase in the earnings estimate revision is better than a 2% increase in the earnings estimate revision and will thus get a better score for this component.

Upside

The difference between the most accurate earnings estimate as calculated by Zacks Research and the consensus estimate. A bigger difference between the most accurate estimate and the consensus estimate is better.

Surprise

The Zacks Rank factors in the last few quarters' earnings per share (EPS) surprises. Companies with a positive earnings surprise are more likely to surprise again in the future.

Current Dividend Aristocrats List

Abbott Laboratories (ABT)	Kroger Co (KR)
Abbvie Inc. (ABBV)	Medtronic PLC SHS (MDT)
Altria Group Inc. (MO)	Oneok Inc. (OKE)
Archer Daniels Midland (ADM)	Pepsico Inc. (PEP)
Bristol Myers Squibb (BMY)	Procter & Gamble (PG)
Chevron Corp. (CVX)	Realty Income Corp. (O)
Clorox Co. (CLX)	Sysco Corp (SYY)
Exxon Mobil Corp. (XOM)	T Rowe Price Group Inc (TROW)
Franklin Resources Inc (BEN)	Target Corporation (TGT)
Genuine Parts Co (GPC)	Texas Instruments (TXN)
Johnson & Johnson (JNJ)	TJX Companies (TJX)
Kimberly Clark Corp (KMB)	Verizon Communications (VZ)

Sample Holdings within the model portfolio as of 4/1/2025. These sample holdings are for informational purposes only and should not be deemed to be a recommendation to purchase or sell the securities mentioned. There are no guarantees that any securities mentioned will be held in a client's account. It should not be assumed that the securities transactions or holdings discussed were or will be profitable. Data are indicative only as of the given date. Holdings will fluctuate, and no assurance can be given that an actual portfolio will be able to obtain the same attributes.

Disclosures:

Options may not be appropriate for all investors.

Before engaging in the purchase or sale of options, clients should understand the nature and extent of their rights and obligations and be aware of the risks involved, including, without limitation, the risks pertaining to the business and financial condition of the issuer of the underlying security/instrument. Options investing, like other forms of investing, involves tax considerations, transaction costs and margin requirements that can significantly affect clients' potential profits and losses. The transaction costs of options investing consist primarily of commissions (which are imposed in opening, closing, exercise and assignment transactions), but may also include margin and interest costs in particular transactions. Transaction costs are especially significant in options strategies calling for multiple purchases and sales of options, such as multiple leg strategies, including spreads, straddles and collars. Prior to opening an options account you should receive and review the "Characteristics and Risks of Standardized Options" (ODD) booklet published by the Options Clearing Corporation. Clients may not enter into options transactions until they have received, read and understood the ODD Disclosure Document. Prior to investing in options you should determine that options are a suitable investment for you based on your investment needs and risk profile and have discussed transaction costs with your Financial Advisor or Private Wealth Advisor. A copy of the ODD is also available online at: <http://www.theocc.com/about/publications/publication-listing.jsp>.

Supporting documentation for any claims (including any claims made on behalf of options programs or the options expertise of sales persons), comparisons, recommendations, statistics, or other technical data, will be supplied upon request.

This material is intended only for clients and prospective clients of the Portfolio Management program. It has been prepared solely for informational purposes only and is not an offer to buy or sell or a solicitation of any offer to buy or sell any security or other financial instrument, or to participate in any trading strategy.

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Covered Call Risks

Options are not suitable for all investors; therefore the covered call strategy may not be suitable for all investors. Some of the risks of covered call writing are the following:

- 1) An option writer may be assigned at any time during the life of the option, including the day written, regardless of the in- or out-of-the-money status of the position.
- 2) If the short call is assigned, the writer must deliver the underlying security.
- 3) The writer of a covered call forgoes the opportunity to benefit from an increase in the value of the underlying security above the option strike price, but continues to bear the risk of a decline in the value of the underlying security.
- 4) Buying back a call to close an existing position and writing another call with a different strike price and/or expiration, also known as rolling, can have an adverse impact on the profitability of the account. Rolling will result in added, transaction costs which will reduce returns or add to any losses. Note: It may not be prudent to continually roll positions at a loss.
- 5) If a secondary market in options becomes unavailable and prevents a closing transaction, the options writer's obligation would remain until expiration or assignment.
- 6) The sale of the stock through an option assignment or the closing/expiration of an option position may produce a tax consequence. Please consult with your Tax Advisor prior to entering any transactions. The indexes are unmanaged. An investor cannot invest directly in an index. They are shown for illustrative purposes only. Because of their narrow focus, sector investments tend to be more volatile than investments that diversify across many sectors and companies.

NOTE: This statement is not intended to enumerate all of the risks entailed in trading options. It is expected that you will read the booklet entitled "Characteristics and Risks of Standardized Options" (see www.theocc.com/components/doc/riskstoc.pdf). Please direct your attention to Chapter X, "Principal Risks of Options Positions."

S&P 500 Total Return: The S&P 500 has been widely regarded as the best single gauge of the large cap U.S. equities market since the index was first published in 1957. The index includes 500 leading companies in leading industries of the U.S. economy, capturing 75% coverage of U.S. equities. This index includes dividend reinvestment.

To be eligible for the S&P 500 Dividend Aristocrat index, a stock must have increased their dividend payouts for a minimum of 25 consecutive years or more, must currently be part of the S&P 500 index and finally must have a minimum market capitalization of \$3 billion. A committee at S&P Global makes the final decision on which companies are included in the S&P 500 index and this then allows for eligibility for inclusion into the Dividend Aristocrat index. Should a company reduce their dividend or be dropped from the S&P 500 index, the holding is automatically dropped from the Dividend Aristocrat list as well.

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