Market Recap

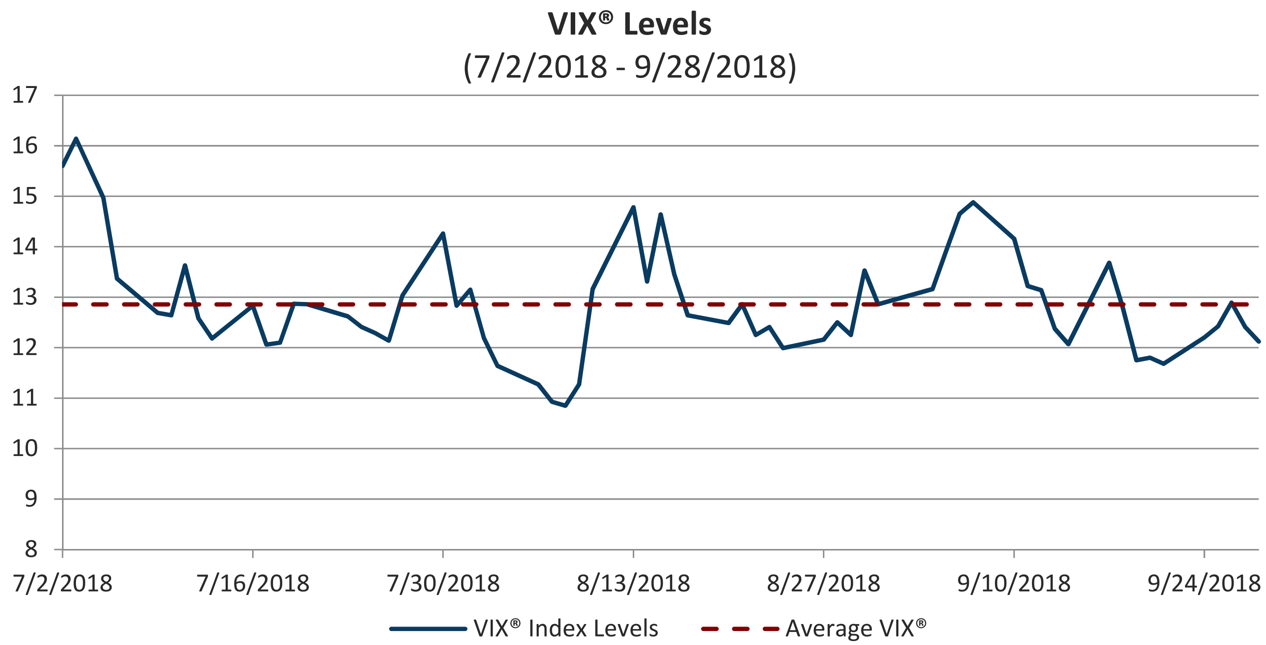
The S&P 500® Index gained 7.71% for the third quarter of 2018, bringing its year-to-date return to 10.56%. The equity market posted positive returns each month of the quarter with the S&P 500® Index delivering strong returns of 3.72% in July and 3.26% in August, before moderating to a 0.57% return in September.

Along the way to generating a new all-time high for the S&P 500® Index and its highest quarterly return in nearly five years, the equity market fought through a variety of global issues. Specifically, there were concerns about an escalating trade war with China, contentious trade negotiations with Mexico and Canada and the potential negative impact a plummeting Turkish lira could have on the health of European bank balance sheets.

The market rose higher during the third quarter as data releases suggested the continuation of an expanding U.S. economy and robust earnings growth. On September 26th, strong labor market conditions and inflation readings consistently near the Federal Reserve's (the Fed's) 2% inflation target compelled the Fed to raise the target range for the federal funds rate by a quarter-point to 2% to 2.25%. In addition to the rate increase, the Fed also removed language from its standard post-meeting statement that had previously indicated its policy stance remained 'accommodative.'

On September 27th, the final estimate of Q2 GDP came in at an annualized rate of 4.2%, matching the second estimate. The final estimate was just shy of consensus expectations and the fastest reported growth since Q3 2014. With nearly all S&P 500® Index companies reporting second quarter results as of the end of September, aggregate quarterly operating earnings grew 6.2% during Q2 and over 21% year-over-year. In addition, more than 85% of companies reporting earnings met or beat expectations.

Implied volatility, as measured by the Chicago Board Options Exchange Volatility Index® (the VIX®), averaged 12.86 for the quarter. Implied volatility exceeded S&P 500® Index realized volatility (as measured by its annualized standard deviation of daily returns) of 7.34% for the quarter. Despite below-average implied volatility, the 5.52 point spread between implied and realized volatility was above average. The VIX® exhibited a general downtrend from the beginning of the quarter into early August with a closing high for the quarter of 16.14 set on July 3rd and a closing low for the quarter of 10.85 set on August 8th. Implied volatility fluctuated between 11 and 15 for the remainder of the period and ended the quarter at 12.12.



Datasource: Bloomberg, L.P.

The Chicago Board Options Exchange (Cboe®) S&P 500 BuyWrite℠ Index (the BXM℠)[1] had a return of 4.91% for the third quarter, bringing its year-to-date return to 6.78%. On the third Friday of each month of the quarter, the BXM℠ wrote a new index call option as the option it wrote the previous month expired. The premiums the BXM℠ collected on written options had significant influence on its downside protection delivered during equity market declines and on its upside participation during equity market advances. Premiums collected as a percentage of the BXM's℠ underlying value were 0.88%, 1.23% and 0.93% in July, August and September, respectively. With monthly returns of 2.93%, 1.90% and 0.03%, the BXM℠ underperformed the S&P 500® Index in each month of the quarter, with the largest differential occurring in August. Premiums collected by the BXM℠ did not provide enough return potential to keep pace with the above-average rate of return the equity market exhibited over the course of the quarter.

The Cboe® S&P 500 BuyWrite℠ Index (the BXM℠) is a passive total return index designed to track the performance of a hypothetical buy-write strategy on the S&P 500® Index. The construction methodology of the index includes buying an equity portfolio replicating the holdings of the S&P 500® Index and selling a single one-month S&P 500® Index call option with a strike price approximately at-the-money each month on the Friday of the standard index-option expiration cycle and holding that position until the next expiration.

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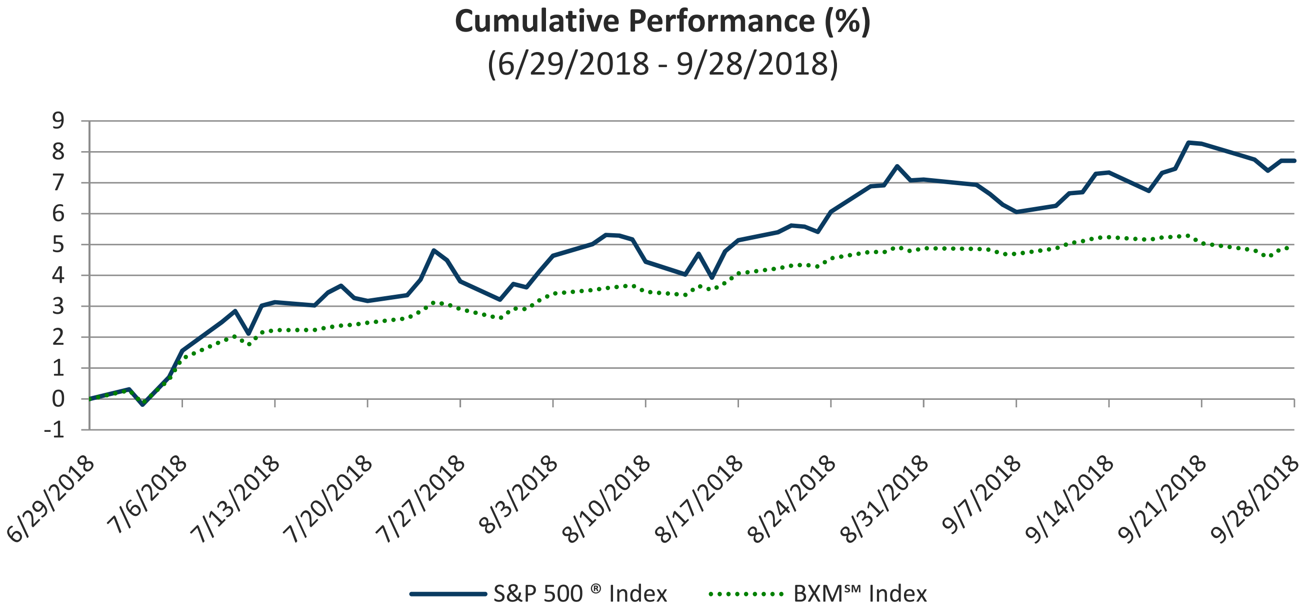

Datasource: Bloomberg, L.P. **Performance data shown represents past performance and is no guarantee of, and not necessarily indicative of, future results.**

The Bloomberg Barclays U.S. Aggregate Bond Index returned 0.02% for the third quarter, bringing its year-to-date return to -1.60%. Bellwether interest rates generally trended up over the course of the quarter. The yield on the 10-year U.S. Treasury Note ended the second quarter at 2.86% and declined slightly to a third quarter low of 2.81% on August 24th before rising over the remainder of the quarter, ending at 3.06%.