



# Should You Expect More from Your Covered Call Strategy?

Target High Income, With Greater Total Return Potential

In recent years, covered call strategies have become a popular part of investors' toolkits, particularly those seeking higher levels of yield. While covered call strategies can generate attractive levels of income under the right circumstances, traditional strategies typically require investors to make a costly trade-off between high income potential and potential total returns.

A recent innovation in the options market—using daily call options—provides a solution. ProShares' High Income ETFs, the first to use this new approach, create the opportunity for investors to both target high monthly income and participate in equity market performance over the long term, potentially capturing returns that traditional strategies sacrifice.

# Traditional Covered Call Strategies Can Sacrifice Long-Term Growth for Short-Term Benefits

In the classic covered call strategy, an investor accepts a ceiling or cap on the appreciation of an investment—for example, a stock market index—in return for income from the sale of a call option. If the market price of the stock index rises above the strike price of the call option, the option is “in the money,” meaning the seller of the call option owes a payment to the buyer. This payment or “payout” is equal to the difference between the price of the index and the option’s strike price. The option payout is “covered” by the gains on the stock index. The covered call strategy does not lose money if the price of the index rises above the option’s strike price, but neither can its return increase any further—the strategy simply caps the upside performance at that price.

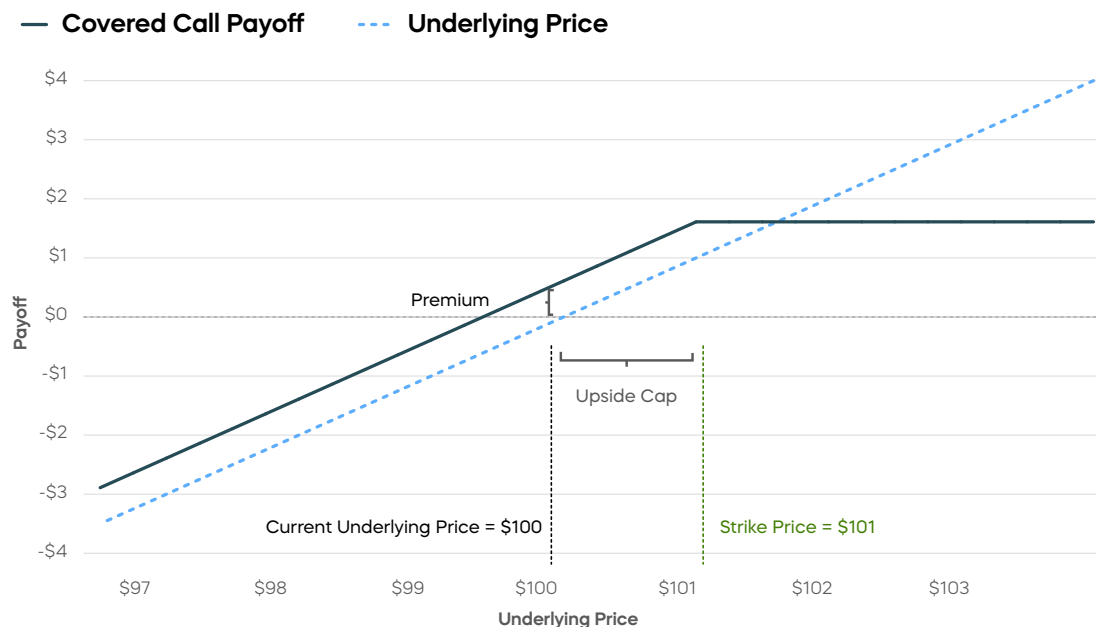


Chart is for illustrative purposes only.

By capping the potential gains of an investment, covered call strategies create an inherent trade-off: The investor receives income from selling calls, but sacrifices long-term growth potential by capping the upside. In the case of traditional covered call strategies, this trade-off can be particularly costly over time.

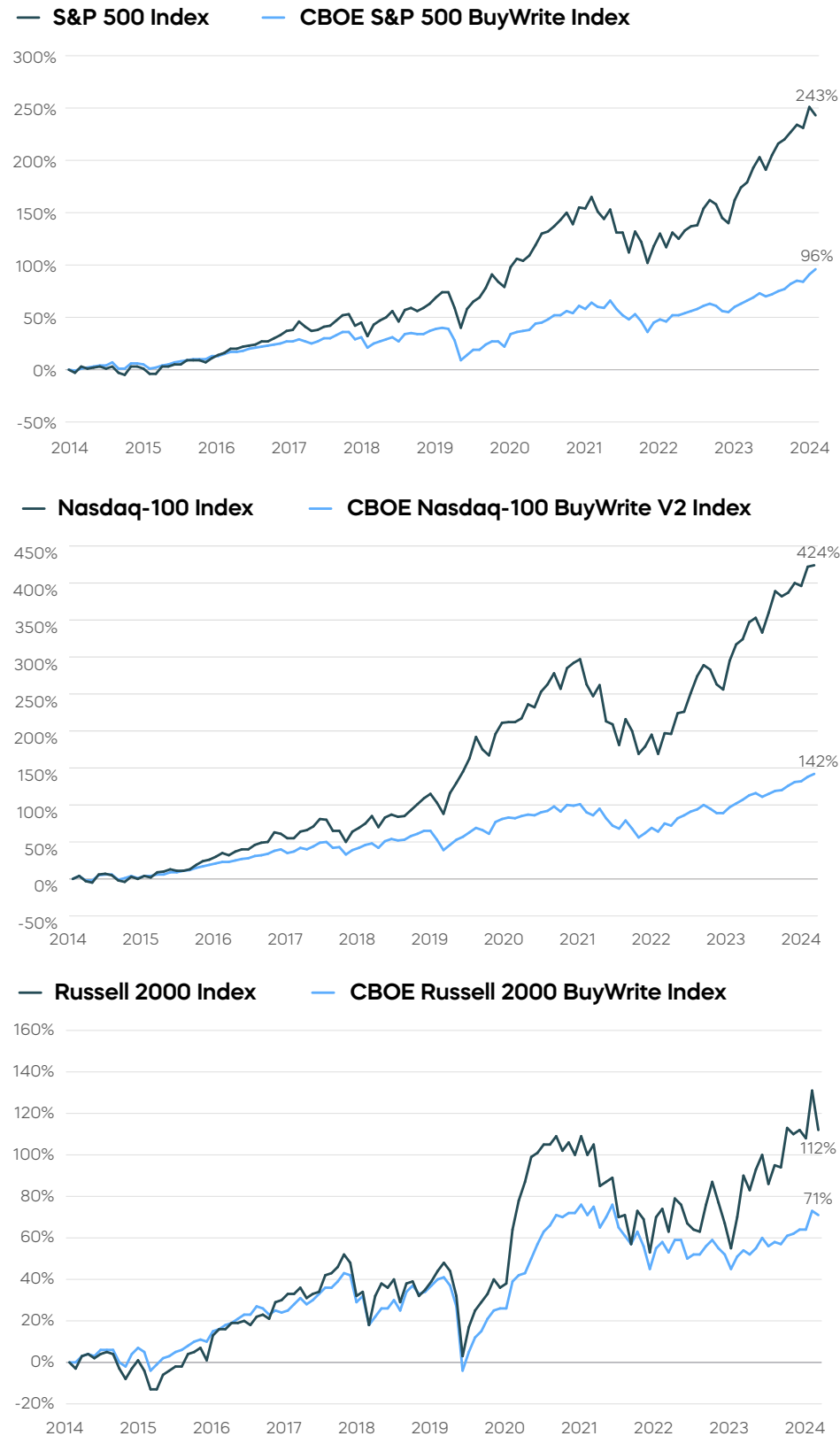
Comparing the performance between major benchmarks and their respective covered call indexes highlights this cost. The following page shows performance comparisons of the S&P 500 Index versus the CBOE S&P 500 BuyWrite Index, the Nasdaq-100 Index versus the CBOE Nasdaq-100 BuyWrite V2 Index, and the Russell 2000 Index versus the CBOE Russell 2000 BuyWrite Index. The CBOE BuyWrite indexes measure the performance of traditional, monthly covered call strategies on the S&P 500, the Nasdaq-100, and the Russell 2000, respectively.

Traditional monthly covered call strategies have delivered total returns that range from one half to one-third of their underlying market indexes—a costly trade-off indeed.<sup>1</sup>

<sup>1</sup> Source: Bloomberg. For S&P 500 and Russell 2000, monthly returns from 9/30/14 to 12/31/24. For Nasdaq-100, monthly returns from 6/30/15 to 12/31/24. Index returns are for illustrative purposes only and do not represent actual fund performance. Index returns do not reflect any management fees, transaction costs or expenses. Indexes are unmanaged, and one cannot invest directly in an index. Past performance does not guarantee future results.

## Income at a Significant Performance Cost

S&P 500, Nasdaq-100 and Russell 2000 Covered Call Strategies  
Cumulative Total Return



Source: Bloomberg. Top chart: Monthly returns from 12/31/14 to 12/31/24. Middle chart: Monthly returns from 6/30/15 to 12/31/24. Bottom chart: Monthly returns from 12/31/2014 to 12/31/24. Index returns are for illustrative purposes only and do not represent actual fund performance. Index returns do not reflect any management fees, transaction costs or expenses. Indexes are unmanaged, and one cannot invest directly in an index. Past performance does not guarantee future results.

## A New Approach May Help Investors Capture Both Income and Greater Returns

Recall the mechanics of a monthly covered call strategy. If the price of the stock index rises and stays above the strike price early in the month, the strategy may miss out on a stock market rally for days, or even weeks, until the call option expires. This can be a significant drawback for achieving long-term total return objectives.

A covered call strategy, like those pioneered by ProShares, is designed to overcome this by selling daily call options—a move that resets the cap every day. This allows greater participation in the market's upside, up to the strike price, each day that it occurs.

Additionally, selling call options each day acts as a rebalancing mechanism for maintaining the desired balance between premiums and payouts.

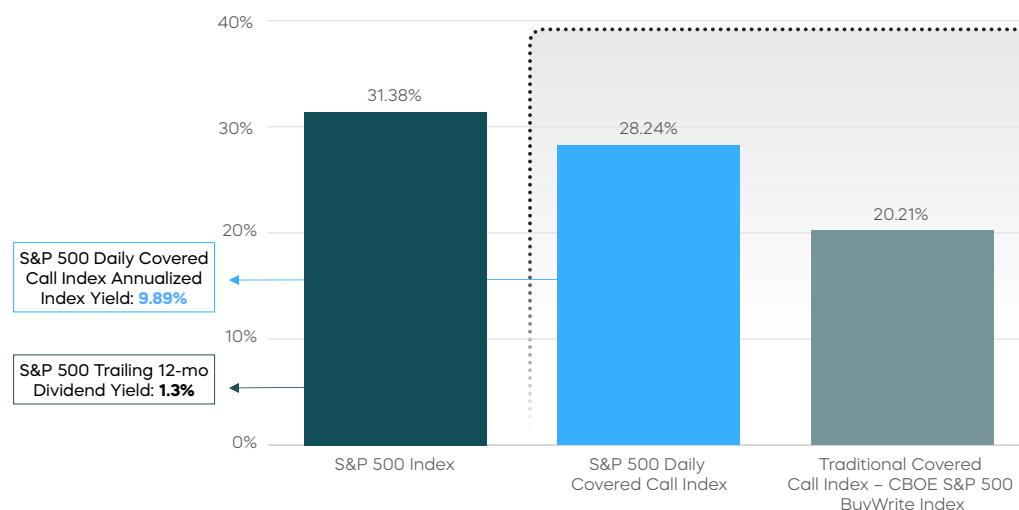
Daily appreciation potential and a better balance between premiums and payouts allow a covered call strategy that uses daily options to target **high income**, aim for **equity market performance** over the long term, and potentially capture returns traditional strategies often sacrifice.

While covered call strategies using daily options are relatively new—the S&P 500 Daily Covered Call Index was inception in October 2023—comparisons to traditional monthly strategies are compelling.<sup>2</sup>

In addition to total return, the income potential of a covered call strategy is key. The S&P 500 Daily Covered Call Index's annualized index yield for the period from inception through December 31, 2024 was 9.89%. Though it's important to note that a covered call strategy's daily option premium income will vary over time based on expectations of stock market volatility and other factors.<sup>3</sup>

## S&P 500 Covered Call Strategy Powered by Daily Options Has Shown Promise Since Inception

Total Return Data as of 12/31/24



ISPY Total Return Since Inception – 12/18/23 to 12/31/24.<sup>4</sup>

As of 12/31/24: 21.71% (Market Price) | 21.66% (NAV)

1-year: 21.35% (Market Price) | 21.49% (NAV)

*The performance quoted represents past performance and does not guarantee future results. Investment return and principal value of an investment will fluctuate so that an investor's shares, when sold or redeemed, may be worth more or less than the original cost. Shares are bought and sold at market price (not NAV) and are not individually redeemed from the fund. Market price returns are based upon the midpoint of the bid/ask spread at 4:00 p.m. ET (when NAV is normally determined for most funds). Your brokerage commissions will reduce returns. Current performance may be lower or higher than the performance quoted. For standardized returns and performance data current to the most recent month end, see the Performance page on ProShares.com.*

## What Investors Should Know About Downside Protection

Perhaps contrary to perception, traditional monthly covered call strategies have provided little downside protection. Over the past 10 years, the CBOE S&P 500 BuyWrite Index has delivered a mere 64% of the S&P 500's returns in up markets, and a disappointing 84% of the S&P 500's returns in down markets (on a quarterly basis).<sup>5</sup>

<sup>2</sup> Source: Bloomberg. Data from S&P 500 Daily Covered Call Index inception on 10/5/23 through 12/31/24. ISPY seeks investment results that track the performance of the S&P 500 Daily Covered Call Index. Index returns are for illustrative purposes only and do not represent actual fund performance. Index returns do not reflect any management fees, transaction costs or expenses. Indexes are unmanaged, and one cannot invest directly in an index. Past performance does not guarantee future results.

<sup>3</sup> Source: ProShares. The annualized index yield reflects the dividend and call premium income earned by the index for the period from 10/5/2023 through 12/31/2024, on an annualized basis, as measured by the S&P 500 Daily Covered Call Index - Income Only, a sub-index that measures the cash received by the index from dividends and call option premiums. The annualized index yield assumes that the income received from 10/5/2023-12/31/2024 would remain the same, but future income may differ significantly and is not guaranteed. The annualized index yield reflects dividend and call premium income from a short period of time only and does not reflect total returns. The index has a very limited performance history, which should not be taken as an indication of future performance. Indexes are unmanaged and do not include the effect of fees. One cannot invest directly in an index. Past performance does not guarantee future results. The annualized index yield is for illustrative purposes only and does not represent actual performance received by any investor.

<sup>4</sup> The fund has very limited performance history, which should not be taken as an indication of future performance.

<sup>5</sup> Source: Morningstar. Quarterly up- and down-capture ratios from 12/31/2014 to 12/31/2024.

## What Investors Should Know About Covered Call ETF Distributions

Because they are typically sought for income, investors using covered call strategies generally value the periodic cash distributions these types of ETFs make. Distributions from ETFs using a daily covered call strategy may vary more on a month-to-month basis than those of monthly covered call strategies.

## ProShares High Income ETFs: An Innovation in Covered Call Strategies

ProShares offers three covered call strategies tracking the S&P 500 (ticker: ISPY), the Nasdaq-100 (ticker: IQQQ), and the Russell 2000 (ticker: ITWO), respectively. These ETFs help investors target both high income and greater equity market performance over time, potentially capturing returns that traditional covered call strategies often sacrifice.

## About Us

ProShares now offers one of the largest lineups of ETFs, with over \$75 billion in assets. The company is a leader in strategies such as crypto-linked, dividend growth, interest rate hedged bond and geared (leveraged and inverse) ETF investing. ProShares continues to innovate with products that provide strategic and tactical opportunities for investors to manage risk and enhance returns.

# High Income ETFs

## ISPY

### S&P 500 High Income ETF

ProShares S&P 500 High Income ETF seeks investment results, before fees and expenses, that track the performance of the S&P 500 Daily Covered Call Index.

## IQQQ

### Nasdaq-100 High Income ETF

ProShares Nasdaq-100 High Income ETF seeks investment results, before fees and expenses, that track the performance of the Nasdaq-100 Daily Covered Call Index.

## ITWO

### Russell 2000 High Income ETF

ProShares Russell 2000 High Income ETF seeks investment results, before fees and expenses, that track the performance of the Cboe Russell 2000 Daily Covered Call Index.

### → Interested in learning more?

Visit [ProShares.com](https://proshares.com) to learn more about ProShares High Income ETFs. Additionally, financial professionals can contact ProShares at 866-776-5125 or email [info@proshares.com](mailto:info@proshares.com) for additional information about ProShares investment products.

The funds seek to replicate a daily covered call strategy by investing in equity securities and derivatives. The funds do not sell (write) call options.

ProShares makes reasonable efforts to obtain content from sources it believes to be reliable, but cannot guarantee that the information is correct, accurate, complete or reliable. This material, other than historical fund performance, is not designed to represent the performance of a specific investment or to make any recommendation. Projections and forward-looking statements are based on assumptions believed to be reasonable; actual results may vary materially. ProShares makes no guarantees regarding specific investment results.

**The performance quoted represents past performance and does not guarantee future results. Investment return and principal value of an investment will fluctuate so that an investor's shares, when sold or redeemed, may be worth more or less than the original cost. Shares are bought and sold at market price (not NAV) and are not individually redeemed from the fund. Market price returns are based upon the midpoint of the bid/ask spread at 4:00 p.m. ET (when NAV is normally shares at other times). Your brokerage commissions will reduce returns. Current performance may be lower or higher than the performance quoted. For standardized returns and performance data current to the most recent month end, visit [ProShares.com](http://ProShares.com).**

Index information does not reflect any management fees, transaction costs or expenses. Indexes are unmanaged, and one cannot invest directly in an index.

**There is no guarantee any ProShares ETF will achieve its investment objective.** The performance of the funds may not correspond to the performance of their respective indexes, the funds may not be successful in generating income for investors, and the funds may not capture returns that traditional covered call strategies may sacrifice.

**Investing involves risk, including the possible loss of principal.** These ProShares ETFs are nondiversified and entail certain risks, including risks associated with the use of derivatives (swap agreements, futures contracts and similar instruments), investments in smaller companies, imperfect benchmark correlation, and market price variance, all of which can increase volatility and decrease performance. Please see summary and full prospectuses on ProShares.com for a more complete description of risks.

The S&P 500 Daily Covered Call Index replicates the performance of a covered call investment strategy that combines a long position in the S&P 500 Index with a short position in S&P 500 Index call options. In particular, the index is designed to replicate a daily covered call strategy that sells call options with one day to expiration each day. The fund intends to make distributions each month of an amount that reflects the dividends and call premium income earned by a daily S&P 500 Index covered call strategy (net of expenses).

The Nasdaq-100® Daily Covered Call Index replicates the performance of a covered call investment strategy that combines a long position in the Nasdaq-100 Index with a short position in Nasdaq-100 Index® call options. In particular, the index is designed to replicate a daily covered call strategy that sells call options with one day to expiration each day. The fund intends to make distributions each month of an amount that reflects the dividends and call premium income earned by a daily Nasdaq-100 Index covered call strategy (net of expenses).

The Cboe Russell 2000® Daily Covered Call Index replicates the performance of a covered call investment strategy that combines a long position in the Russell 2000 Index® with a short position in Russell 2000 Index call options. In particular, the Index is designed to replicate a daily covered call strategy that sells call options with one day to expiration each day. The Fund intends to make distributions each month of an amount that reflects the dividends and call premium income earned by a daily Russell 2000 Index covered call strategy (net of expenses).

There can be no guarantee that the funds will make such distributions and the amount of such distributions, if any, may vary significantly from month to month. Some or all of the Fund's distributions may be taxable or non-taxable. For 19a-1 notices, distributions are characterized as income or return of capital or some combination, but this characterization does not impact whether the distribution is taxable.

**Carefully consider the investment objectives, risks, charges and expenses of ProShares before investing. This and other information can be found in their summary and full prospectuses. Read them carefully before investing.**

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