UYLD

Global X S&P 500 Covered Call ETF

Unlock enhanced income potential with a covered call strategy over the US markets largest companies.

Income — Covered Calls

FUND DETAILS

ASX Code	UYLD
Bloomberg Code	UYLD AU Equity
IRESS Code	UYLD.AXW
Benchmark	Cboe S&P 500 BuyWrite Index
Mgt. Fee (% p.a.)*	0.60
Rebalance Frequency	Monthly
Distribution Frequency	Monthly
W-8 BEN Form Required	No

* Calculated on the Net Asset Value (NAV) of the Fund. All fees and costs are inclusive of GST. Refer to the PDS for a complete list of fees and costs.

KEY FEATURES

High Income Potential
UYLD seeks to generate income through covered call writing, which historically produces higher yields in periods of volatility.

Efficient Options Execution
UYLD writes call options on the S&P 500 Index, saving investors the time and potential expense of doing so individually.

Potential Downside Mitigation
The premiums UYLD generates may partly cushion drawdowns.

INTRODUCING UYLD

The Global X S&P 500 Covered Call ETF (UYLD) follows a "covered call" or "buy-write" strategy, in which the fund buys the stocks in the S&P 500 Index and "writes" or "sells" corresponding call options on the same index to generate income. UYLD seeks to provide investment results that correspond generally to the price and yield performance, before fees and expenses, of the Cboe S&P 500 BuyWrite Index.

DID YOU KNOW?

- Covered call strategies are a well-known method for generating yield.
- When markets are volatile, options premiums tend to rise, generating higher income for options sellers.
- Call option premiums rise when interest rates rise.
- Call option premiums tend to be higher for low dividend stocks, creating a natural hedge.

WHAT IS A COVERED CALL?

Covered call writing is an investment strategy where investors buy a stock, or group of stocks, and sell call options on them. Selling call options on stocks investors already own generates income, without facing riskier margin calls. However, it requires investors to forego upside – as a covered call portfolio can be "called away" when markets move higher.

Key covered call features:

- Generates income from selling call options on assets already owned.
- Investors are "covered" from a margin call perspective.
- Upside potential is capped, while drawdowns are mitigated by the premiums received from selling calls.
- Typically generates higher income during volatile markets or periods of high interest rates, as call option premiums usually rise with volatility and rates.
- Can outperform during sideways-trading or falling markets, as income generated from selling calls can mitigate drawdowns.

US SHARES, BUT WITH HIGHER INCOME

The S&P 500 is a familiar index to many Australians. The leading US share market gauge, it plays home to some of the world's largest companies. Despite being one of the best performing share markets in the world, many Australians have preferred to invest locally in Australian shares, as US shares typically pay lower dividend yields. The lower yield owes to the fact that many US companies choose to reward shareholders through buybacks.

In this setting, covered call strategies provide something of a solution, and provide a way to invest in the S&P 500 while also generating higher yield.

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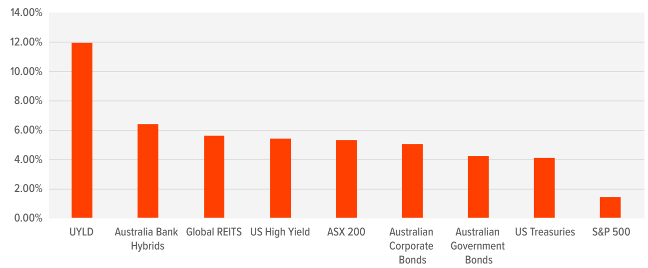
There are many income solutions available to Australian investors, such as buying high yield bonds or dividend paying stocks. But covered calls are different in that their income is hedged against rising volatility and interest rates. All else being equal, when volatility rises, option premiums rise as options traders price higher probabilities of sharp share price movements into calls. When interest rates rise, call option premiums mechanically rise too, as call sellers provide, in effect, a loan to buyers. The economics of which gets priced into premiums[1]. Furthermore, options premiums tend to be inversely correlated to dividend yields—with lower dividend yielding stocks producing higher premiums – creating a natural hedge.

All investments come with risks – and covered calls are no exception. Chief among the risks is that in bull markets, when share prices rise sharply, option sellers get called away. This means that portfolios running covered call strategies do not fully participate in rallies and can under perform during bull markets.

CURRENT YIELD BY ASSET CLASS (%)

Source: Global X ETF's with information derived from: Bloomberg. L.P. (n.d.) (Yields by asset class) [Data set].
Data as of 31 January, 2024 and accessed February 13, 2024 from Global X Bloomberg Terminal. Asset Class representations are as follows, Australia Bank Hybrids, Solactive Australian Hybrid Securites Index (Gross); US High Yield Bonds, Bloomberg USD Liquid Investment Grade Corporate Hedged AUD; ASX 200, S&P/ASX 200 Index; Australian Corporate Bonds, Bloomberg AusBond Credit 0+ Yr Index; Australian Government Bonds, Bloomberg AusBond Govt 0+ Yr Index; US Treasuries, Current US 10 Year Government
Note; Global REITs, FTSE EPRA Nareit Global REITs Net Tax Index; S&P 500, S&P500 Index.



CONSIDERATIONS FOR COVERED CALL INVESTORS

Before investing, investors should ensure they understand covered call option writing risk. By writing covered call options in return for the receipt of premiums, UYLD will give up the opportunity to benefit from potential increases in the value of the S&P 500 Index above the exercise prices of such options but will continue to bear the risk of declines in the value of the S&P 500 Index.

The premiums received from the options may not be sufficient to offset any losses sustained from the volatility of the underlying stocks over time. As a result, the risks associated with writing covered call options may be similar to the risks associated with writing put options. In addition, UYLD's ability to sell the securities underlying the options will be limited while the options are in effect unless UYLD cancels out the option positions through the purchase of offsetting identical options prior to the expiration of the written options. Exchanges may suspend the trading of options in volatile markets. If trading is suspended, UYLD may be unable to write options at times that may be desirable or advantageous to do so, which may increase the risk of tracking error.

HOW TO USE UYLD IN A PORTFOLIO

- In the core of a portfolio replacing some S&P 500 exposure, as the options premiums generated from selling calls can smooth drawdowns without deviating substantially from benchmark.
- As a satellite providing an alternative source of income, especially in times of heightened volatility or rising interest rates.

HOW UYLD WORKS

- UYLD tracks the S&P 500 BuyWrite Index.
- The fund invests in the S&P 500 Index on a fully replicated basis.
- It then sells a succession of one-month at-the-money – or nearest out-of-the-money – exchange traded call options on the same index worth roughly 100% of the value of the portfolio.
- Options are held until maturity. A new-at-the-money call option expiring in the next month is then deemed written or sold.

For more information on Global X S&P 500 Covered Call ETF (ASX Code: UYLD), please speak to Global X ETFs.

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[1] As options mostly trade on margin, buyers are not required to front up 100% of the exercise price until expiry. The difference between the margin buyers post, and the full exercise price, represents a loan from the option seller to the option buyer. The economics of this loan is then reflected in higher premiums.

Information current as at 31 January 2024.

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