



# 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.

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

# 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.

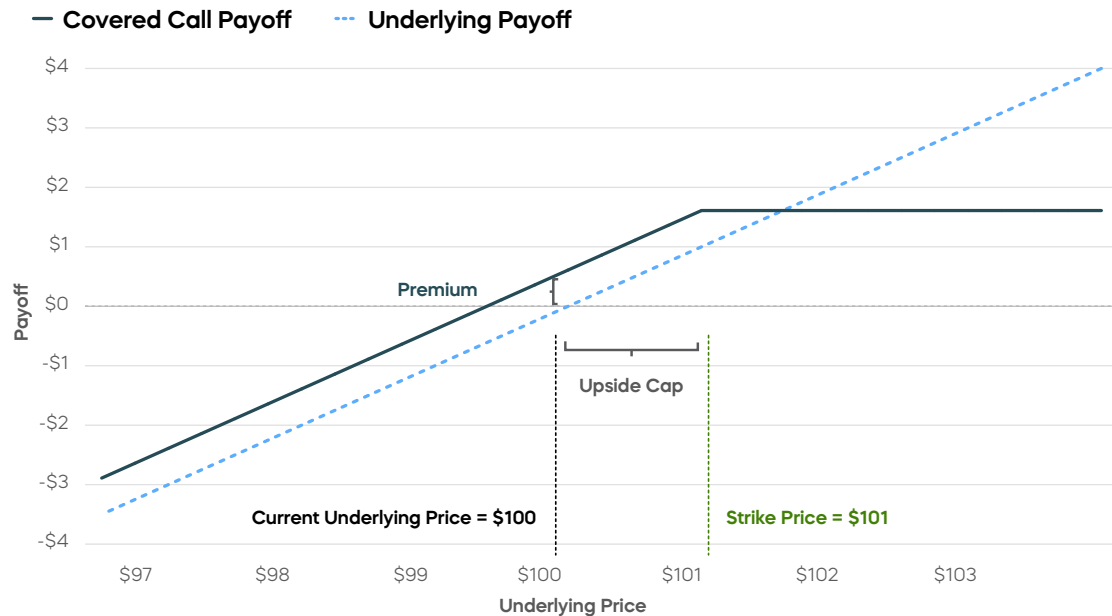


Chart is for illustrative purposes only.

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.

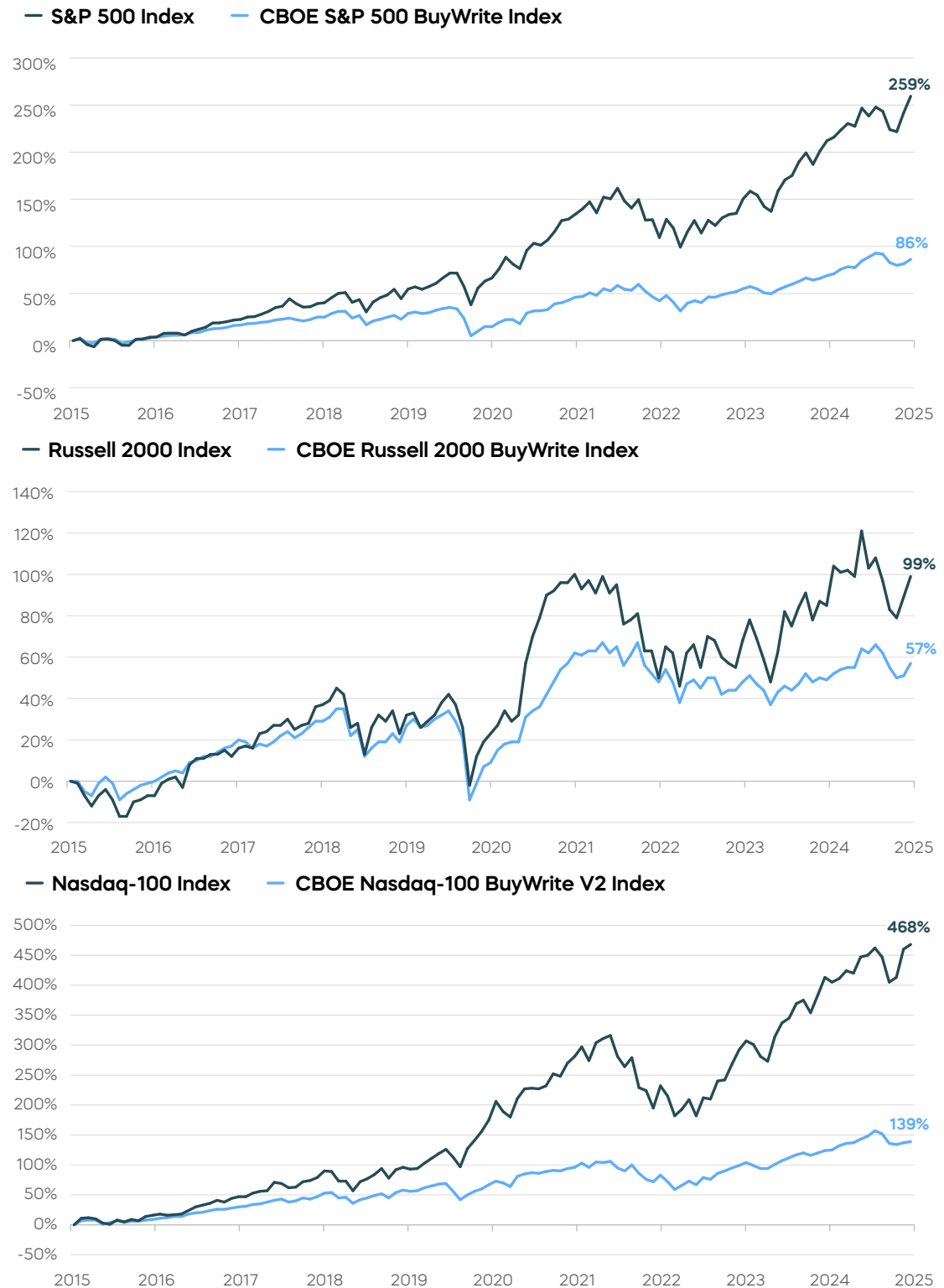
Comparing the performance between major benchmarks and their respective covered call indexes highlights this cost. The following page shows performance comparisons of the S&P 500 Index versus the CBOE S&P 500 BuyWrite Index, the Nasdaq-100 Index versus the CBOE Nasdaq-100 BuyWrite V2 Index, and the Russell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

<sup>1</sup> Source: Bloomberg. For S&P 500 and Russell 2000, monthly returns from 6/30/15 to 6/30/25. For Nasdaq-100, monthly returns from 6/30/15 to 6/30/25. 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.

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>

### 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 6/30/15 to 6/30/25. Middle chart: Monthly returns from 6/30/15 to 6/30/25. Bottom chart: Monthly returns from 6/30/15 to 6/30/25. 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 longterm 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.

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

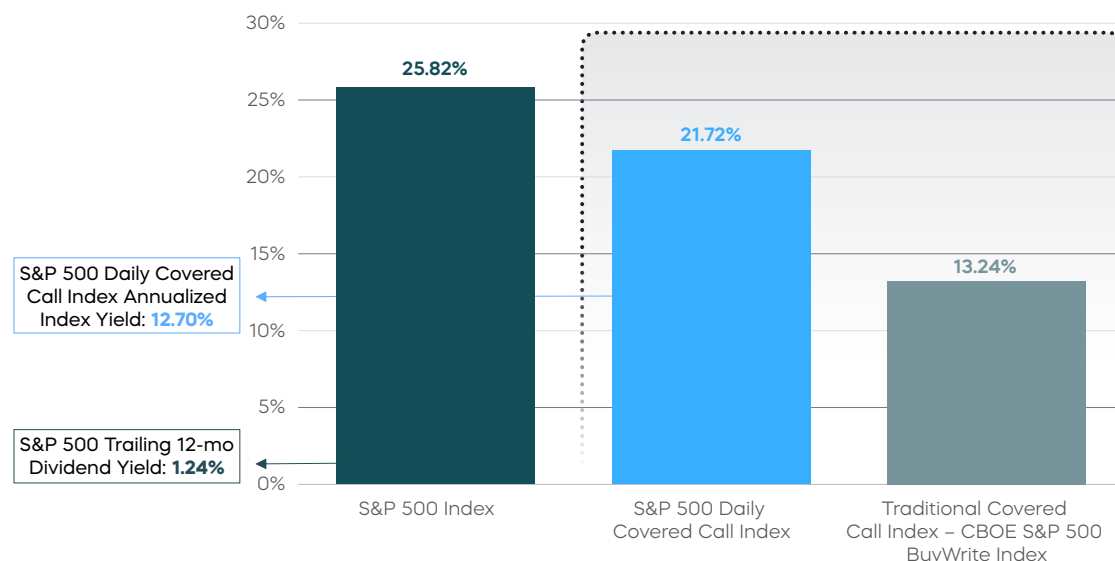
Daily appreciation potential and a better balance between premiums and payouts allow a covered call strategy that uses daily options to target **high income**, aim for **equity market performance** over the long term, and potentially capture returns traditional strategies often sacrifice.

<sup>2</sup> Source: Bloomberg. Data from S&P 500 Daily Covered Call Index inception on 10/5/23 through 6/30/25. 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.

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 June 30, 2025 was 12.70%. 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 6/30/25



ISPY Total Return Since Inception – 12/18/23 to 6/30/25.<sup>4</sup>

As of 6/30/25: 16.41% (NAV) | 16.50% (Market Price)

1-year: 11.26% (NAV) | 11.30% (Market Price)

*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 60% of the S&P 500's returns in up markets, and a disappointing 61% of the S&P 500's returns in down markets (on a quarterly basis).<sup>5</sup>

<sup>3</sup> Source: ProShares. The annualized index yield reflects the dividend and call premium income earned by the index for the period from 10/5/23 through 6/30/25, 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 10/5/23–6/30/25 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 6/30/15 to 6/30/25.

## 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 \$85 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](https://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. On 19a-1 notices, the fund discloses the accounting source of each distribution, either net investment income or accounting return of capital. The accounting source of the distribution does not impact whether the distribution is considered to be taxable income or a tax return of capital for income tax purposes.

**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.**

The S&P 500 Daily Covered Call Index is a product of S&P Dow Jones Indices LLC and its affiliates and has been licensed for use by ProShares. "S&P®" is a registered trademark of Standard & Poor's Financial Services LLC ("S&P") and "Dow Jones®" is a registered trademark of Dow Jones Trademark Holdings LLC ("Dow Jones"), and have been licensed for use by S&P Dow Jones Indices LLC and its affiliates. ProShares have not been passed on by S&P Dow Jones Indices LLC and its affiliates as to their legality or suitability. ProShares based on the S&P 500 Daily Covered Call Index are not sponsored, endorsed, sold or promoted by S&P Dow Jones Indices LLC, Dow Jones, S&P or their respective affiliates, and they make no representation regarding the advisability of investing in ProShares. **THESE ENTITIES AND THEIR AFFILIATES MAKE NO WARRANTIES AND BEAR NO LIABILITY WITH RESPECT TO PROSHARES.**

Nasdaq®, Nasdaq-100 Index®, Nasdaq-100®, NDX®, Nasdaq-100 Daily Covered Call™ Index, NDXDCC™, Nasdaq-100 Daily Covered Call Option™ Index, NDXDCCOV™, Nasdaq-100 Daily Covered Call Income™ Index, NDXDCCI™, are registered trademarks of Nasdaq, Inc. (which with its affiliates and third party licensors is referred to as the “Corporations”) and are licensed for use by ProShare Advisors LLC. The Product(s) have not been passed on by the Corporations as to their legality or suitability. The Product(s) are not issued, endorsed, sold, or promoted by the Corporations. **The Corporations make no warranties and bear no liability with respect to the product(s).**

London Stock Exchange Group plc and its group undertakings (collectively, the “LSE Group”). ©LSE Group 2024. FTSE Russell is a trading name of certain of the LSE Group companies. The “Cboe Russell 2000 Daily Covered Call Index” and “Russell®” are trademarks of the relevant LSE Group companies and are used by any other LSE Group company under license. All rights in the FTSE Russell indexes or data vest in the relevant LSE Group company which owns the index or the data. Neither LSE Group nor its licensors accept any liability for any errors or omissions in the indexes or data, and no party may rely on any indexes or data contained in this communication. No further distribution of data from the LSE Group is permitted without the relevant LSE Group company’s express written consent. The LSE Group does not promote, sponsor or endorse the content of this communication.

ProShares are distributed by SEI Investments Distribution Co., which is not affiliated with the funds’ advisor or sponsor.