



# **THE RISE OF OPTIONS INCOME ETPs IN EUROPE**

**How a US-led product category is building  
in Europe and the UK**

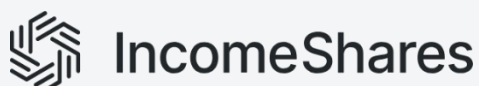
May 2026 | Capital at risk. For professional investors only.

**Author**

Jonathan Hobbs, CFA – Senior Analyst, IncomeShares

**Contributors**

Oktay Kavrak, CFA – Global Head of Communications & Strategy, IncomeShares



**LONDON  
STOCK  
EXCHANGE**

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# Executive summary

Options income products sell options and aim to distribute the collected premiums as cash to investors. The idea is straightforward enough, but how they're built varies. Europe does things differently from the United States.

In the US, options-based exchange-traded funds have grown into a category holding over \$250 billion in assets, with record net inflows of \$82.4 billion in 2025. Options income strategies – which focus specifically on generating distributable cash from option premiums – make up a large and growing portion of that figure. More than 800 US-listed ETFs now use some form of options strategy.<sup>1</sup> The largest income-focused product, JPMorgan's Equity Premium Income ETF, holds over \$40 billion in assets under management.<sup>2</sup>

Europe is earlier in this cycle but moving quickly. European options-based ETPs held \$7.8 billion in assets as of February 2026, with most of that growth happening in the past two years.<sup>3</sup>

On the London Stock Exchange alone, 69 options income ETPs were listed as of February 2026, with IncomeShares adding a further 35 ETPs to the LSE across March and April 2026.<sup>4</sup> <sup>5</sup> Trading value topped £1.15 billion in 2025. And the number of unique member firms actively trading these products – brokers, market makers, and institutional desks – has grown from 5 to over 40 since 2022.<sup>6</sup>

UCITS diversification rules mean that many strategies – like those built around a single stock, ETF, or commodity like gold – can't operate inside a UCITS fund. European issuers use exchange-traded product wrappers for these concentrated exposures instead. The result is a split between UCITS ETFs for diversified strategies and non-UCITS ETPs for single-asset strategies.

This report covers six areas. It explains why investors are looking for income beyond traditional sources and why options strategies may help. It describes how the US market scaled and what Europe imported. It explains how UCITS rules influence what's feasible. It maps the European market by size, growth, issuers, and strategy types. It walks through a real-world case study showing how a gold-backed covered call strategy behaved during a major correction. And it covers the potential tax advantages of option premium income over traditional income sources for European investors.

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<sup>1</sup> [Trackinsight](#), US options-based ETF data, March 2026.

<sup>2</sup> [J.P. Morgan Asset Management](#), JEPI fund data, May 2026.

<sup>3</sup> [Trackinsight](#), European options-based ETP data, March 2026.

<sup>4</sup> [London Stock Exchange](#), options income ETP listing data, March 2026.

<sup>5</sup> [IncomeShares](#), product launches, March–April 2026.

<sup>6</sup> [London Stock Exchange](#), options income ETP trading data, March 2026.

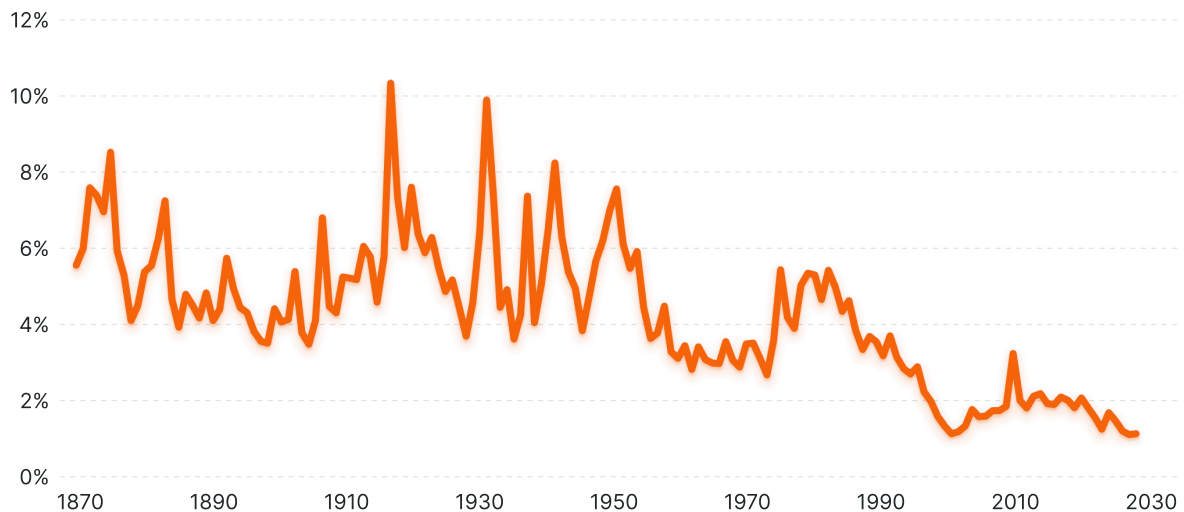
# 1. The income problem

Investors need income for different reasons. Pensions need it for liability matching, retirees need it for spending, and model portfolios need a distributable cash component. But for much of the past two decades, traditional income sources haven't delivered enough of it.

At the end of 2025, the S&P 500's dividend yield was roughly 1.15% – close to the all-time low set in the dot-com bubble. That's not because firms stopped paying dividends – around 56% of S&P 500 companies still do. The issue is index concentration. Information technology stocks now make up roughly 35% of the index, and the largest names – Nvidia, Microsoft, Alphabet – pay little or nothing relative to their market capitalisation.<sup>7</sup> An investor tracking the S&P 500 gets broad equity exposure, but not much income.

European stocks tend to pay higher dividends, but the direction is the same. The STOXX Europe 600 yields around 2.5%, and FTSE 100 yield dipped below 3% for the first time since Covid.<sup>8 9</sup> Better than the US, sure. But if you need 4% or more from your equity allocation, dividends may not get you there. And with inflation running at around 2–3% across most developed markets, even a 3% dividend yield barely keeps pace in real terms.

## S&P 500 Dividend Yield, 1871–2026



Source: S&P Dow Jones Indices, Robert Shiller.

<sup>7</sup> CNBC and Trivariate Research, "The dividend yield on the S&P 500 is the lowest since the dotcom bubble", November 2025.

<sup>8</sup> iShares STOXX Europe 600 UCITS ETF (DE), 12-month trailing dividend distribution yield, April 2026.

<sup>9</sup> [dividenddata.co.uk](https://dividenddata.co.uk), FTSE 100 dividend yield data, April 2026.

The fixed-income picture *has* improved since the near-zero yields of 2020–2021, but bond investors now face a different set of problems. Goldman Sachs' Global Macro Research noted in February 2025 that 10-year US Treasury yields have reset higher even as the Federal Reserve began cutting rates. Their research pointed to three drivers: a reassessment of the inflation outlook, an upward shift in the expected neutral interest rate (the rate at which monetary policy is neither stimulating nor restricting the economy), and a rise in the term premium.<sup>10</sup>

The term premium is the extra yield investors demand for locking their money into longer-dated bonds (say, a 10-year Treasury) instead of just buying shorter-term bonds and renewing them as they mature. For years, the term premium was unusually low. Investors were happy to hold longer-dated bonds without much extra compensation. But that's changed. The 10-year US Treasury term premium has risen from negative territory in 2020 to almost 1% in early 2026 – levels not seen in over a decade.

### 10-Year US Treasury Term Premium (ACM Model), 1995–2026



Source: Federal Reserve Bank of New York (ACM Model) via Bloomberg.

BlackRock's 2026 outlook adds to the picture. Their analysis found that investment grade bonds across the US, Europe, and the UK spent roughly two-thirds of the past twenty years at lower yield levels than today. Yields are higher now than they've been for most of recent history. But BlackRock also downgraded longer-dated government bonds to neutral. Their view: governments are taking on more debt, and investors will want more

<sup>10</sup> [Goldman Sachs Global Investment Research](#), "Top of Mind: High Bond Yields – Here to Stay?", February 2025.

compensation to hold those bonds. Higher yields haven't come for free – they've come with more uncertainty about where rates go next.<sup>11</sup>

That uncertainty is a risk on its own. Duration risk is how sensitive a bond's price is to changes in interest rates. The longer the bond's maturity, the more its price moves when rates shift (all else being equal). An investor holding longer-dated bonds for income could see that income wiped out by capital losses if yields keep rising. For investors who want income without that kind of rate exposure, it's worth looking beyond bonds.

That said, there's an AI-driven scenario where bond yields fall from here – making fixed income generally pay less than it does today.<sup>12</sup> On the one hand, AI could make goods and services much cheaper to produce, reducing inflation over time. On the other, AI could lead to large-scale job losses. Lower inflation tends to pull bond yields down because investors need less compensation to protect their purchasing power. If prices aren't rising fast – or even falling – a lower yield still earns a real return. And with fewer people in work, central banks would likely cut rates to support the economy.

**Options income strategies may offer a solution to the income problem.** The cash flow comes from selling volatility, not from lending money or owning dividend-paying stocks. The premium collected from selling an option is compensation for giving someone else the right to participate in a price move. The next section explains how that works.

## 2. How options income strategies work

This section is for anyone who wants to understand the mechanics clearly. If you already know how covered calls and put-writing work, you can skip ahead to Section 3.

### Covered calls: giving up some upside for income potential

A covered call strategy holds an underlying asset – like a stock, index fund, or gold ETF – and sells call options on it.

A call option gives the buyer the right, but not the obligation, to purchase the underlying asset at a fixed price by a set date. That fixed price is called the strike price. The set date is the expiry. In return for granting that right, the option seller collects a fee upfront called the premium. The premium is the income component of every options strategy.

The seller keeps the premium regardless of what happens next – but there's a trade-off. If the asset's price rises above the strike price, the seller must sell the underlying asset at

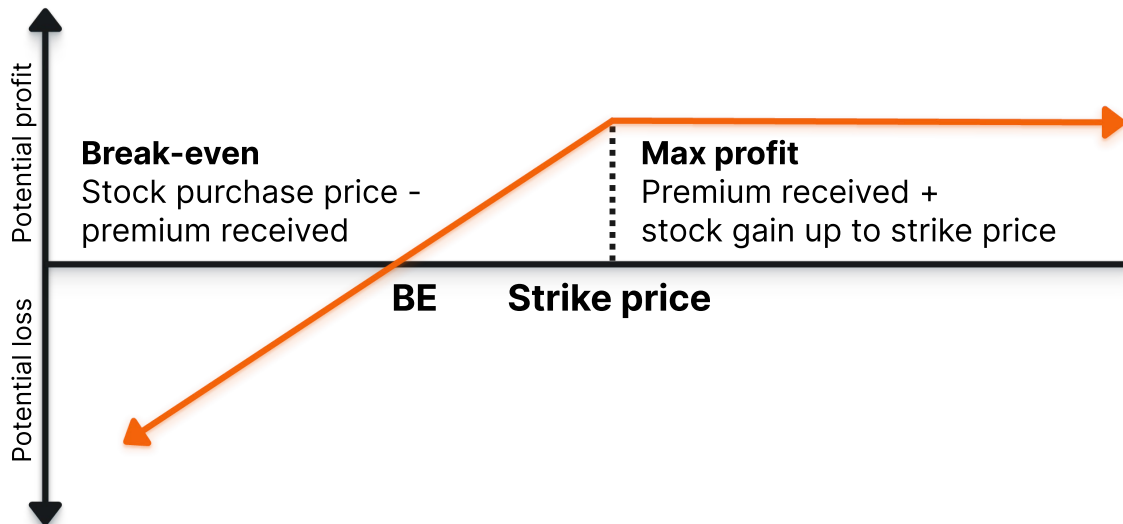
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<sup>11</sup> [BlackRock](#), "2026 Views: Income, Selectivity and Dispersion", January 2026.

<sup>12</sup> [IncomeShares](#), "The Investment Case for TLT (Long-Dated Treasury Bonds)", August 2025.

the strike – and misses out on any gains above that level. That’s the cap on upside that covered call investors accept in exchange for collecting premium income.

### Covered call payoff diagram



### A hypothetical covered call example

An investor holds shares in a gold ETF trading at \$300. They sell a call option with a strike price of \$310 and collect a \$5 premium per share.

**If the gold ETF stays below \$310:** the option expires unused. Nobody would pay \$310 for something they can buy cheaper in the open market. The investor keeps the \$5 premium and still holds the shares. The premium adds to their return for the period.

**If the gold ETF rises to \$320:** the option buyer exercises their right. The investor sells ETF shares at \$310, keeping the \$5 premium. Total gain: \$15 (\$10 price appreciation + \$5 premium). But they miss out on the extra \$10 move from \$310 to \$320. The upside was capped at the strike price.

**If the gold ETF drops to \$280:** the option expires unused. The investor keeps the \$5 premium, which partially offsets the \$20 decline. The loss is \$15 instead of \$20. The premium helps cushion the fall, but doesn't eliminate the downside.

This example shows the core trade-off: *the investor effectively swaps some potential upside for current income*. In flat or declining markets, the premium may improve returns. In strong rallies, the strategy will likely lag the underlying asset.

Strike choice drives the balance between income and participation. A strategy that sells calls close to the current price (what's called "at the money" or ATM) collects more premium but caps more upside. A strategy that sells calls well above the current price

("out of the money" or OTM) collects less premium but lets the investor participate in more of a rally before the cap kicks in.

How often the strategy sells new options also affects the return profile. This is called the roll schedule. A weekly roll means selling new options every week, collecting premium more frequently but in smaller amounts. A monthly roll collects larger premiums less often. Weekly strategies can adapt more quickly to fast-moving markets. Monthly strategies are more exposed to moves that happen between roll dates. The choice affects how the strategy responds to different market conditions.

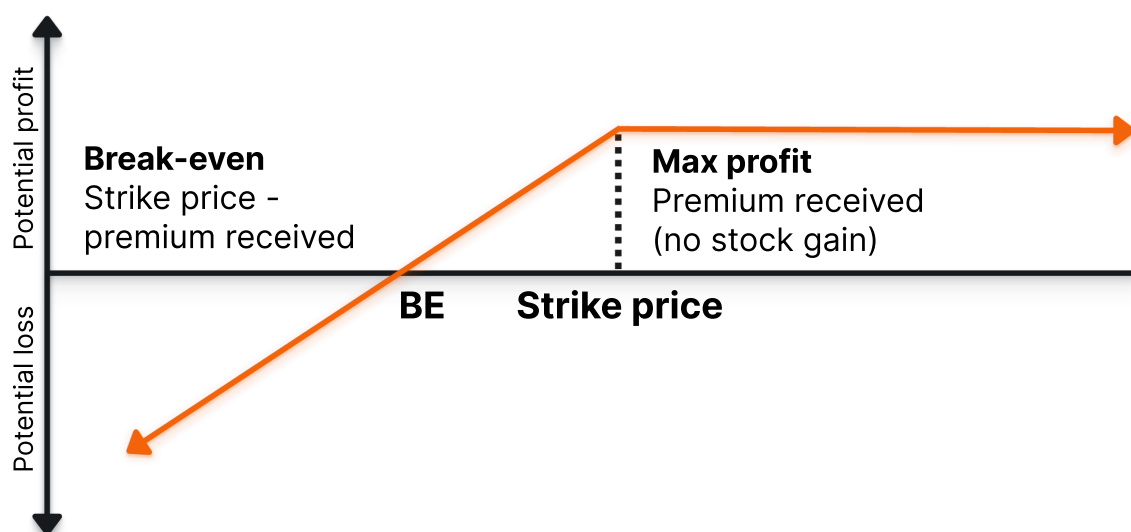
## Cash-secured puts: income with a commitment to buy

A cash-secured put strategy works differently from a covered call. Instead of holding the asset and selling calls, this strategy sells put options while holding enough cash to cover the purchase if the buyer exercises the option.

A put option gives the buyer the right to *sell* an asset at the strike price. The put seller collects a premium for agreeing to buy the asset at that price if it falls below the strike. The cash held by the strategy serves as collateral – it's there to fund the purchase if the option is exercised.

A cash-secured put and a covered call with the same strike and expiry produce almost the same payoff. Both collect premium, and both have downside risk similar to owning the stock. The difference is how they're set up: the covered call holds the stock and sells a call. The cash-secured put sells a put and holds cash to buy the stock if the option is exercised.

### Cash-secured put payoff diagram



## A hypothetical example

A strategy sells a put option on a stock trading at \$100, with a strike price of \$95, and collects a \$3 premium per share.

**If the stock stays above \$95:** the put expires unused. No one would sell at \$95 when they could sell for more in the open market. The strategy keeps the \$3 premium as income.

**If the stock drops to \$85:** the put buyer exercises. The strategy must buy the stock at \$95, even though it's only worth \$85. The \$3 premium offsets some of that loss. The net cost is \$92 (\$95 strike minus \$3 premium), against a market value of \$85. That's a \$7 per share loss.

Some European products combine put-writing with a partial equity position. For instance, some IncomeShares ETPs hold roughly 25% in the underlying stock directly and sell puts on the remaining notional. If the stock rises, the 25% equity leg participates in the gains. If the stock falls, the strategy may be required to buy more shares at the strike. This hybrid approach creates a different return profile from a pure covered call, with its own set of trade-offs that we'll cover in the risk section.

## Why total return is the right measure for options income products

Options income products distribute cash. Investors often focus on the distribution yield – the annualised income payments expressed as a percentage of the product's net asset value. It's a useful headline number, but it doesn't tell the full story.

The right measure is total return. Total return captures what happened to the investor's capital after accounting for both distributions received and changes in net asset value (NAV). NAV is the underlying value of the product's holdings per unit.

A high distribution yield can coincide with a weak total return. This can happen if the strategy repeatedly gives up upside in a trending market, or if the underlying asset declines while the product continues to distribute income. Conversely, a lower yield with better capital preservation may deliver a stronger total return over a full cycle.

Any evaluation of these products should look at both the income history and the total return. We'll come back to this in the case study in Section 6.

## 3. The US blueprint

The United States scaled options-based strategies earlier than any other market. Understanding why helps explain where Europe is today.

US investors already used ETFs as their default wrapper. The structure supported adviser adoption, platform distribution, and model portfolio inclusion. When options-based

strategies arrived in an ETF wrapper, they slotted into existing channels immediately. US options markets are also extraordinarily deep. Index and single-stock options trade with high liquidity, tight spreads, and a wide range of expiry dates – the kind of infrastructure that can support systematic strategies running at scale.

The timing was also right. After 2020, near-zero bond yields, elevated stock market volatility, and a search for alternative income created strong demand for packaged, distributable yield. Options-based ETFs met that demand.

US options-based ETFs now hold over \$250 billion in assets. Net inflows reached \$82.4 billion in 2025, up from just \$0.3 billion in 2018.<sup>13</sup> Within that broader category, income-focused strategies – covered calls, put-writing, and premium income funds – make up a large and growing share. Total US options volume hit 15.2 billion contracts in 2025 – up 26% from 2024 and the sixth consecutive annual record.<sup>14</sup>

The product range has expanded well beyond index covered calls. It now includes single-stock income strategies, buffer ETFs that aim to limit downside, and zero-days-to-expiry (ODTE) products that sell options expiring the same day.

## 4. Why Europe looks different

Europe imported the economic idea: sell options and distribute premiums to investors. But it didn't import the product set one-for-one. The reason comes down to regulation.

### How UCITS rules affect what's possible

UCITS – Undertakings for Collective Investment in Transferable Securities – governs how most European investment funds operate. It allows derivatives, including options, but imposes diversification rules that limit what strategies can be delivered as a fund.

The commonly cited rule is the 5/10/40 rule. A UCITS fund can't invest more than 10% of its assets in securities from a single issuer. And all positions above 5% can't collectively exceed 40% of the portfolio.

UCITS works just fine for diversified index strategies. A UCITS fund can hold a broad equity index and sell calls on that index. The underlying portfolio already meets the diversification rules.

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<sup>13</sup> [Trackinsight](#), US options-based ETF data, March 2026.

<sup>14</sup> [Cboe](#), "The State of the Options Industry: 2025", January 2026.

But for concentrated strategies, it's a different story. A single-stock covered call strategy – holding one stock and selling calls on it – can't meet UCITS diversification requirements. The same applies to a strategy that holds a single gold ETF and sells calls on it.

## Why ETP wrappers exist

This is where European exchange-traded products come in. ETPs in Europe commonly use secured note structures governed by prospectus regulation rather than UCITS fund rules. These structures can accommodate concentrated options exposures.

The wrapper choice doesn't automatically mean higher or lower risk – just a different legal form. A UCITS ETF is a regulated fund with specific investor protection requirements. A non-UCITS ETP is typically a secured note. It's still subject to regulatory oversight, with collateral arrangements described in its documentation – but it's structured as a debt instrument, not a fund. Investors should understand the mechanics of both and conduct due diligence accordingly.

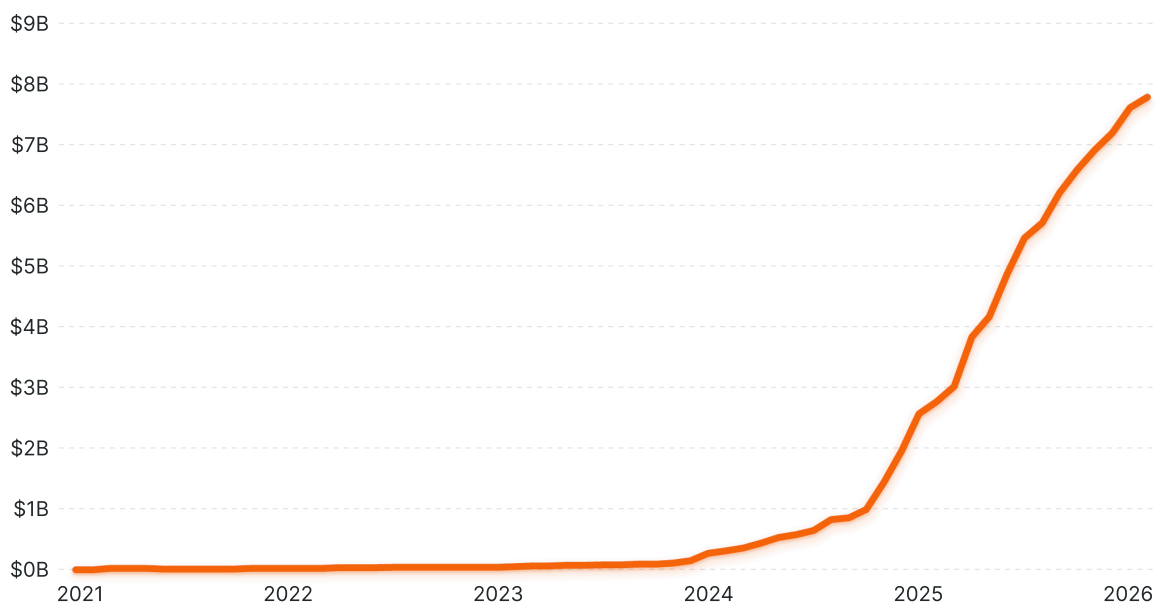
Feature	UCITS ETF	Non-UCITS ETP
Diversification	Must comply with 5/10/40 limits	Not subject to UCITS diversification
Typical underlying	Diversified portfolio or index	Can reference a single security
Strategy fit	Portfolio-level options strategies	Single-asset strategies possible
Legal structure	Regulated fund	Secured note under prospectus regulation
Investor claim	Fund share with defined protections	Note with collateral arrangements
Practical result	Broad index options income	Single-asset options income

## 5. The European market

### Market size and growth

European options-based ETPs held \$7.8 billion in assets under management as of February 2026.<sup>15</sup> Most of that growth came in the past two years. The European options income segment is still small compared to the broader market, but it's growing fast. Assets roughly doubled between mid-2025 and early 2026, driven by new product launches and rising investor interest. For context, total European ETP assets are over \$3.2 trillion.<sup>16</sup>

#### European Options-Based ETP Assets Under Management, 2021–2026



Source: Trackinsight.

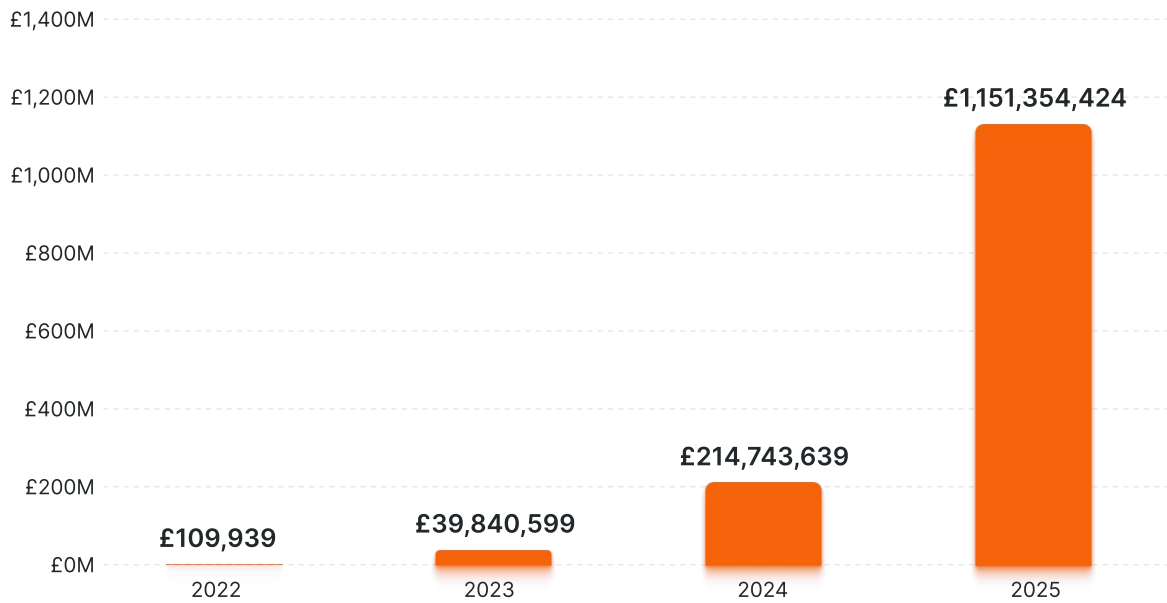
London Stock Exchange data gives us one of the clearest views of how this market is actually trading. On the LSE, the total traded value of options income ETPs went from under £110,000 in 2022 to over £1.15 billion in 2025. In the first two months of 2026, £299 million has already traded.<sup>17</sup>

<sup>15</sup> [Trackinsight](#), European options-based ETP data, March 2026.

<sup>16</sup> [ETFGI](#), European ETF industry assets, January 2026.

<sup>17</sup> [London Stock Exchange](#), options income ETP trading data, March 2026.

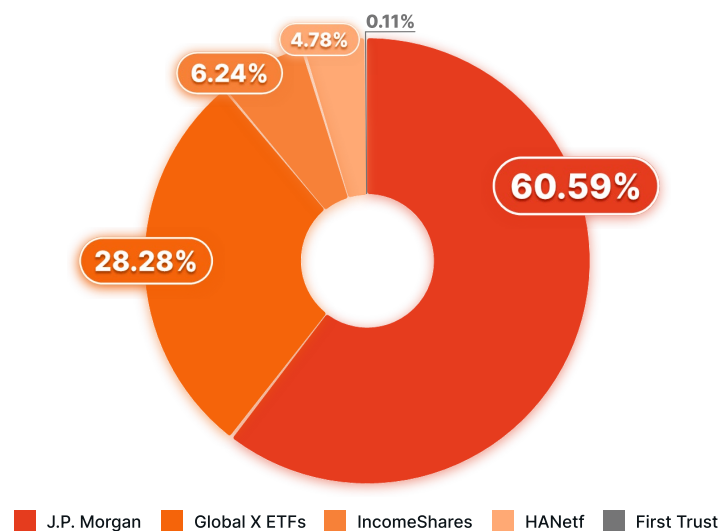
## Total GBP Value Traded in Options Income ETPs on the LSE, by Year



Source: London Stock Exchange, as of February 2026.

Trading is concentrated among a small number of issuers. J.P. Morgan accounts for 61% of all options income ETP value traded on the LSE, driven largely by its Premium Income UCITS ETF range. Global X follows at 28%. Together, those two issuers make up nearly 90% of total trading activity. IncomeShares, HANetf, and First Trust split the remaining 11% – though IncomeShares has the widest product range by number of listings. As more issuers enter and existing products build track records, that concentration is likely to shift.

## Options Income ETP Trading Value on the LSE, by Issuer (2022–Feb 2026)



Source: London Stock Exchange.

## Launch timeline

Options income products existed in Europe before 2022, but the segment was small. UBS launched covered call and put-write UCITS ETFs on the Euro STOXX 50 in 2020, but they gathered minimal assets.

The inflection came in late 2022. Global X entered Europe with a Nasdaq 100 Covered Call UCITS ETF, helping define the category for European investors. They followed with an S&P 500 version in mid-2023, then expanded to Euro STOXX 50 and DAX underliers.

In late 2023, J.P. Morgan launched its Premium Income UCITS ETF range, seeding significant assets. Their Global Equity Premium Income UCITS ETF gathered over €1 billion within its first year – a clear signal of institutional demand.<sup>18</sup>

In 2024, the European market moved beyond index strategies. IncomeShares launched options income ETPs on individual US Big Tech stocks, including the Nvidia Options ETP and Tesla Options ETP. It also launched the Gold+ Yield ETP – a covered call on SPDR Gold Shares (GLD). And it introduced ODTE put-write strategies on the SPDR S&P 500 ETF (SPY) and Invesco QQQ Trust (QQQ). Each references a single underlying, which is why they use ETP wrappers rather than UCITS funds.

In 2025, IncomeShares expanded into cash-secured put strategies on single stocks. Meanwhile, HANetf partnered with REX Shares and YieldMax to bring further products to European exchanges.

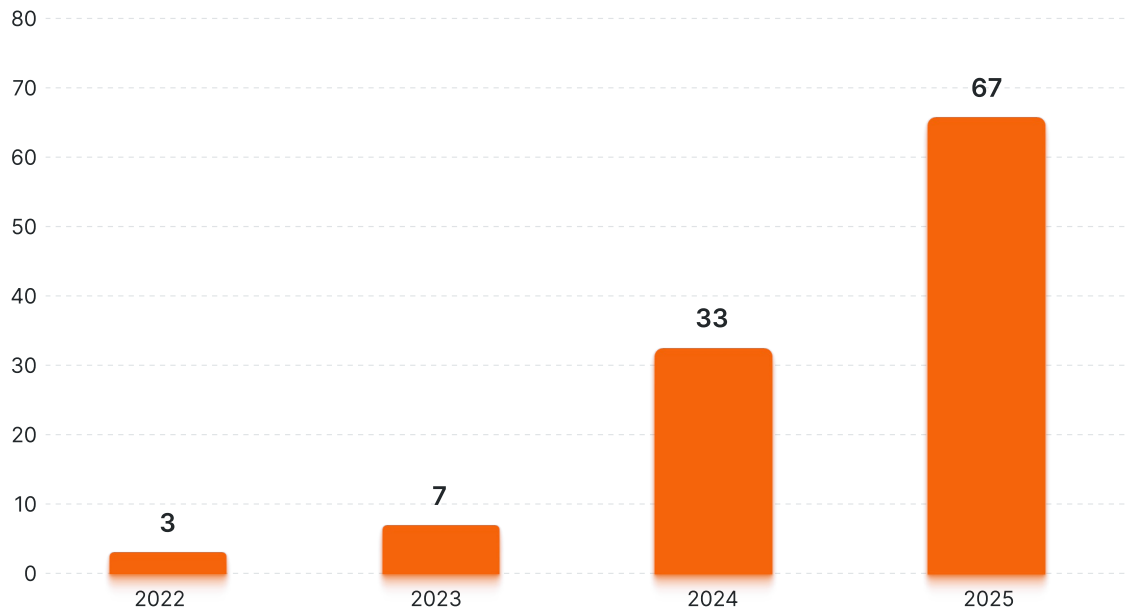
As of February 2026, 69 options income ETPs were listed on the London Stock Exchange, with IncomeShares adding a further 35 ETPs across March and April 2026. Just 3 were listed in 2022. By 2024, that jumped to 26 new listings in a single year. In 2025, another 34 were added. IncomeShares accounts for 38 of the original 69 listings, followed by HANetf (14), J.P. Morgan (8), Global X (7), and First Trust (2).<sup>19</sup>

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<sup>18</sup> [J.P. Morgan Asset Management](#), Global Equity Premium Income UCITS ETF fund data, March 2026.

<sup>19</sup> [London Stock Exchange](#), options income ETP issuer data, March 2026.

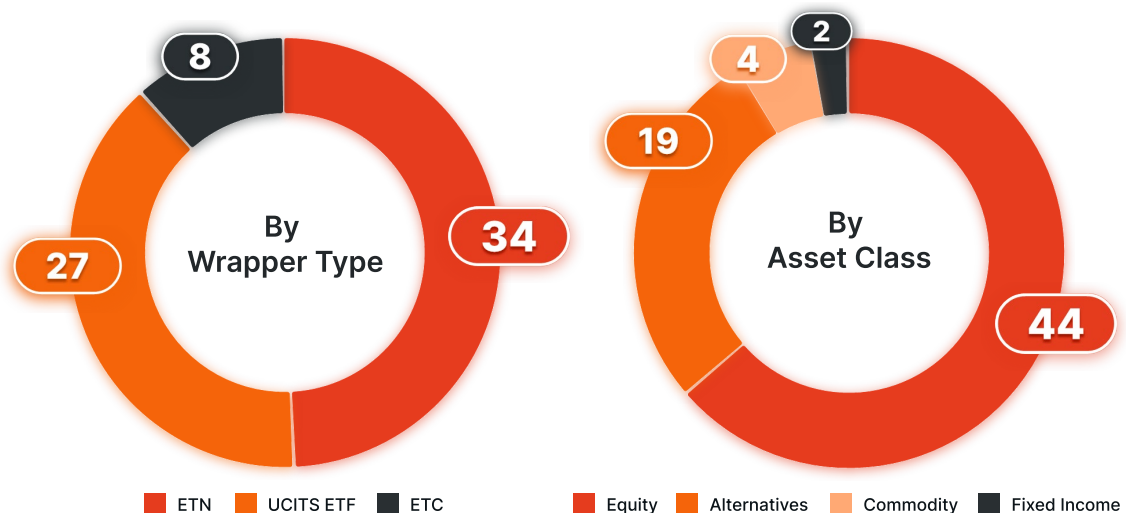
## Cumulative Options Income ETP Listings on the LSE



Source: London Stock Exchange, as of February 2026.

Of the 69 products, 44 are equity-focused, 19 are classified as alternatives, 4 are commodity, and 2 are fixed income. By wrapper type: 34 are ETNs, 27 are UCITS ETFs, and 8 are ETCs. Most – 44 out of 69 – reference US underlying assets.<sup>20</sup>

## Options Income ETP Product Breakdown on the LSE (69 products, as of February 2026)



Source: London Stock Exchange.

<sup>20</sup> [London Stock Exchange](#), options income ETP underlying asset data, March 2026.

## Strategy mix

Covered calls dominate by assets. Most of the largest products use buy-write approaches on broad equity indices, delivered through UCITS ETFs. Some track published buy-write indices (like the Cboe S&P 500 BuyWrite Index) while others use active option-selling approaches.

Cash-secured put plus equity strategies are a newer and growing segment. These products hold a partial position in the underlying stock (typically around 25%) and sell put options to generate income. The strategy doesn't cap upside the same way a covered call does, because the equity position can keep rising. But if the stock falls, the strategy may be required to buy more shares at the strike price. The income comes from the put premium, and the equity position provides direct market participation. This approach is used by IncomeShares for single-stock ETPs on names like Tesla, Nvidia, and Apple, and for the Magnificent 7 basket product.

Single-asset covered calls represent a distinctive part of the European market. These include covered calls on gold and on long-dated US Treasuries. Because they require concentrated exposure, they use ETP wrappers.

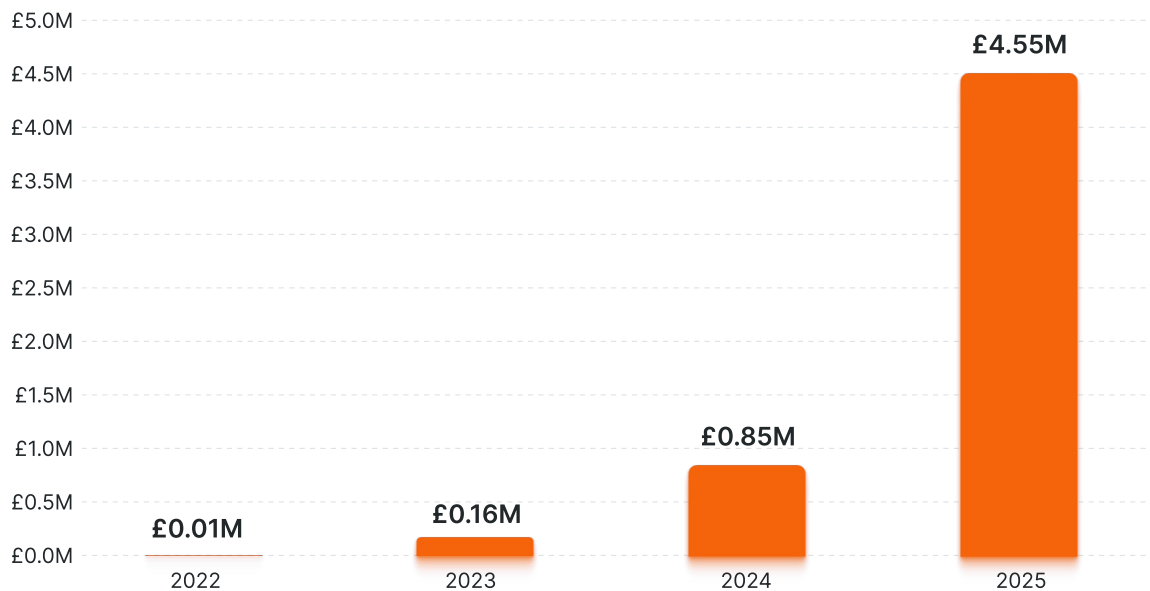
Strategy	Typical underlying	Wrapper	How it generates income
Index covered call	S&P 500, Nasdaq 100, Euro STOXX 50	UCITS ETF	Sells call options on index; caps upside above strike
Cash-secured put + equity	Tesla, Nvidia, Apple, Mag 7 basket	ETP	~25% equity + sells put options; collects premium
Single-asset covered call	Gold (GLD), Silver	ETP	Holds asset + sells call options; caps upside
Treasury covered call	20+ Year US Treasury (TLT)	ETP	Holds bonds + sells call options; aims to enhance yield
ODTE put-write	S&P 500, Nasdaq 100	ETP	Sells daily-expiring put options for frequent premium

## Trading and liquidity

Product liquidity varies across the European market. Some UCITS ETFs trade with meaningful depth and tight spreads. Many ETPs are newer and trade less actively, with market makers providing liquidity at wider bid-ask spreads. The spread is the difference between the buying and selling price – and wider spreads mean higher transaction costs for the investor.

That said, the data shows liquidity is improving fast. On the London Stock Exchange, the average daily traded value for options income ETPs went from around £5,200 per day in 2022 to over £7.3 million per day in early 2026. That's a 1,400x increase in just over three years.

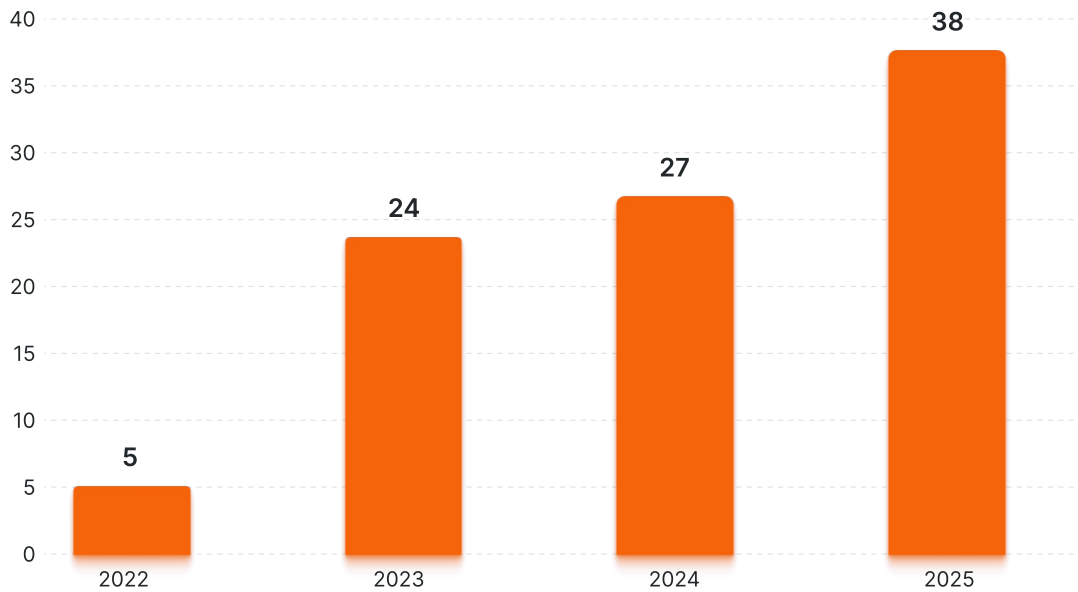
### Average Daily Traded Value for Options Income ETPs on the LSE



Source: London Stock Exchange, as of February 2026.

The number of member firms trading these products has grown too. In 2022, just 5 firms were active – brokers, market makers, and institutional desks. By 2025, that had risen to 38. A total of 41 unique firms have now traded options income ETPs on the LSE.

## Member Firms Trading Options Income ETPs on the LSE



Source: London Stock Exchange, as of February 2026.

Bid-ask spreads have narrowed as well. Average spreads across all options income ETPs on the LSE fell from around 42 basis points in 2023 to roughly 30 basis points in early 2026. Still wider than the most liquid UCITS ETFs, but heading in the right direction.<sup>21</sup>

## 6. Case study: how a gold covered call works

The IncomeShares Gold+ Yield ETP (GLDI) applies a covered call strategy to SPDR Gold Shares (GLD). Gold also went through a major correction earlier this year – which makes it a good example of how these strategies may behave when prices drop.

### How the strategy works

Gold+ Yield (GLDI) holds shares in the SPDR Gold Shares ETF (GLD) and sells weekly call options on that position. Each week, the ETP sells calls at strike prices above the current GLD price. The premiums collected from selling these calls are pooled and distributed to investors as monthly income.

**If GLD stays below the strike price when the option expires:** the option buyer has no economic reason to use it. For example, buying GLD at a \$498 strike price makes no sense if the market price is currently \$442. The buyer can simply buy GLD cheaper in the open market. In that case, the option expires unused – or "worthless" to the buyer. That means we don't need to sell our GLD shares, and we keep the full premium as income.

<sup>21</sup> [London Stock Exchange](#), options income ETP bid-ask spread data, March 2026.

**If GLD rises above the strike price:** the buyer will exercise the option and buy our GLD shares at the strike price. For example, if GLD rises to \$520 but our strike price is \$498, we sell at \$498 – not \$520. We miss out on the gains above \$498 (the upside cap). We still keep the premium we collected upfront, but we give up any further gains above the strike price.

The overall trade-off is capped upside during strong gold rallies, while the income we collect may help smooth returns if gold trades sideways or moves lower.

## **The January 2026 gold sell-off**

GLD had a major correction between 29 January and 2 February 2026. Each week, we sell weekly call options on our GLD exposure to collect option premiums upfront. Those options expire every Friday. The cycle we're describing ran from Friday 30 January to Friday 6 February.

On 30 January, GLDI had sold call options at strikes of \$498 and \$506 when GLD was trading around \$445. These strikes were well above the current price (out of the money). As gold dropped, those options lost roughly 80% of their value. The strategy bought them back cheaply, locking in most of the premium it had collected upfront. It then rolled into new positions at lower strikes (\$470 and \$472) to continue collecting income into the next weekly cycle.

Three of the four trades during the period were profitable. One – the \$472 strike – generated a small loss. The net effect was that the premium income partially offset the drawdown from the falling gold price. Not every individual trade will be profitable. The strategy aims to generate net income across all positions over time.

Date	GLD Price	Action	Strike	Premium	Result
30 Jan	~\$445	Sold calls	\$498	\$1.28/contract	Profit: bought back at \$0.25
30 Jan	~\$445	Sold calls	\$506	\$0.85/contract	Profit: bought back at \$0.17
2 Feb	~\$427	Sold calls	\$470	\$0.46/contract	Profit: closed at ~\$0.15
2 Feb	~\$427	Sold calls	\$472	\$0.06/contract	Small loss: closed at \$0.13

Source: IncomeShares, Bloomberg. Single options cycle. Not representative of all periods. Past performance is not a reliable indicator of future results.

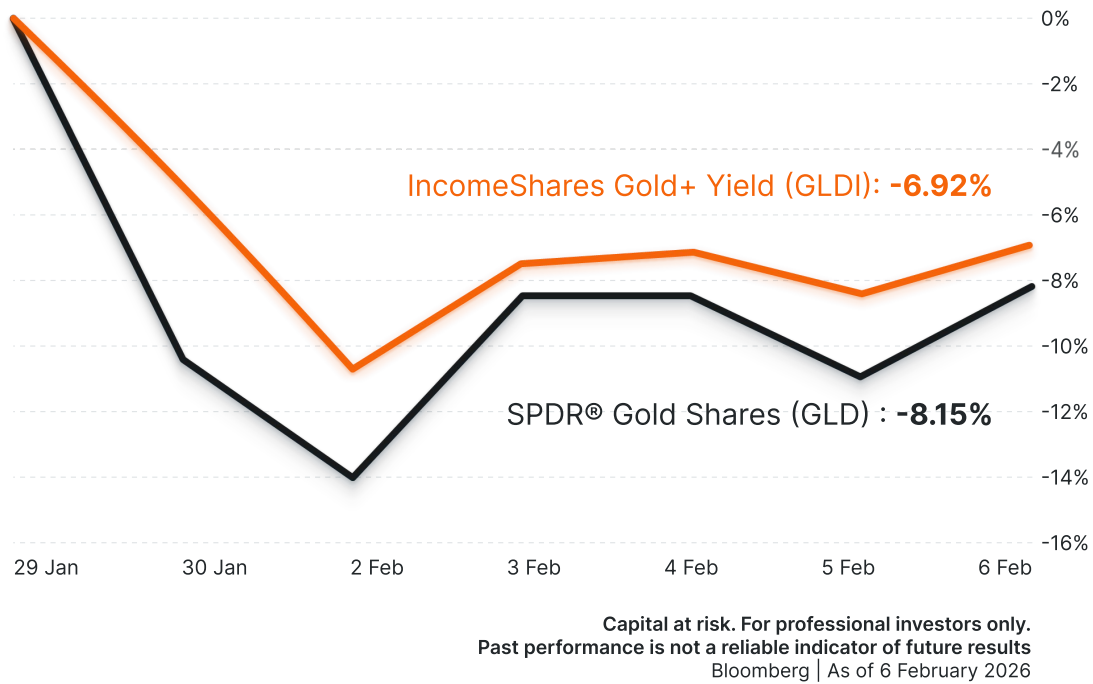
At the trough on 2 February, GLD was down 13.87% from 29 January, while GLDI was down 10.63% on a total return basis. By the end of the weekly options cycle on 6 February, GLD was down 8.15% and GLDI was down 6.92%. The premium income helped cushion the decline over the period.<sup>22</sup>

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<sup>22</sup> IncomeShares and Bloomberg, GLDI and GLD price and total return data, February 2026.

## Total Returns During Gold Sell-Off

GLDI dropped by less than GLD over the period



Source: IncomeShares and Bloomberg. Single options cycle. Not representative of all periods. Past performance is not a reliable indicator of future results.

In strong gold rallies, GLDI has historically underperformed GLD – albeit with lower volatility. That’s because the strike prices cap how much the strategy can gain. For up-to-date performance data, visit [incomeshares.com](https://incomeshares.com).

## 7. Tax treatment of option premium income

Options income strategies may offer a potential tax advantage over traditional income strategies. The reason comes down to how income is classified for US withholding tax purposes.

### The distinction

US withholding tax applies to dividends, interest, and similar income paid to non-US persons. The rate ranges from 15% to 30%, depending on the applicable tax treaty. Most traditional income strategies generate returns from these sources. The withholding is deducted at the fund level, before the investor sees the income.

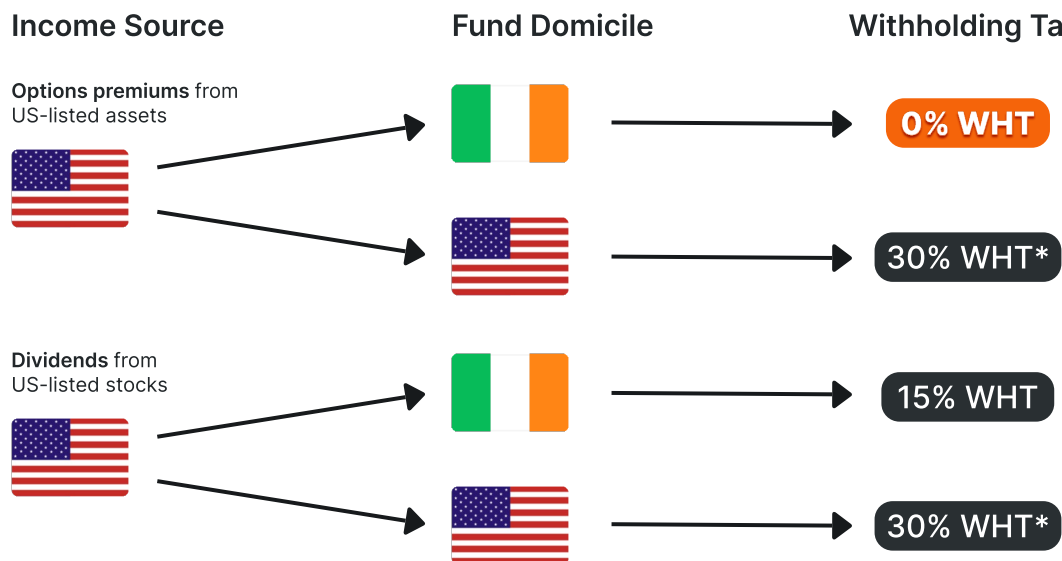
Option premium income doesn't fall into the same category. When a fund sells call or put options on US-listed assets, the income earned from those premiums isn't classified as a dividend or interest payment. That means it isn't subject to the same withholding rules. So the option premium component – which is typically the main income source for these products – can pass through to investors without the same tax drag at the fund level.

### Fund domicile still plays a role

This distinction only applies if the fund is domiciled outside the US. A US-domiciled fund pays withholding on its entire distribution, regardless of the income source. The IRS treats everything leaving a US fund as US-source income. Even a US-domiciled options fund may lose 15% to 30%.

Many European options income ETPs – including those of IncomeShares – are domiciled in Ireland. For these products, option premium income isn't subject to US withholding at the fund level. Any dividend income the fund receives from holding US stocks is still subject to the usual treaty rates.

### US Withholding Tax on Options Income vs. Dividends, by Fund Domicile



\*US WHT may drop to 15% for some EU/UK investors with valid treaty paperwork. Not tax advice.

Tax treatment depends on individual circumstances, product structure, and domicile. Investors should consult their own tax advisers.

## 8. Portfolio use cases and risks

### Who these products may be relevant for

Options income products aren't designed for every investor. But they may be relevant for several types of professional allocators.

**Dividend and income fund managers** who are finding it harder to hit yield targets from traditional equities. Options income can potentially complement a dividend strategy by adding a different source of distributable cash.

**Pension and liability-driven investors** who need predictable cash flows to meet obligations. Options premium can potentially enhance and diversify income potential on top of existing equity or fixed income allocations.

**Multi-asset portfolio builders** who want to change how an allocation behaves. A covered call strategy on the iShares 20+ Year Treasury Bond ETF (TLT), for instance, can convert some upside into income. That could add yield on top of what TLT already pays from its bond coupons.

**Wealth managers and private banks** who build model portfolios for clients with income needs. Options income ETPs and ETFs can sit alongside equities, bonds, and alternatives as a distinct allocation.

### Risks to understand

#### Capped upside

Covered calls sell away gains above the strike. In a strong rally, the strategy will likely lag the underlying asset.

#### Downside exposure

Premiums may help cushion losses, but they don't remove them. In a deep drawdown, the strategy typically behaves like the underlying asset with a modest offset. These products aren't hedges and shouldn't be treated as downside protection.

#### Put-write specific risks

Cash-secured put strategies carry a particular risk that investors should understand. If the underlying asset falls below the strike price, the strategy is obligated to buy it at the strike – taking an immediate loss. In a tail event where the asset drops significantly, the losses can be large and aren't limited to the premium collected. The cash held as collateral funds the purchase, but it doesn't protect against the loss. This risk profile is different from a covered call, where the investor already owns the asset.

## NAV erosion

This is a risk that investors should pay close attention to. If the underlying asset keeps falling in value while the strategy keeps distributing income, the NAV can erode faster over time. The distributions come from premiums collected, but the capital base is shrinking. An investor receiving a 10% yield while the NAV drops 15% still has a negative total return.

## Volatility regime sensitivity

Income from options strategies depends on implied volatility – the market’s expectation of how much an asset’s price will move. When implied volatility is high, premiums tend to be richer and distribution yields higher. When volatility compresses, premiums and yields decline. Although ETPs can aim for target monthly yields ranges, these aren’t as predictable as bond coupons.

## Liquidity and trading costs

Liquidity varies across the product set. Always check the bid-ask spread and average daily traded value before investing. Wider spreads mean higher transaction costs, and newer products may trade less actively than established UCITS ETFs.

# 9. How to evaluate options income products

For investors evaluating European options income products, below are the key things to consider.

Factor	What to check	Why
<b>Total return</b>	NAV change + distributions over time	Yield alone can mask capital erosion
<b>Strategy type</b>	Covered call, cash-secured put, ODTE, hybrid	Different payoffs and different risks
<b>Strike methodology</b>	ATM, OTM, % distance, systematic vs. active	Drives the upside / income trade-off
<b>Roll schedule</b>	Daily, weekly, monthly, or other	Affects premium collection and path dependency
<b>Underlying</b>	Index, single stock, gold, bonds	Determines the base risk exposure

<b>Wrapper</b>	UCITS ETF or non-UCITS ETP	Different legal structures and investor protections
<b>Fees</b>	TER and any embedded transaction costs	Erodes net return, especially in low-vol periods
<b>Liquidity</b>	Bid-ask spread, average daily volume	Wider spreads mean higher trading costs
<b>Distribution history</b>	Consistency, variability, link to volatility	Sets realistic income expectations
<b>Collateral (ETPs)</b>	Type, level, custodian	Credit risk in note structures
<b>Tax treatment</b>	Fund domicile, income source classification, withholding rate	Affects how much income reaches the investor at the fund level

## Conclusion

European options income products have gone from a small corner of the market to a real product category. The logic is the same as in the US: sell options, collect premiums, and aim to pay them out as income. But European regulation means the product set looks different – and that's unlikely to change. Europe will likely keep its split between diversified UCITS strategies and concentrated ETP strategies.

The market is still early. Assets are growing and more issuers are entering. But it's concentrated – a handful of names hold most of the assets. Investors should look at total return and how these products behave through different markets, not just the yield number. And they should understand the wrapper, the strategy, and how volatility drives income.

Options income strategies aren't a replacement for equities or bonds. They're a different tool – one that aims to turn volatility into distributable cash. Used well, they can potentially add income and smooth returns. What counts is that investors know what these products do, how they work, and what to expect.

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