



IncomeShares
by Leverage Shares

IncomeShares Guidebook



Aim for **Maximum Income**

Covered call strategies allow investors to generate consistent income while mitigating downside risks. In an environment of low bond yields and widespread dividend cuts, finding yield is challenging.



1. What are **options**?

Options are financial derivatives that give the buyer the right to **buy (in the case of a call option)** or **sell (in the case of a put option)** an underlying asset at a predetermined price, known as the **strike price**.

This can be done on or before the expiration date*.

The seller of the option is obligated to fulfill the transaction if the buyer decides to exercise their right.

Options are used for:

- hedging against price movements
- speculating on future price directions
- generating income through premium collection

*American style options

2. What is a **covered call** options strategy?

Also known as a “buy–write” strategy, a covered call is a two-part options strategy:



A security is purchased or already owned



Call options are sold on that security

3. What are the **benefits**?

1

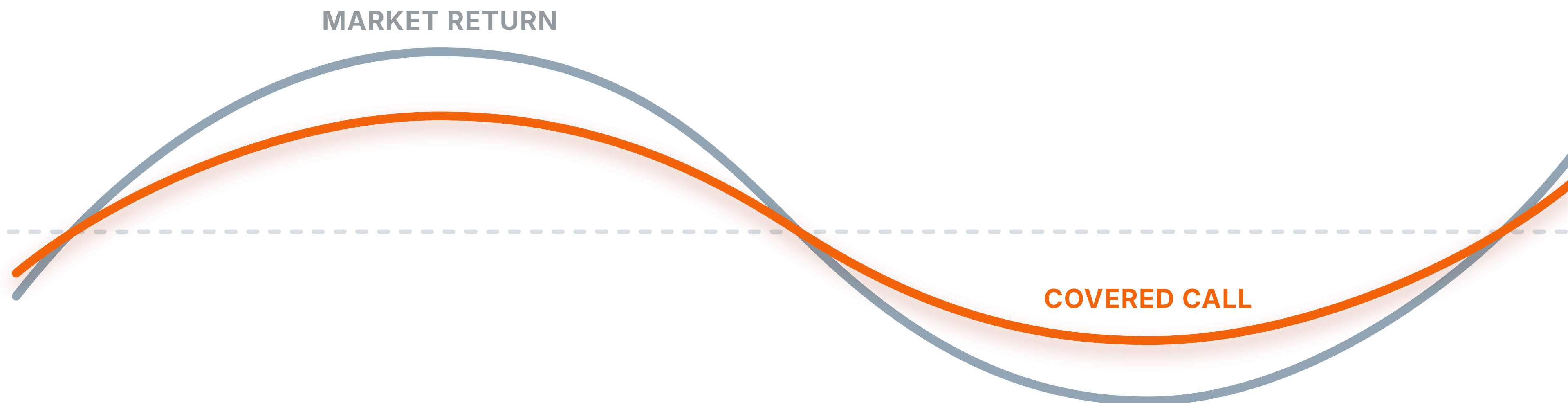
The premium received from selling a covered call is kept as income.

2

Selling covered calls can help investors target a selling price for the stock that is above the current price.

3

Getting some downside protection via the premium received.



Example. At contract **initiation**.

ASSUMPTION:
TSLA stock
is currently at **\$100**

Jane buys a TSLA call option from Michael
at **\$5 premium price** per share for a **strike price of \$110**.



MICHAEL





JANE

Example. At contract **expiration**.

Strike price: \$100

Potential Scenarios

 **MICHAEL**

 **JANE**

TSLA stock **rises above \$110**

Obligated to sell TSLA for \$110, which is less than the market price. But further losses are offset from the \$5 premium earned from the contract.

Has the option to purchase John's TSLA stock at \$110. The stock is now above the strike price, meaning she pockets the difference.

TSLA stock **is exactly at \$110**

Retains the \$5 premium regardless of whether Jane exercises her option to purchase Michael's stock.

No incentive to exercise option as she can buy TSLA stock in the open market for the same price.

TSLA stock **falls below \$110**

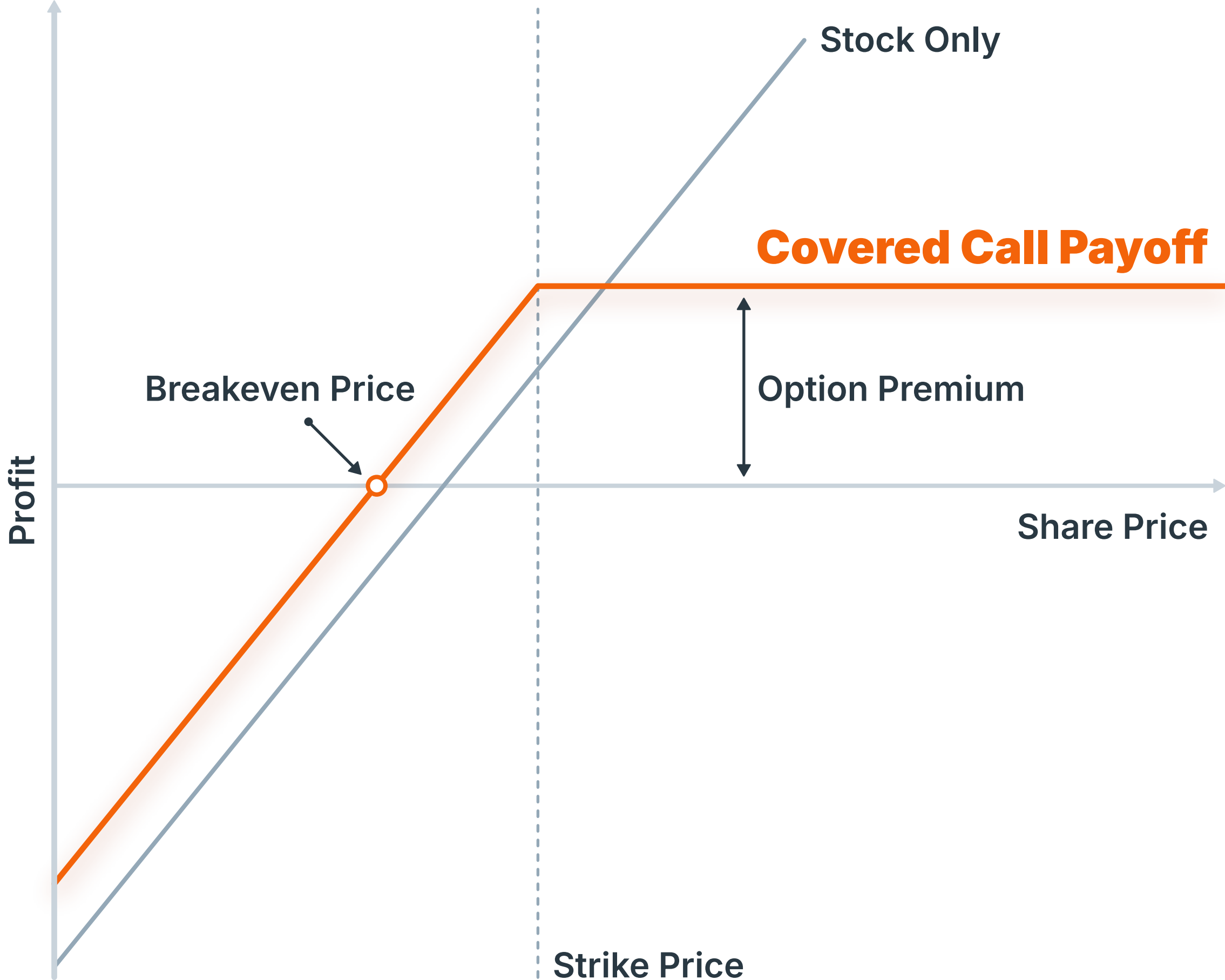
Keeps both his TSLA stock and the \$5 premium.

No incentive to exercise option as she can buy TSLA stock in the open market for a lower price.

Covered call risk profile.

The seller of a covered call forfeits the upside potential of their stock position in exchange for collecting the premiums upon selling the call option contract.

A covered call is also considered a defensive strategy as equity downside returns are reduced by the option premiums.



Covered call **risk profile.**

Bull Market

Investor likely underperforms the market as they keep the option premium but give up some of the upside.

Bear Market

Investor likely outperforms from the premium received, which slightly offsets some of the stock's decline.

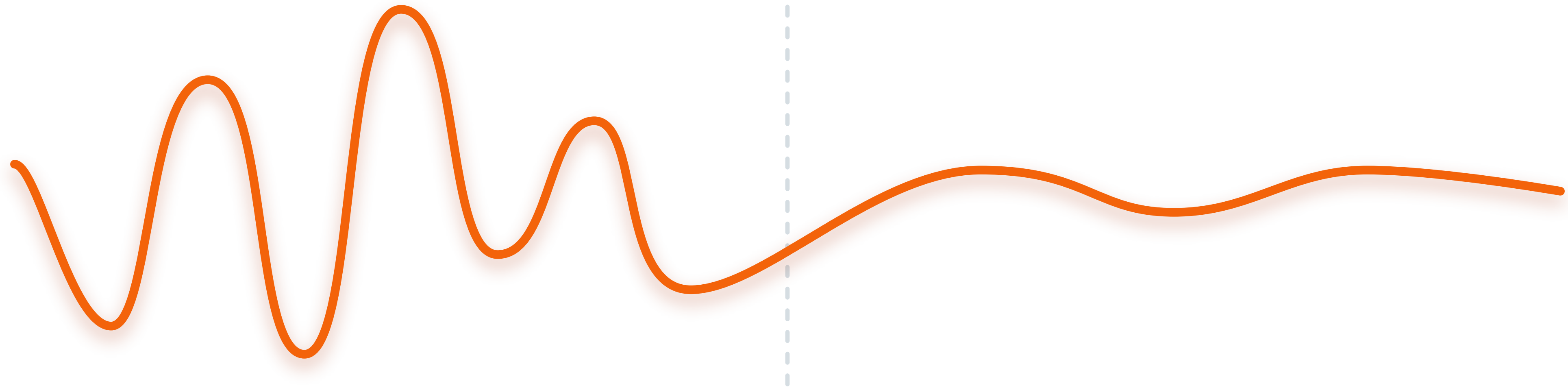
Flat/Choppy Market

Investor likely outperforms as the markets remain flat, while the investor keeps the premium from selling the call option.

What impacts the **distribution amount** of the ETP?

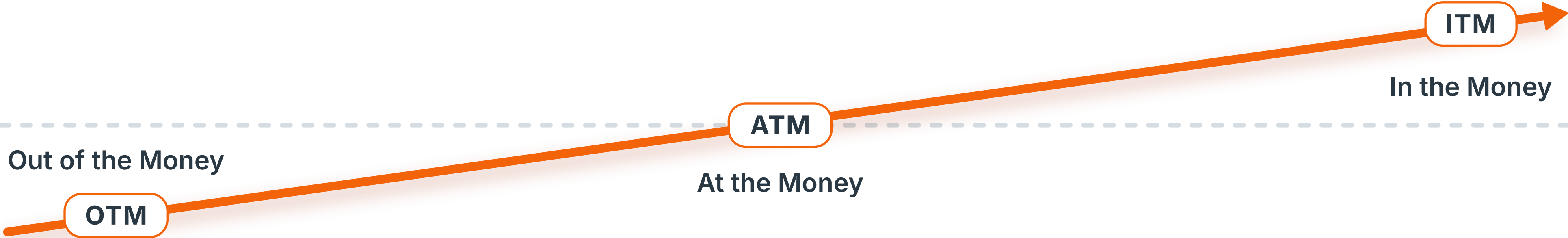
HIGHER VOLATILITY = HIGHER PREMIUMS

LOWER VOLATILITY = LOWER PREMIUMS



More volatile instruments may have higher downside risk, but in return generate greater premiums.

Option **moneyness**.



Moneyness

PREMIUMS

REASON

Out of the Money | **OTM**

Lower premiums than ATM or ITM options.

Highest chance of the option expiring worthless.

At the Money | **ATM**

Higher premiums than OTM but lower than ITM.

Equal chance of the option expiring worthless or ITM.

In the Money | **ITM**

Higher premiums than ATM or OTM.

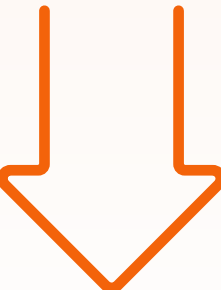
Option is already above the strike price and can be exercised.

Percentage of portfolio **covered**.

Higher coverage

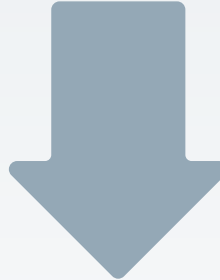


Maximum
premium income



Lower
participation in stock upside

Lower coverage



Minimum
premium income



Higher
participation in stock upside

IncomeShares ETPs aim to maximize income distributions by writing call options on the full positions of securities held, wherever feasible and market conditions permit.

4. Why **consider** a covered call strategy?

A covered call option strategy allows the portfolio to generate cash flow from the written call option premiums in addition to the dividend income from the underlying stocks (if any).

Income

Generate additional income on your existing stock holdings. This strategy may be appealing in flat or slightly bullish market conditions where the stock price might not significantly appreciate on its own.

Downside Protection

The premium received from selling a call provide a cushion against a decline in the stock price. This creates a slightly defensive position, allowing you to hold onto stocks through volatile periods.

Diversified Yield

Aims to deliver attractive yield with a lower correlation to traditional sources of income and their risks.

Risk Disclosure

The value of an investment in ETPs may go down as well as up and past performance is not a reliable indicator of future performance.

Securities issued by the Issuer are products involving a significant degree of risk and may not be suitable for all types of investor. Any decision to invest should be based on the information contained in the prospectus of the Issuer (or any supplements thereto) which includes, inter alia, information on certain risks associated with an investment. The price of any securities may go up or down and an investor may not get back the amount invested. Securities are priced in US Dollars/Euros/Pounds and the value of the investment in other currencies will be affected by exchange rate movements.

An investment in Income Series is an investment in Series of ETP Securities which are linked to an Investment Strategy where the objective is to generate a recurring income stream which may be used to fund interest payments on the ETP Securities. Such Series may be options based such that the Reference Assets are comprised of call and put options in respect of the indices or stocks specified in the relevant Investment Strategy. Investors should be aware of the risks associated with such options contracts and refer to the section entitled "Risks related to options" in the relevant Prospectus for more details.

Investors should be aware that the Interest Amounts for each Interest Payment Date may vary depending on the amount of Available Receipts with respect to each Interest Payment Date. Accordingly, there is no assurance that any amount will be received by ETP Securityholders on any Interest Payment Date.

Furthermore, Investors should be aware that to the extent an Interest Amount is paid by the Issuer, declaration of such payment will cause a corresponding decrease in the ETP Security Value on the relevant Interest Ex Date.

Disclaimer

The value of an investment in ETPs may go down as well as up and past performance is not a reliable indicator of future performance.

Trading in ETPs may not be suitable for all types of investors as they carry a high degree of risk. Investors may lose all of their initial investment and should only speculate with money they can afford to lose. Changes in exchange rates may also cause their investment to go up or down in value. Tax laws may be subject to change. Investors should ensure that they fully understand the risks involved. If in any doubt, investors should seek independent financial advice. Investors should refer to the section entitled "Risk Factors" in the relevant prospectus for further details of these and other risks associated with an investment in the securities offered by the Issuer.




IncomeShares
by Leverage Shares

Contact Us

For Investors

✉ info@leverageshares.com

 [Leverage Shares](#)

 [@LeverageShares](#)

For Media Inquiries

Oktay Kavrak

✉ okavrak@leverageshares.com

☎ +44 20 8133 1486

Capital at risk. For professional investors only

