EVOLVE ETFs

Evolve's Active Covered Call Program
What Makes Us Different?

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EvolveETFs.com

Our covered call program stands out for its active and tactical approach, designed to maximize income while preserving upside potential. With over 15 years of experience in trading derivatives, our team dynamically manages option positions to optimize yield and capture upside. We set our distribution target based on the specific fund, factoring in option premiums and the volatility of the underlying holdings over a full market cycle.

Our approach to covered call writing is fundamentally different from a systematic strategy. In a systematic approach, the portfolio manager follows a fixed set of rules, typically covering a predetermined percentage of the portfolio at a pre-defined strike level. By contrast, our strategy is highly active and flexible, allowing us to adjust coverage, strike selection, and expiries based on market dynamics. The four points below highlight how our approach differentiates from systematic covered call strategies.

Key Differentiators of Our Covered Call Strategy:

1. Tactical Portfolio Coverage

Depending on the fund, we typically write calls on up to 33% or 50% of the portfolio. However, we make active decisions to adjust the overall portfolio coverage to suit market conditions.

- **In strong bull markets, we may scale back our covered call program, reducing the percentage of the portfolio covered. This approach maximizes capital appreciation and maintains upside potential, allowing investors to participate more fully in rising markets.**
- **Additionally, we may intentionally reduce or avoid writing calls to capitalize on potential rebounds after large selloffs, using trailing stop alerts to guide re-entry points.**
- **Conversely, in declining markets, we may increase coverage to our target level, using higher option premiums to cushion downside risk, providing the portfolio with greater stability during market downturns.**

2. Individual Stock Call-Writing

We actively manage call writing at the individual securities level, ensuring that the overall portfolio coverage remains within the fund's predetermined limits.

- **This approach allows us to target higher volatility names and maximize the option premium we receive.**
- **The percentage of covered calls written on each security is a dynamic decision, guided by proprietary tools and market indicators.**
- **We typically cap covered call writing to 50% per individual stock, balancing income generation with capital appreciation potential.**
- **Targeting higher-volatility individual names typically generates greater option premiums than writing index options (when available). Since index options tend to have lower premiums due to the index's reduced overall volatility, focusing on individual stocks allows us to maximize premium capture and enhance income generation.**

3. Active Strike Selection

We typically write calls 2-5% OTM, 1 month out but are not confined to this range. We adjust our strike selection and expiry based on risk-return profile.

- **By writing OTM calls with strike prices further from the current market price, we maintain greater capital appreciation potential compared to strategies that write options closer to the money.**
- **In more volatile environments, we will write calls further OTM while still generating required premiums. This flexibility allows us to maintain our target yield while maximizing upside potential.**
- **We tailor our approach based on each stock's option premium. For lower-volatility securities, we would typically write 2-5% OTM to generate meaningful income, while for higher-volatility securities, we can write calls further OTM and still achieve comparable premium, allowing for greater upside participation.**
- **While we typically use 1-month options, we sometimes extend to further expiry or write multiple calls with varying strikes and expiries to optimize risk and reward.**

4. Active Buybacks and Call Adjustments

A core element of our strategy is the daily tactical management of open call positions, allowing us to respond swiftly to market changes.

- **We proactively buy back open calls positions to lock in premiums and reset strikes at more favorable levels.**
- **For example, after a drawdown our tools alert us to repurchase calls if we can collect over 80% of the option premium had we held to expiry.**
- **We consistently place $0.05 bids on open short call positions, ensuring that when an option's value approaches zero, we automatically buy-to-cover and crystalize profits quickly.**
- **Decisions to be assigned or buy back in-the-money options are made with tax efficiency and ex-dividend dates in mind, further enhancing investor returns.**

Bottom Line:

Our covered call strategy is built on active management, individual stock selection, and tactical flexibility, enabling us to target higher premiums, preserve upside potential, and adapt to market conditions. This distinct, hands-on approach differentiates us from a systematic strategy, allowing us to deliver enhanced income while maximizing capital appreciation opportunities for investors.

Our Covered Call Lineup Map

Leverage	Target Portfolio Coverage Ratio	Equity			Fixed Income	
		Canada	USA	Global	Canada	USA
-	Up to 33%	Evolve S&P/TSX 60 Enhanced Yield Fund **ETSX**	Evolve S&P 500® Enhanced Yield Fund **ESPX**	Evolve Global Healthcare Enhanced Yield Fund **LIFE**		
			Evolve US Banks Enhanced Yield Fund **CALL**	Evolve Global Materials & Mining Enhanced Yield Index ETF **BASE**		
				Evolve Future Leadership Fund **LEAD**		
				Evolve European Banks Enhanced Yield ETF **EBNK**		
-	Up to 50%		Evolve NASDAQ Technology Enhanced Yield Index Fund **QQQY**		Evolve Canadian Aggregate Bond Enhanced Yield Fund **AGG**	Evolve Enhanced Yield Bond Fund **BOND**
						Evolve Enhanced Yield Mid Term Bond Fund **MIDB**
25%	Up to 33%	Evolve Canadian Banks and Lifecos Enhanced Yield Index Fund **BANK**				
		Evolve Canadian Utilities Enhanced Yield Index Fund **UTES**				
		Evolve Canadian Energy Enhanced Yield Index Fund **OILY**				

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Leverage increases risk.

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