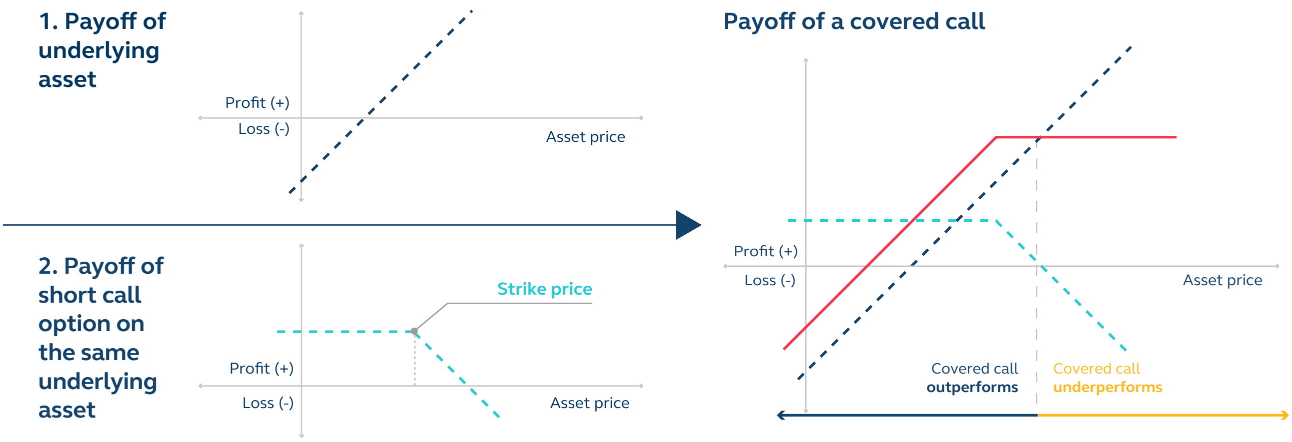
Covered Call ETFs

Infosheet | March 2025

What is a covered call?

A covered call is a strategy where the investor holds a long position in an asset and sells (or "writes") call options on that same asset. The strategy generates income from collecting option premiums and benefits from the potential for limited upside gains.



A covered call strategy can either underperform or outperform compared to simply holding the underlying asset, depending on how the asset price moves.

In a flat or mildly bearish market, i.e. if the asset price stays below the strike price, the strategy outperforms as the call expires worthless and the investor keeps the entire amount of the premium from selling the call option.	In a strong bull market, the strategy underperforms because the gains are capped at the strike price, meaning the investor misses out on any additional gains if the asset price rises significantly above the strike price.

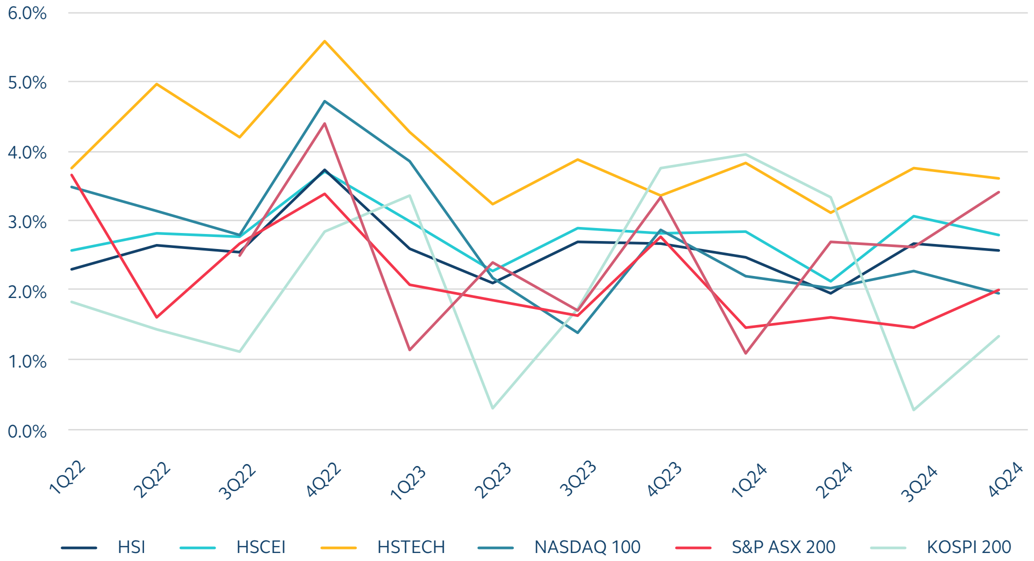
What are the unique advantages of Covered Call ETFs?

Income generation	Covered Call ETFs provide potential regular income streams through option premiums, particularly from Hong Kong flagship indices that offer relatively higher premium yields.
Mitigate the downside	The premium income from writing options can serve as a cushion against losses in a declining market. This downside protection helps to offset part of the potential declines in the underlying asset.
ETF wrapper	Covered Call ETFs make the covered call strategy more accessible to investors by eliminating the need for margin monitoring and the complexities of managing option positions.

Why choose Covered Call ETFs on Hong Kong indices?

Option premiums from Hong Kong flagship indices provide compelling yields due to the indices' volatility profile.

Call option premium with various reference indices



Monthly average
(Since Jan 2022)

4.0% HSTECH

2.8% HSCEI

2.7% NASDAQ 100

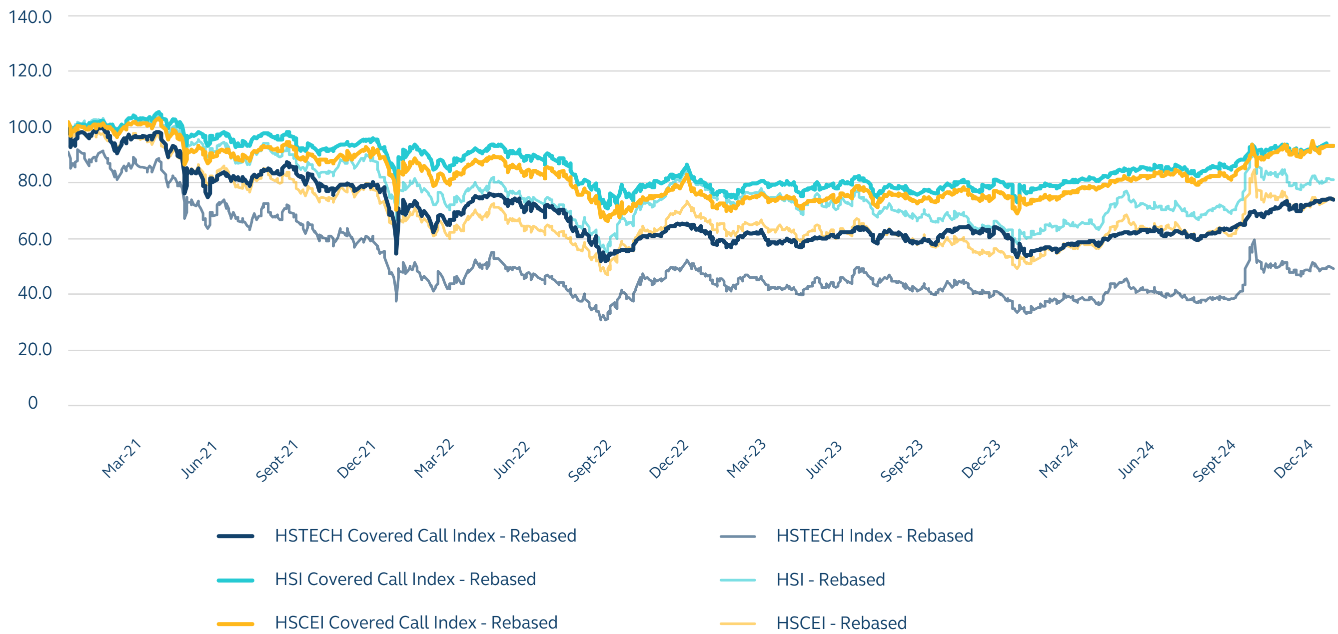
2.6% HSI

2.5% Nikkei 225

2.2% S&P ASX 200

2.1% KOSPI 200

Hong Kong flagship indices and their respective covered call indices

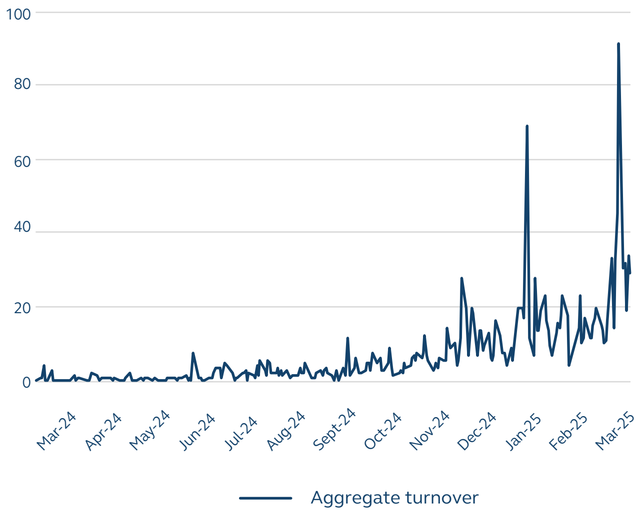


Source: Bloomberg, Mirae Asset and Hang Seng Indexes. Data as at 31 December 2024.

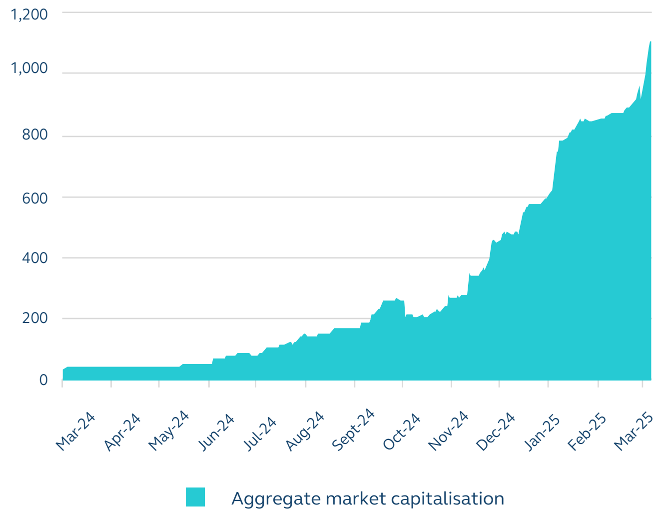
Covered Call ETFs in Hong Kong

Since the first listings of Covered Call ETFs in Hong Kong on 29 February 2024, the market has witnessed substantial growth in both trading volume and market capitalisation.

Daily turnover (HK$ million)



Market capitalisation (HK$ million)



Source: HKEX, Bloomberg. Data as at 7 March 2025.

Product list

Covered Call ETFs listed in Hong Kong as of 14 March 2025:

Stock code	Product name	Currency
3416	Global X HSCEI Components Covered Call Active ETF	HKD
3417	Global X Hang Seng TECH Components Covered Call Active ETF	HKD
3419	Global X HSI Components Covered Call Active ETF	HKD

If you would like to learn more about Hong Kong-listed Covered Call ETFs, please contact us at **ETFs@hkex.com.hk**

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