CIBC GLOBAL
ASSET MANAGEMENT

Active covered call strategies

Enhanced income with dynamic flexibility to adapt to changing market conditions

September 2026

The past year can be described as volatile and uncertain, with sudden draw-downs matched by record-setting highs. Markets are always noisy, but investors seeking to generate income and manage risk, while maintaining equity exposure, have benefited from exposure to CIBC's suite of covered call ETFs.

The following Q&A featuring **Rob Bechard**, Executive Director & Deputy Head, ETFs, and **Alain Piché**, Portfolio Manager, Structuring & Hedging, provides insights into how these ETFs deliver unique value to investors.

Q: One year since the launch of CIBC's covered call ETFs, how would you characterize the performance of these strategies?

Rob: As CCCB (CIBC Canadian Banks Covered Call ETF), CCDC (CIBC Canadian High Dividend Covered Call ETF), and CUDC (CIBC US High Dividend Covered Call ETF) approach their one-year anniversary, their performance is best viewed in the context of what covered call strategies are designed to do: provide tax efficient, enhanced income exposure to equities. While these ETFs may give up some upside in stronger markets, they can offer meaningful benefits through option premium generation, cash flow and the potential for a smoother investment experience. For many income-oriented investors, that combination can make them a valuable part of a diversified portfolio.

Q: The call-writing overlay for these ETFs is unique in that it combines a fixed 30% baseline with a dynamic 20% tactical allocation. What is the purpose of this model?

Alain: The purpose of the model is to support our primary objective: generating premium while preserving the opportunity for capital appreciation. The baseline model ensures that a minimum acceptable level of premium is generated over time, using recent volatility to position strikes appropriately. The dynamic model writes call options opportunistically, only when a range of technical signals align. Because it is designed to identify the most favourable environments for call writing, it tends to write more in flat to down markets and less in bull markets, allowing greater participation in capital appreciation.

Rob: Many other covered call ETFs use a rules-based or systematic approach to managing the option overlay. While these strategies can generate attractive premiums, they may also result in calls being written during less favourable periods, such as broad market sell-offs when the potential for a sharp recovery is elevated, around company-specific events like earnings or other catalysts that could drive a strong rally, contrary to technical signals, or during periods of low implied volatility when option premiums may be relatively inexpensive and investors may not be adequately compensated for capping upside participation. By contrast, **our strategies use a more selective, actively managed approach, providing greater flexibility to adapt to changing market conditions, company-specific developments, and volatility regimes, with the goal of enhancing risk-adjusted outcomes for investors**.

Q: Given swings in volatility since launch, how have the models reacted to this environment?

Alain: Both components of our models—the baseline and the dynamic—adjust to the market environment. While there has been some volatility at the index level, dispersion among index constituents has remained at historically high levels. Our model is designed to manage volatility at a granular level and generate signals accordingly.

Q: Investors typically accurately associate covered call strategies with enhanced income. Given the unique dynamic overlay model used by your team, does your call writing strategy also act as a partial volatility hedge?

Alain: Yes, it does. By design, the risk profile of this type of product may limit some upside participation in strong bull markets, but it also provides downside cushioning. What differentiates our models is their dynamic nature: they are built to respond to changing market conditions, with volatility bands that adjust accordingly.

Rob: Generally, covered call strategies will be less volatile than the underlying index, by around 10%-25%. Premiums earned can cushion mild market declines, smooths returns in flat or choppy markets, and reduce overall return dispersion somewhat.

Benefits of dynamic call-writing model across various market environments

Feature / consideration	Full overlay (100% covered call)	Leveraged covered call strategy (Variable % covered call)	CIBC ETFs approach (Targeted: 30–50% covered call)
Income potential	Maximizes income, but limits growth	Amplifies income, but also amplifies losses	Generates income while preserving some growth potential
Upside participation	Upside is capped on the full portfolio	Leverage increase upside participation but can magnify both gains and losses	Typically allows 50–70% of the portfolio to benefit from rising markets
Growth potential	Growth is significantly limited, especially in bull markets	Potential for higher returns, but also higher risk of loss	Balances income and capital appreciation
Risk mitigation	Provides more risk mitigation, but may miss out on rebounds	Leverage increases risk; losses can be magnified in downturns	Offers risk mitigation while still participating in recoveries
Volatility reduction	Greater volatility reduction, but at the cost of potential returns	Leverage generally will increase volatility and increase overall risk	Reduces volatility, while retaining more market participation
Tax considerations[1]	Higher option premium income may lead to more complex tax treatment	Leverage may add complexity to tax treatment	Option premiums and capital gains can be balanced, which may offer more tax efficiency
Suitability	Best for those who prioritize income and stability	Suitable only for experienced investors with a higher risk tolerance	Suited for investors seeking both income and growth

Note: Risk refers to the possibility of losing money or not meeting investment goals. Volatility measures how much the price of an investment moves up and down. While reducing volatility can make returns more predictable, it does not eliminate the risk of loss.

A **targeted 30–50% covered call ETF** can help balance regular income and risk reduction, while still offering participation in market growth, making it an option for investors seeking both income and long-term potential.

Q: How might an investor seeking income incorporate the CIBC Canadian and US covered call strategies into their portfolio?

Alain: Our covered call strategies focus on income generation, yield enhancement, and risk management. While they are not a substitute for bonds, they can help make the equity portion of a portfolio more income-oriented and less volatile.

Rob: A covered call allocation can play an effective role as an equity-income sleeve within a diversified portfolio, helping investors maintain core market exposure while generating additional cash flow by monetizing part of the portfolio's upside through option premium. For many investors, this may represent a partial reallocation from a traditional equity sleeve rather than a replacement of equity exposure altogether. The strategy may appeal to investors seeking consistent income, modest volatility dampening, and a more tax-efficient way to enhance yield, while accepting some reduction in upside participation during stronger market rallies.

Although our ETFs are new, covered call ETFs as a category have been used by investors for several years and have demonstrated their value as a practical income-oriented equity solution, particularly in periods of elevated volatility or range-bound markets. As with any strategy, however, their role is best understood as complementary within a portfolio, with sustainability of income influenced by market conditions, volatility levels, and the discipline of the call-writing approach.

CIBC's covered call ETF lineup

Symbol	CIBC Canadian Banks Covered Call ETF (CCCB)	CIBC Canadian High Dividend Covered Call ETF (CCDC)	CIBC U.S. High Dividend Covered Call ETF (CUDC / CUDC.F)
Projected total yield	6% - 7%	7% - 8%	7% - 8%
Current dividend yield	2.79%	2.99%	2.32%
Option premium range	2-3%	3-4%	4% - 5%
Percentage written	30% ~ 50%	30% ~ 50%	30% ~ 50%
Investment Style	Indexed Equity Active Options Overlay	Fundamental Equity Active Options Overlay	Fundamental Equity Active Options Overlay
Peer relative fees	0.40% - 0.65%	0.65%	0.65%
Management fees	0.35%	0.50%	0.50%
Portfolio managers	Patrick Thillou Alain Piché	Natalie Taylor Alain Piché	Gordon Scott Alain Piché
Distribution frequency	Monthly / DRIP (Dividend Reinvestment Plan) Eligible	Monthly / DRIP Eligible	Monthly / DRIP Eligible
1-year performance	45.6%	25.1%	5.2% / 2.6%
Inception date	August 25, 2025	August 25, 2025	August 25, 2025
Performance since inception	49.2%	26.9%	4.5% / 2.8%

Sources: Bloomberg and CIBC Wealth Management Valuations Group, as at August 31, 2026.

About CIBC Global Asset Management

CIBC Global Asset Management (CIBC GAM), the asset management subsidiary of CIBC, is one of Canada's largest asset managers. Established in 1972[2], CIBC GAM offers a broad range of investment solutions, including mutual funds, ETFs, portfolio solutions, alternative investments, discretionary investment management services for high-net-worth individuals, and institutional portfolio management. With teams across Canada and the US, CIBC GAM serves retail, high-net-worth and institutional clients in North America and institutional clients worldwide.

Contact us anytime

To learn how CIBC Global Asset Management can help you power meaningful investment outcomes, please contact your advisor or CIBC representative. For more insights, connect with us on LinkedIn and YouTube.

Explore more at cibc.com/gam.

[1] There can be no assurance that the CRA will agree with the tax treatment adopted by a CIBC covered call ETF.

[2] CIBC Global Asset Management (previously known as TAL Global Asset Management Inc.) was founded in 1972 as a privately-owned investment manager. CIBC took an ownership stake in 1994, eventually assuming 100% in 2001.