CIBC EXCHANGE TRADED FUNDS

Why investors are turning to active covered call strategies

Many investors seek to make their portfolios more resilient, looking for both protection and the potential for growth and income, even in uncertain markets. As markets evolve, so do the strategies designed to help investors adapt.

Covered call ETFs have gained popularity for their ability to generate income, manage risk, and provide some participation in market upside. However, not all covered call strategies are the same.

The current market offers a range of covered call ETFs:

Each approach involves a different balance of income, growth potential, and risk management. Understanding these differences is important when selecting a strategy that aligns with your investment goals.

Comparing covered call approaches

Not all covered call strategies are the same — strategies can vary significantly.

Some write calls on 100% of holdings (a full overlay), maximizing income but capping upside potential. Others take a more active approach, writing calls on only a portion of the portfolio, such as 50%, to balance income and growth.

Some strategies add leverage to amplify both potential returns and risks. There are also index-based covered call strategies, which use options on broad market indexes to provide diversified exposure. Each approach offers different trade-offs in income, growth, risk, and flexibility.

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.

What sets CIBC Covered Call ETFs apart

CIBC Covered Call ETFs are characterized by a disciplined, active approach. These ETFs are constructed as concentrated, actively managed portfolios of high-quality, dividend-paying stocks. This foundation is combined with an active covered call overlay, with the objective to:

Enhance cash flow

Option premiums, together with dividends, may increase the overall cash flow generated by the portfolio.

Provide growth potential

Active investment in companies with strong fundamentals and a history of stable performance can support long-term capital appreciation.

Manage portfolio risk

Our covered call strategy is actively managed to help lower portfolio volatility and adapt to changing market conditions.

Strategy highlights

Stable monthly income

Cash flow from dividends and option premiums, which may suit income-focused investors.

Focus on quality

Portfolios are built from Canadian and US companies with strong fundamentals and a history of consistent dividends.

Balanced approach

The strategy aims to participate in market upside while seeking to manage risk.

Tax considerations

Option premiums are generally taxed as capital gains, which may be advantageous for some investors.[1]

Lower volatility

Aims to provide lower overall portfolio volatility and beta compared to the S&P/TSX and S&P 500, with a medium risk profile.

Established management

Backed by more than 50[2] years of investment expertise at CIBC Asset Management, CIBC ETFs offer a range of solutions designed to meet investor needs. Our active decision-making, targeted exposures and growth- and income-oriented strategies provide the tools necessary to achieve a variety of financial goals.

How our active covered call strategy works

Our approach is designed to help investors achieve both income and growth by combining a high-quality portfolio with a disciplined, flexible covered call strategy.

Integrated investment process

Portfolio construction

We start with a concentrated selection of high-quality, dividend-paying companies, chosen for their financial strength, growth prospects, and consistent dividend history.

Option writing for enhanced income

To generate additional income, we systematically write call options on a portion of each stock, typically covering at least 30% of each holding. The strike prices are set based on each stock's volatility, helping to preserve upside potential.

Active adjustments

Our experienced portfolio managers and derivatives specialists monitor market conditions and the outlook for each security. Option coverage may be increased, up to 50% per stock, when opportunities arise, using both fundamental and technical insights to inform these decisions.

Ongoing risk management

Positions are monitored daily and reviewed regularly within a robust risk management framework, ensuring the strategy remains responsive and disciplined as markets evolve.

The result

Solutions that seek to deliver consistent income and long-term capital appreciation in a tax-efficient manner, helping investors pursue their financial goals with confidence.

CIBC Covered Call ETF lineup

CIBC Covered Call ETFs are designed to offer investors a combination of cash flow, growth potential, and risk management through a selective covered call strategy.

CIBC Canadian Banks Covered Call ETF	CIBC Canadian High Dividend Covered Call ETF	CIBC U.S. High Dividend Covered Call ETF
CCCB	CCDC	CUDC CUDC.F (hedged)
Management fee: 0.35%	**Management fee: 0.50%**	**Management fee: 0.50%**

Discover if CIBC Covered Call ETFs are right for you by speaking with your licensed financial professional, or visit cibc.com/gam-etfs.

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

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

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The fund pays a management fee and fixed administration fee to the Manager in respect of ETF units. The fund also pays fund costs and transaction costs. For more information about the fees and costs of the fund, please read the prospectus.

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