

# BMO's Monthly Covered Call and Enhanced Income Report

**The BMO Covered Call Strategy** strikes a balance between generating income and participating in rising markets. This approach can potentially provide exposure to the underlying portfolio with potentially less risk.

- Cash Flows are generated from option call premiums and dividend income from the underlying stocks.
- BMO writes covered calls on approximately 50% of the portfolios, allowing for participation in rising markets.
- Options are sold 1-2 months to expiry to take maximum advantage of time decay.
- Option strike prices will be set further out-the-money when volatility rises. When volatility rises, option premiums increase.
- Over the long-term, covered call strategies provide lower risk levels relative to their underlying portfolios.

ETF	% Covered	% Out-of-the-Money	1 <sup>st</sup> Month	2 <sup>nd</sup> Month	3 <sup>rd</sup> Month	Annualized Opt. Yield*	Dividend Yield	Indicative Yield	
ZWB	45.42%	3.64%	90.31%	9.69%	0.00%	2.81%	5.11%	7.93%	
ZWU	47.16%	4.59%	67.11%	31.39%	1.51%	3.56%	5.23%	8.79%	
ZWA	57.01%	4.90%	89.61%	10.39%	0.00%	5.21%	2.07%	7.29%	
ZWH/ZWS	51.43%	5.34%	95.08%	4.92%	0.00%	3.69%	2.94%	6.62%	
ZWE/ZWP	48.21%	6.23%	80.14%	19.86%	0.00%	3.65%	4.57%	8.22%	
ZWC	45.60%	4.83%	65.24%	33.94%	0.81%	3.28%	4.45%	7.72%	
ZWK	52.84%	6.50%	90.31%	9.69%	0.00%	5.61%	4.51%	10.12%	
ZWG	50.11%	4.61%	94.83%	5.17%	0.00%	4.56%	3.68%	8.24%	
ZWT	51.27%	10.62%	99.09%	0.91%	0.00%	4.44%	0.67%	5.11%	
ZWHC	50.01%	4.94%	89.35%	10.65%	0.00%	5.48%	1.96%	7.43%	
ZWEN	53.58%	6.18%	74.10%	25.90%	0.00%	5.07%	4.63%	9.71%	
ZPW/ZPH	73.83%	6.16%	100.00%	0.00%	0.00%	16.13%	0.00%	16.13%	
	Portfolio Weight*	% Covered	% Out-of-the-Money	1 <sup>st</sup> Month	2 <sup>nd</sup> Month	3 <sup>rd</sup> Month	Annualized Opt. Yield	T-Bill/Dividend Yield	Indicative Yield
ZPAY Puts	55.00%	56.59%	6.02%	93.00%	7.00%	0.00%	4.57%	0.00%	4.57%
ZPAY Calls	45.00%	72.52%	7.25%	100.00%	0.00%	0.00%	3.38%	0.84%	4.22%

Data as of August 31, 2023. Source: BMO Asset Management Inc. \*3 month trailing average.

**Annualized Option Yield:** the annualized portfolio weighted average yield of trades completed during the month

**Call:** a call option gives the holder the right to buy a stock

**Dividend Yield:** annualized yield generated from the underlying dividend paying companies.

**Indicative Yield:** the annualized option yield plus the forward annualized dividend yield before fees, trading costs and taxes

**Option Premium:** it is the total amount that an investor pays the call writer for an option contract

**% Covered:** the percentage of the portfolio that call options are written on.

**% Out-of-the-Money:** How far the strike price is set relative to the underlying stock price.

**Put:** a put option gives the holder the right to sell a stock.

**T-Bill Yield:** the total yield derived from the underlying treasury bills

**Time Decay:** is a measure of the rate of decline in the value of an options contract due to the passage of time.

**Volatility:** Measures how much the price of a security, derivative, or index fluctuates. The most commonly used measure of volatility when it comes to investment funds is standard deviation.

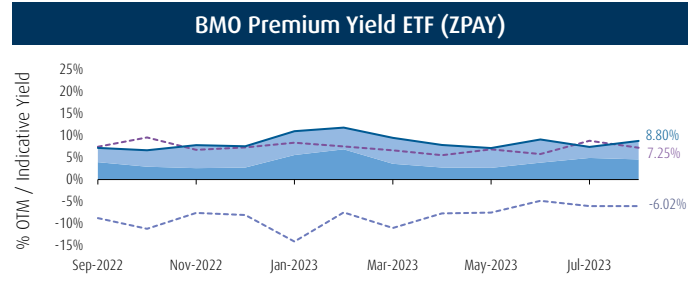
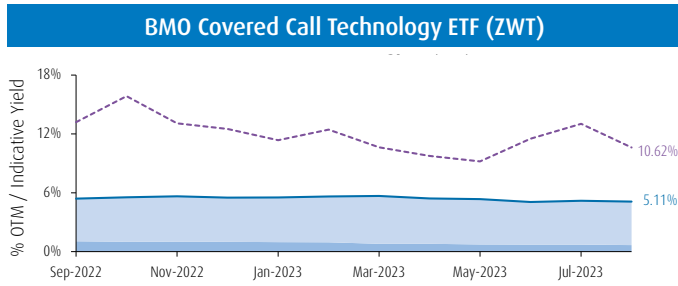
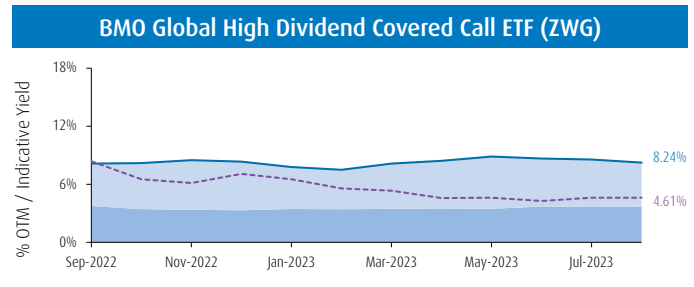
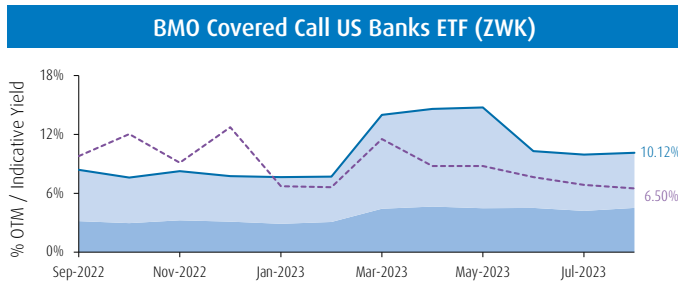
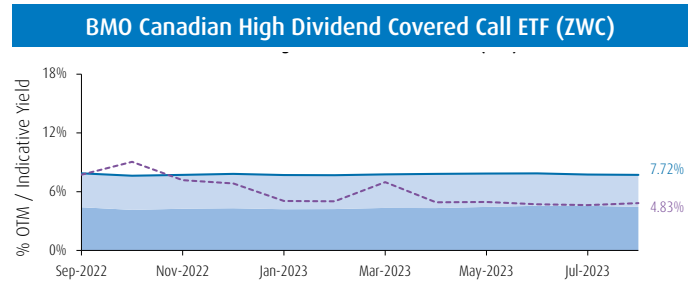
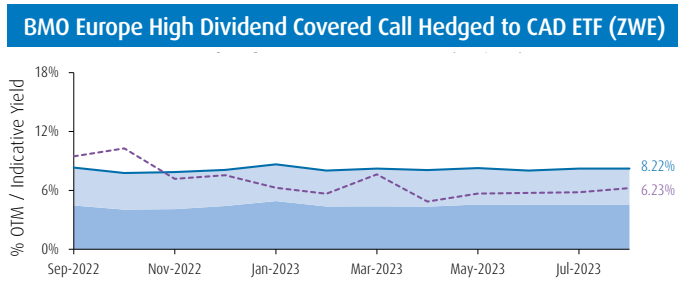
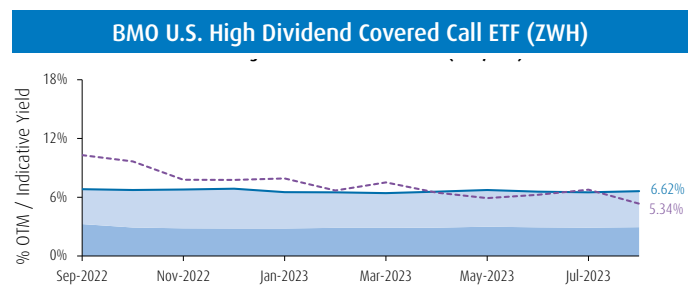
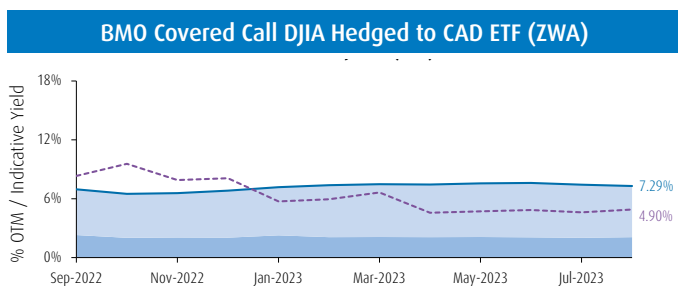
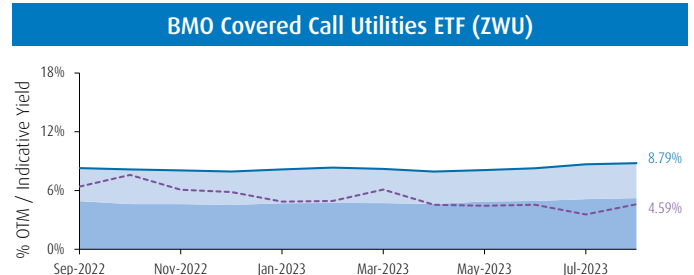
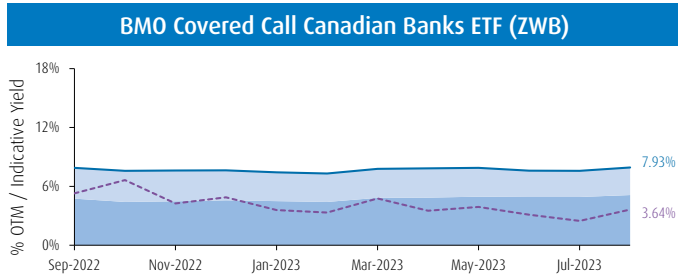
**New! [BMO Covered Call Energy ETF \(ticker: ZWEN\)](#) and the [BMO Covered Call Health Care ETF \(ticker: ZWHC\)](#).**



# Fund Spotlight

The charts below illustrate the breakdown of yield between dividend and option premium income, as well as the %OTM in order to generate the option premium yield.

■ Dividend Yield ■ Annualized Opt. Yield - - % Out-of-the-Money — Indicative Yield





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