

# All About ETFs with Options (2026 Update)



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## Introduction

Last year, we wrote about the growing trend in exchange traded funds (ETFs) with option overlays. We learned how options can be tailored to meet different types of defined outcomes, and how ETFs with options make it easier for investors to access these strategies.

In today's post we update some of the previous data that highlight the growth in the option ETF market & take a deep dive into some of the newer income solutions that have entered the landscape recently.

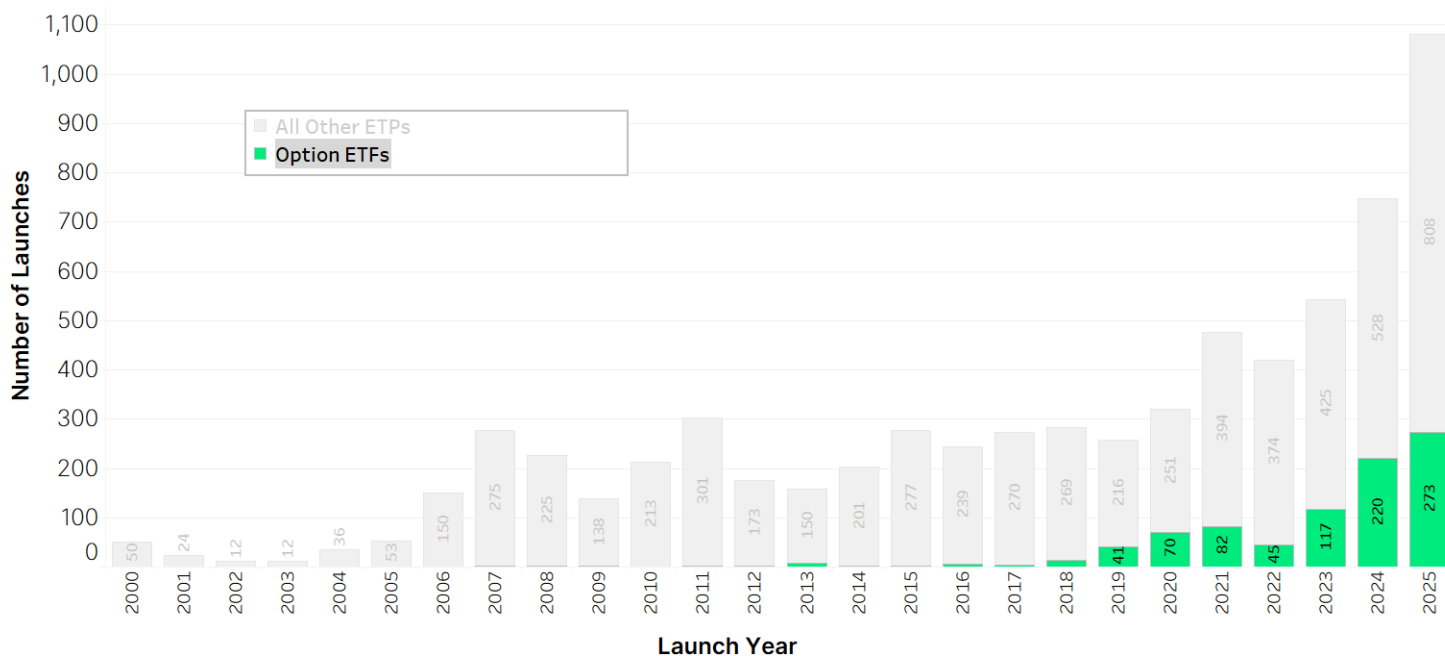
## The Option ETF Landscape is Growing

In 2025, there were nearly 1,100 new U.S.-listed ETF launches, bringing the total universe of U.S. ETFs to around 5,000 – a figure that is greater than the number of individually-listed companies. Of the roughly 1,100 new launches, around 25% were those which utilize options as a core component of the investment strategy (for simplicity, we refer to these funds as “option ETFs”) **(Chart 1)**. In fact, the proportion of option ETF launches as a percentage of total launches has been rising, especially for equity ETFs, since 2018.

### Chart 1: Count of U.S. ETP Launches

#### Count of U.S. ETP Launches

Note: Based on all U.S.-listed ETPs (all asset classes). Funds categorized based on “Quant Type” according to the Nasdaq Taxonomy. Option ETFs are those marked as Option Overlay. Annual data from January 2000 through December 2025.



Source: Morningstar, Nasdaq Index Research & Development

With the 270+ new additions to the U.S. option ETF landscape, this brings the total universe of U.S. option ETFs to around 800+ distinct funds, representing over \$250bn in assets under management (AUM) (**Chart 2**). We see some of the largest funds (by AUM) in the space include JEPI, JEPQ, BOXX, BUFR, QYLD, and QQQI. In fact, the top 10 funds by AUM collectively represent around \$127bn – roughly 50% of the total market.

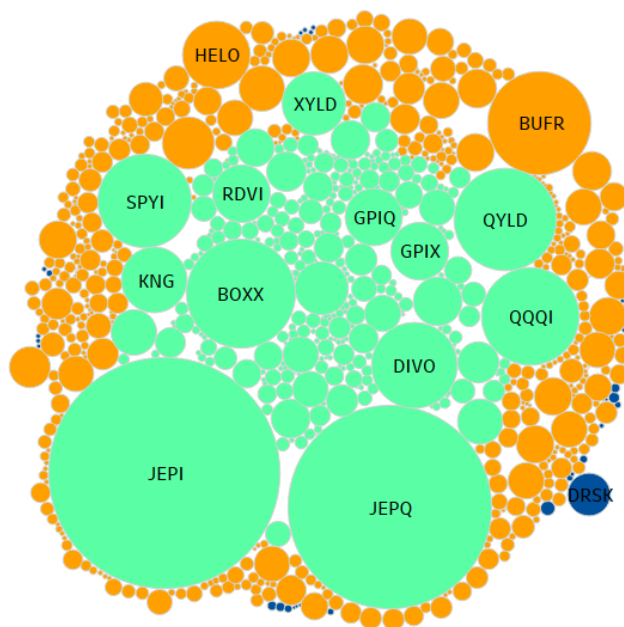
**Chart 2** colors each fund based on how the options are used in the strategy. For example:

- **Hedging** – mostly includes buffer strategies that protect downside, to a degree, while offering capped upside (e.g. BUFR, BALT, BUFQ)
- **Income** – overlay strategies that generally aim to enhance yield (e.g. JEPQ, JEPI, QYLD, QQQI)
- **Performance** – the smallest category, which generally aims to achieve capital appreciation, or improve risk-adjusted returns (e.g. DRSK, SPYC, BENJ)

### Chart 2: Landscape of ETFs with Options

#### Option ETF Landscape

Note: Based on U.S. listed ETFs as of December 2025. Limited to funds with some form of option overlay.



Option Overlay Type  
■ Enhanced Income    ■ Hedging Strategy    ■ Enhanced Performance

Source: Morningstar, Nasdaq Index Research & Development

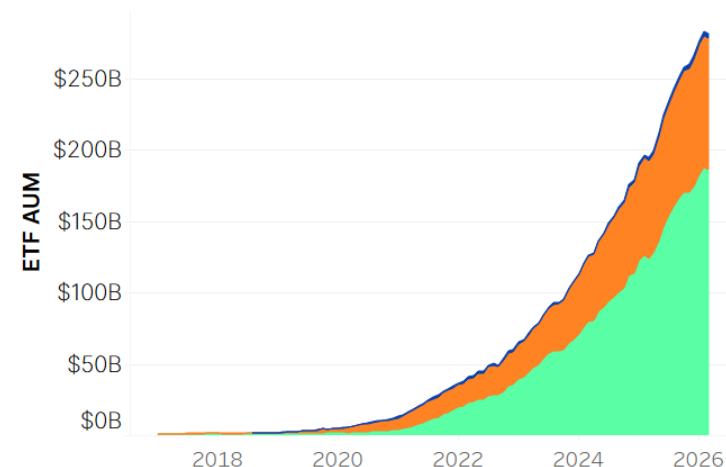
As we saw last year, hedging strategies (such as buffer ETFs, or downside protection), still represent the majority of funds (orange line in **Chart 3**). This is in part due to the variety of defined outcomes that could be structured simply based on varying buffer levels or time horizons. However, the majority of assets in the space is concentrated in enhanced income strategies (e.g. strategies such as covered calls).

### Chart 3: Option ETF Growth

#### U.S. Listed Option Overlay Funds

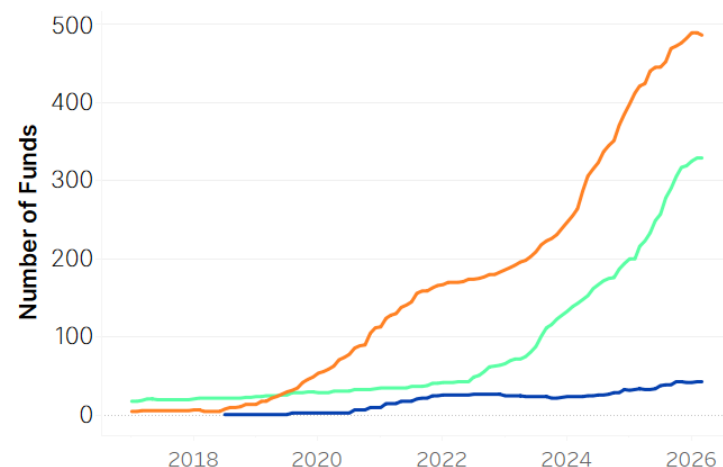
Note: Based on U.S.-listed ETPs with Option Overlay. Funds categorized into Enhanced Income, Hedging, or Enhanced Performance. Monthly data from January 2017 through March 2026.

##### Assets Under Management (AUM)



Option Overlay Type  
■ Enhanced Performance    ■ Hedging Strategy    ■ Enhanced Income

##### Number of Funds



Source: Morningstar, Nasdaq Index Research & Development

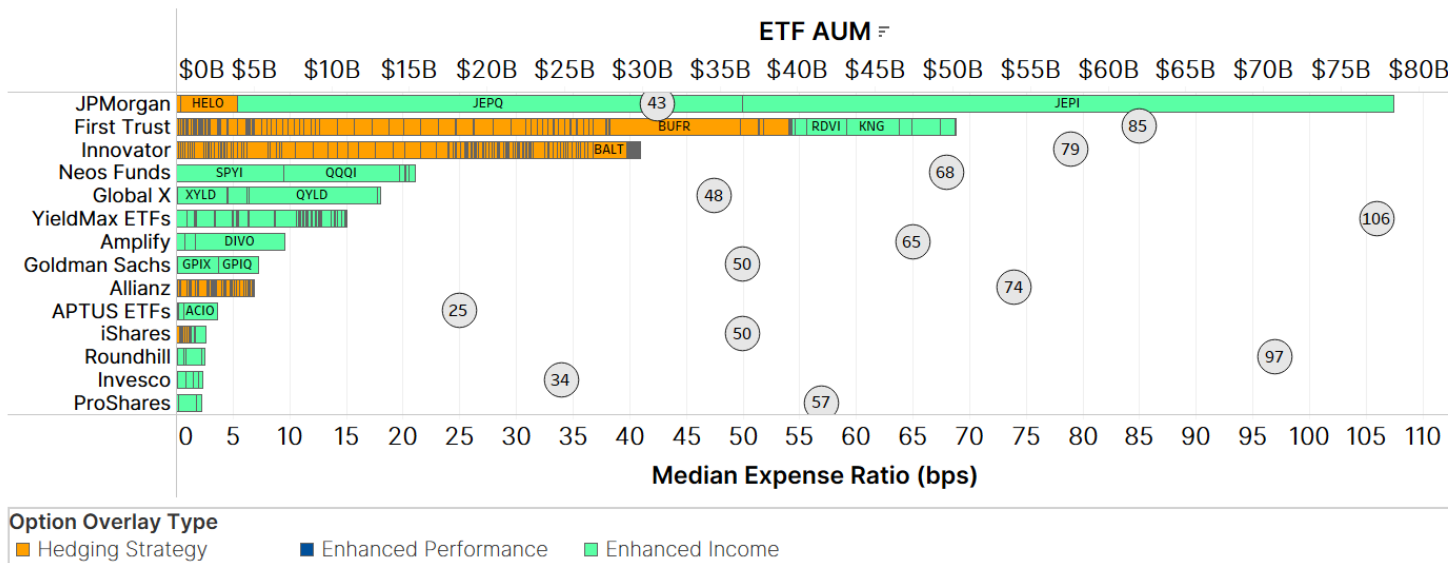
## Who are the key participants & what do they charge?

J.P. Morgan, First Trust, Innovator, and NEOS are some of the largest issuers by AUM in the option ETF space (**Chart 4**). However, we see that their lineups vary in terms of fund offerings. For example First Trust has many hedging (or buffer) strategies, whereas J.P. Morgan has a few, large enhanced income funds, that dominate AUM.

Chart 4: Option ETF Fund Issuers

### Top Option Overlay ETF Issuers (by AUM)

Note: Based on all U.S.-listed Equity ETPs (all asset classes). Funds categorized based on Option Overlay. Data as of December 2025.

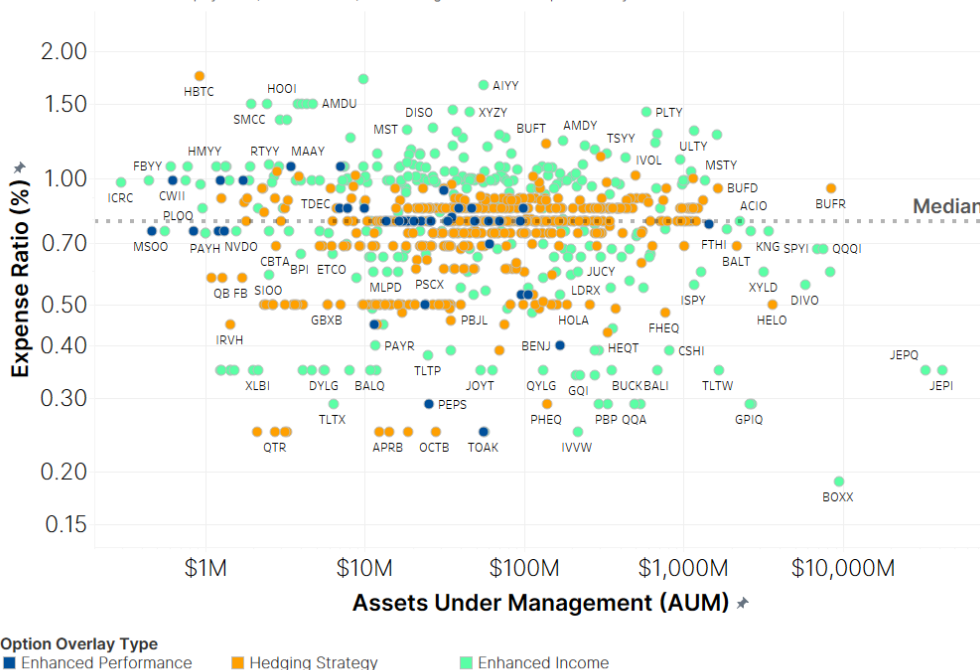


Source: Morningstar, Nasdaq Index Research & Development

Chart 5: Option ETF AUM vs. Expense Ratio

### Option Overlay ETFs - AUM vs. TER

Note: Based on all U.S.-listed Equity ETPs (all asset classes). Funds categorized based on Option Overlay. Data as of December 2025.



Source: Morningstar, Nasdaq Index Research & Development

What does it cost to purchase an options ETF? It depends. Across the entire universe, the typical fee for option ETF strategies is generally around 70 to 80 basis points (bps) per fund (**Chart 5**). Though, we do see that the dispersion of fees is generally greater for enhanced income products than that of hedging strategies.

Additionally, like we saw from **Chart 4**, fees generally vary across product type and issuer. For example, First Trust and Innovator, which both generally specialize in hedging strategies (i.e. buffers), both charge around 80bps. However, firms like YieldMax, which specialize in single-stock option overlays typically charge upwards of 1%.

## New ways to derive income?

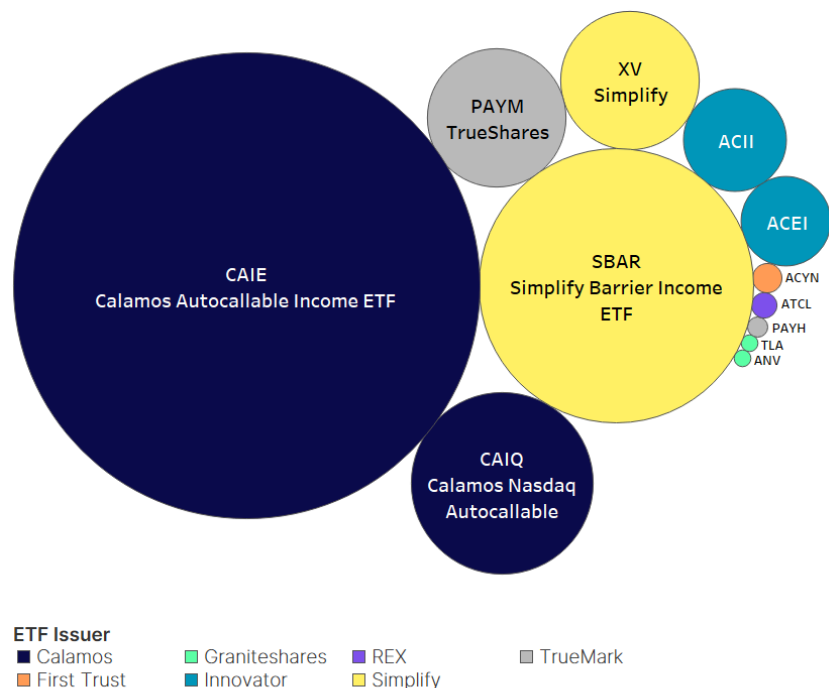
As **Chart 3** earlier suggested, investors have a strong appetite for income-oriented products. As markets have evolved, so have the ways to produce income through non-traditional means (even within the option ETF landscape). A new entrant to the option ETF space has been the autocallable. Autocallables have been around since the early 2000s, and currently

represent around \$100bn in value in the structured note space. However, in 2025, some U.S. ETF issuers have begun to launch ETF strategies that offer payoffs similar to autocallable notes. As of March 2026, there are currently 12 U.S.-listed Autocallable ETFs, representing over \$1bn in aggregate U.S. ETF AUM (**Chart 6**).

**Chart 6: Autocallable ETFs in the U.S.**

### U.S. Listed Autocallable ETFs

Note: Based on U.S.-listed ETFs as of March 2026. Size of bubble based on ETF AUM.

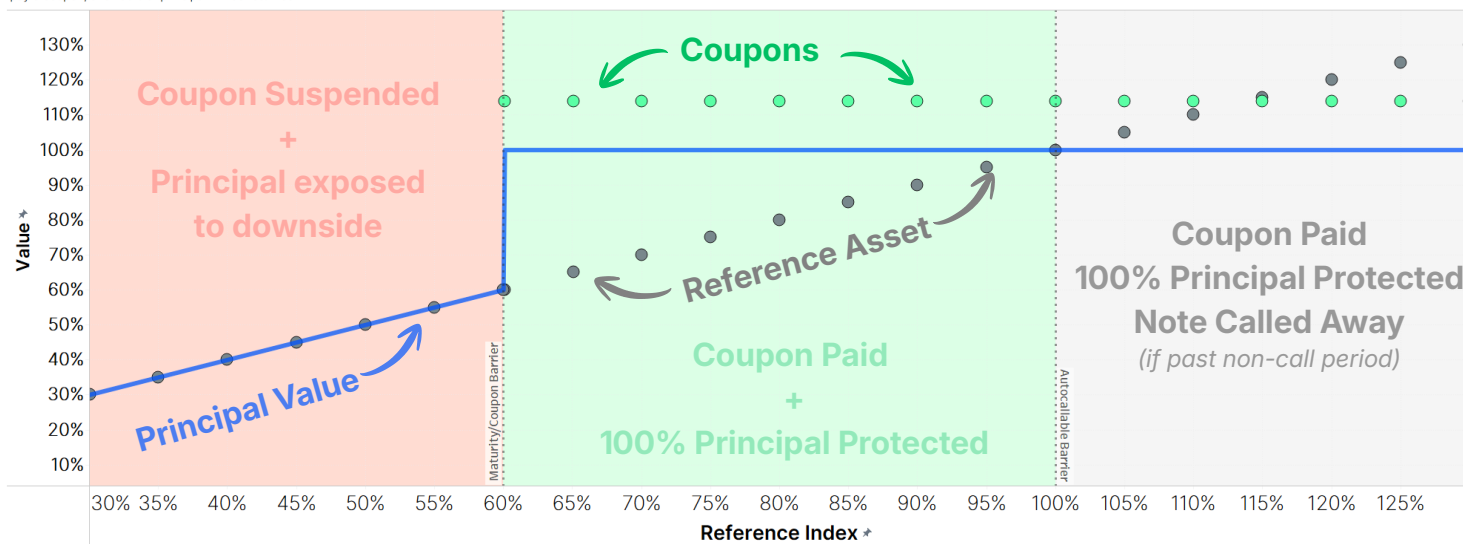


Source: Morningstar, Nasdaq Index Research & Development

One compelling feature of autocallable strategies is that they blend bond and equity-like characteristics. In fact, the total return of the autocallable strategy is derived from the performance of an underlying reference asset – like an equity index. In simple terms, autocallables are typically like bonds, but income & principal depend on the performance of the underlying reference index. In general, autocallables pay a fixed coupon as long as the underlying reference index trades above a certain level (the coupon barrier). The risk of the strategy is that if the underlying asset falls in excess of a certain level (maturity barrier), not only does the coupon cease, but principal invested is exposed to downside risk (**Chart 7**). In other words, investors should expect equity-like downside risk.

**Chart 7: Hypothetical Autocallable Payoff**

Note: For illustrative purposes only. Diagram assumes that the Maturity and Coupon Barrier is set at 60% of the initial value. This means that as long as the reference index is at or above 60% of its initial value on the Observation date, the autocallable will continue to pay a coupon, and 100% of principal will be returned.



Source: Nasdaq Index Research & Development

The autocall feature gives the issuer the obligation to call back the note if the reference asset is at or above the autocallable barrier on an observation date that is past the non-call period.

In return for taking on downside exposure to principal, autocallable strategies can potentially earn higher levels of income. The tradeoff, of course, is if the underlying reference asset:

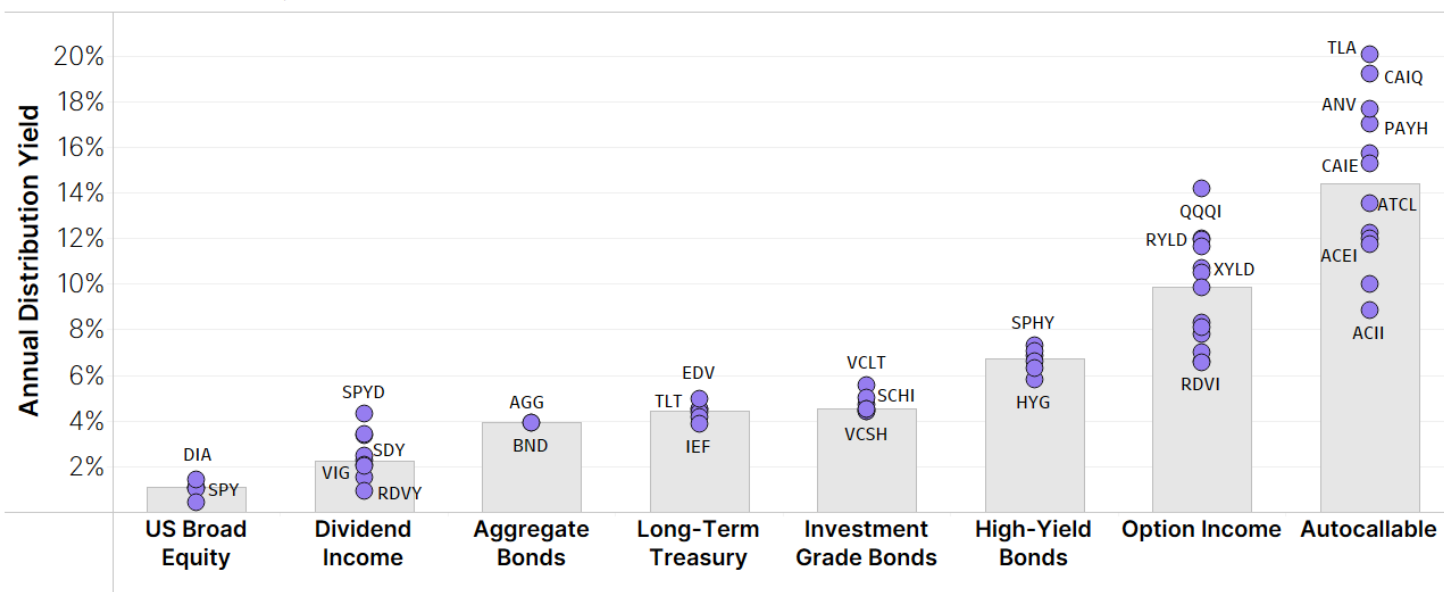
- **rises substantially** - note is 'called' (or redeemed by the issuer), coupons stop & principal is returned
- **declines substantially** - coupons stop & principal is exposed to potential loss

Based on the current universe of autocallable ETFs, we see that their estimated annual yields (which represent the weighted average coupon) may, in some cases, exceed other income-producing strategies (**Chart 8**).

## Chart 8: Comparing Yield Across Instruments

### Distribution Yield Across Fund Category

Note: Based on sample of U.S. listed ETFs as of March 2026. Sample based on largest funds within each category. Gray bar represents the median distribution yield of the funds within each grouping. Yield/Distribution data estimated as of April 2026.



Source: FactSet, Morningstar, Nasdaq Index Research & Development

## Conclusion

Overall, the U.S. ETF market continues to see growth & innovation in terms of the products that are coming to market. As the data show, option ETFs now represent a meaningful share of new launches, with investor demand particularly concentrated in income-oriented strategies. Some strategies are complex, so it is important for investors to understand how these strategies work. Nonetheless, option ETFs offer the flexibility to structure outcomes that may help many types of investors meet their financial goals.

Read more related research here:

- [All About ETFs with Options](#)
- [Autocallables: Dialing into the Details](#)
- [Nasdaq's Emergence in Autocallable ETFs](#)



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