

ETF SPECIAL

The next income frontier: Covered call ETFs

**Europe joins the equity
income growth engine**

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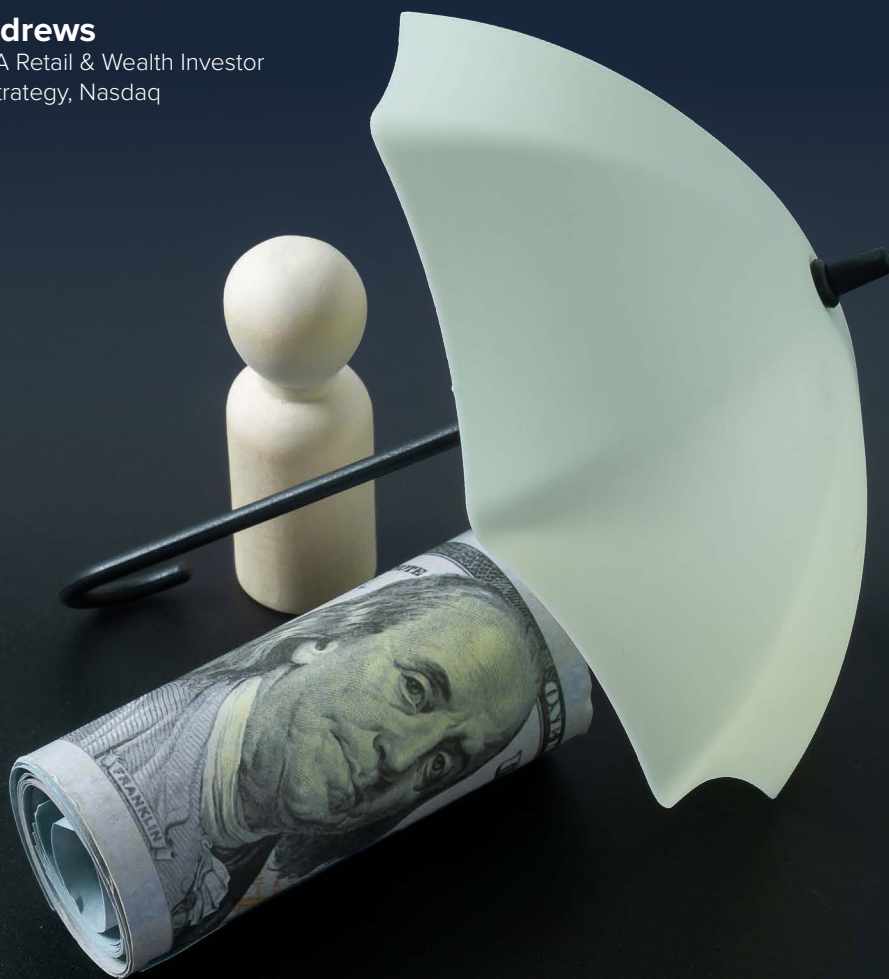
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**Investors trade full market risk for
income with covered call ETFs**

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Where the Message Lands for ETF Issuers.

Equity income demand is accelerating across Europe, creating a clear opportunity for ETF issuers.

Introduction



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Welcome to this *ETF Stream* special report on covered call ETFs, a rapidly expanding product class that is redefining how investors are thinking about income investing amid equity market uncertainty and tight bond yield spreads.

Option-based income ETFs are carving out a distinct role in portfolios. A total of \$5.7bn net new assets have been allocated to Europe-domiciled covered call and premium income ETFs since January 2024. But cumulative flows do not offer a true reflection of their usage, given investors tend to cycle in and out of covered call ETFs.

The appeal is straightforward: in more volatile macro environments, investors place greater emphasis on consistent income streams, even at the expense of some upside participation.

Covered call ETFs, which prioritise steady income by selling options on equity exposures, are key beneficiaries of the search for guaranteed shareholder returns.

In this report, we explore how covered call strategies - built on indices such as the Nasdaq-100 - are helping to reshape the income landscape in Europe. As demand accelerates and product development evolves, the focus is shifting beyond product access to a deeper understanding of how these strategies behave in practice, with the underlying indices acting as foundations for covered call strategies as they move from niche offerings to core considerations in portfolio design.

Europe joins the equity income growth engine

Why Nasdaq-100®-linked covered call strategies are uniquely positioned to attract outsized share of market growth



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In the current environment, investors are rethinking how they generate income. As expectations for rate cuts rise and demand grows for steadier cashflows along with protection against market volatility, equity-based income strategies are gaining momentum.

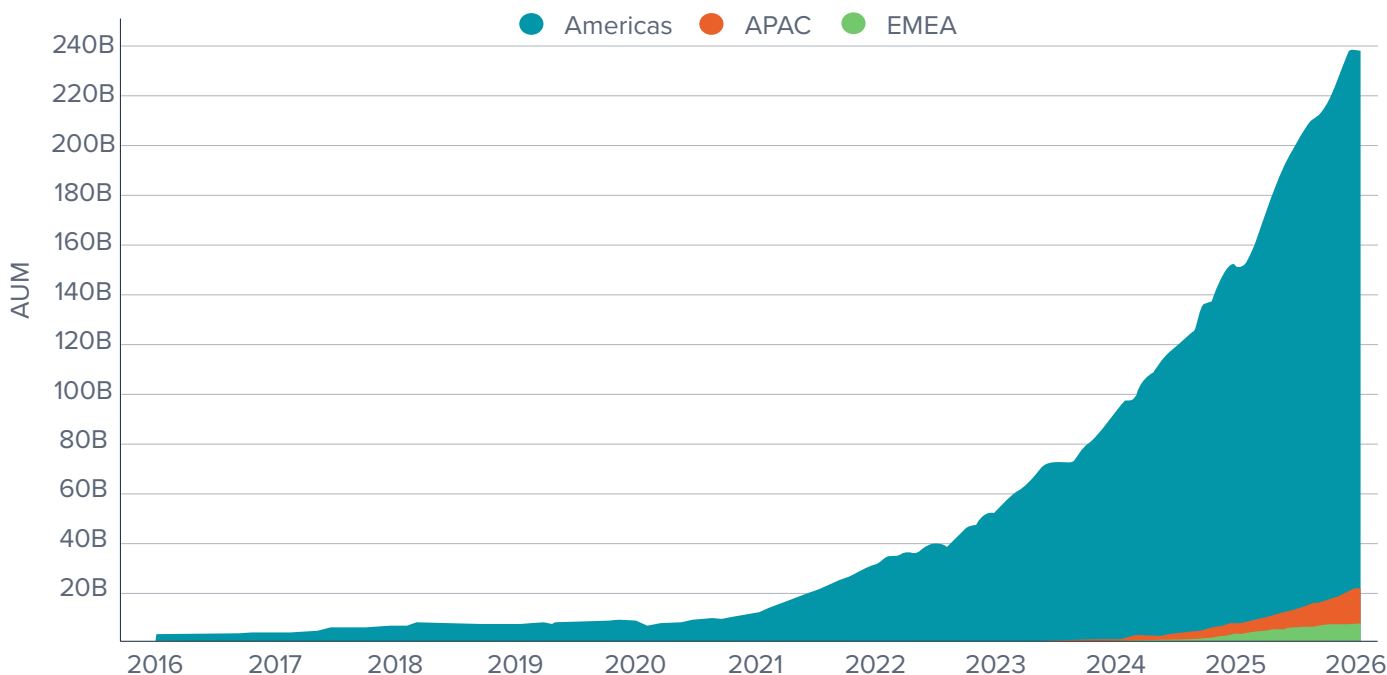
What distinguishes this phase is the increasing availability of strategies — through easily accessible and highly liquid exchange traded products (ETPs) spanning both active and passive implementations — that combine equity exposure with systematic option-based income

generation, aiming to deliver consistent income while moderating volatility.

The data underscores this shift. Global enhanced income ETP¹ AUM has grown from \$7bn in December 2018 to \$241bn as of February 2026, supported by exceptionally strong inflows.

While the US remains the dominant growth engine, Europe is accelerating. In just 12 months — from February 2025 to February 2026 — EMEA’s enhanced income ETP AUM grew from approximately \$3bn to \$7bn. This more than twofold increase was supported by roughly \$4.6bn in cumulative inflows. Although Europe remains smaller in absolute terms, the shift toward consistently positive flows signals improving investor engagement.

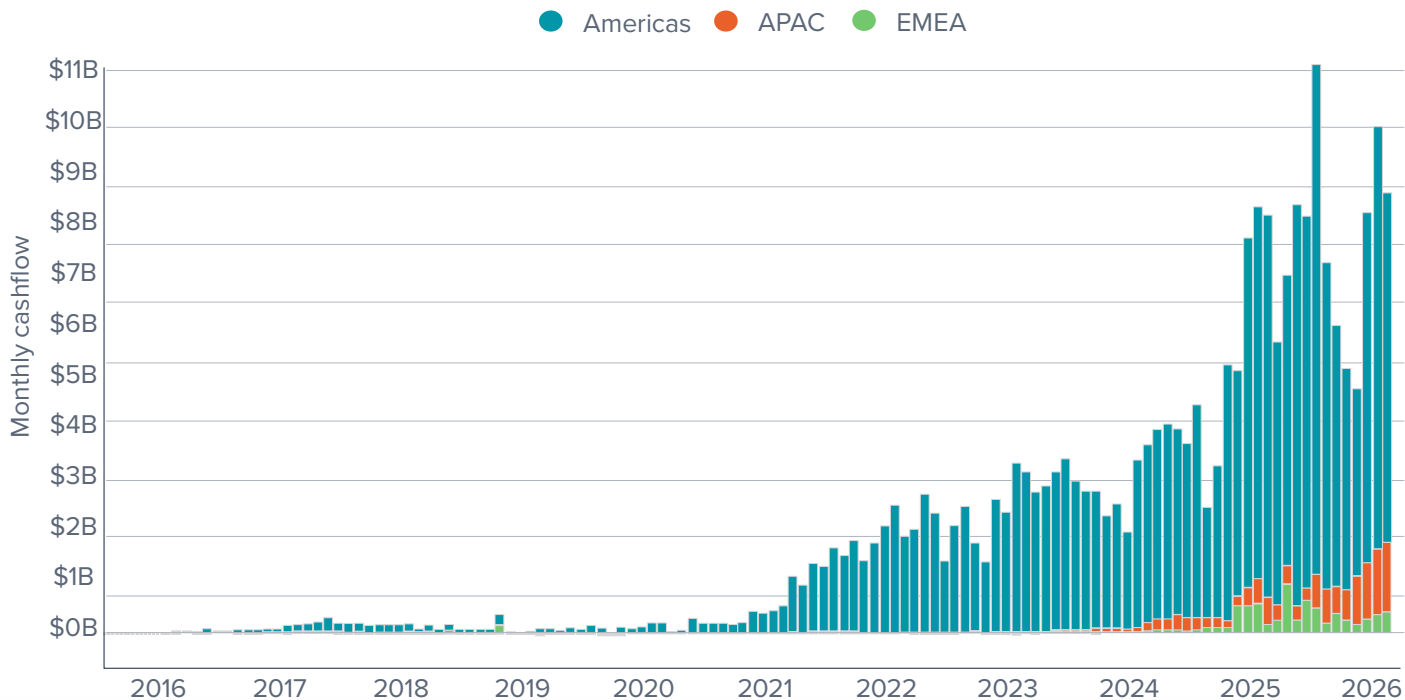
Enhanced income ETP AUM by exchange region



Source: Nasdaq Research & Development. Data as at February 2026

¹ Based on Nasdaq internal classifications, enhanced income includes: Autocallables, Box-Spread Income, Buffer Protection, Collar Income, Covered Call, and Put Write strategies.

Monthly cashflow by exchange region

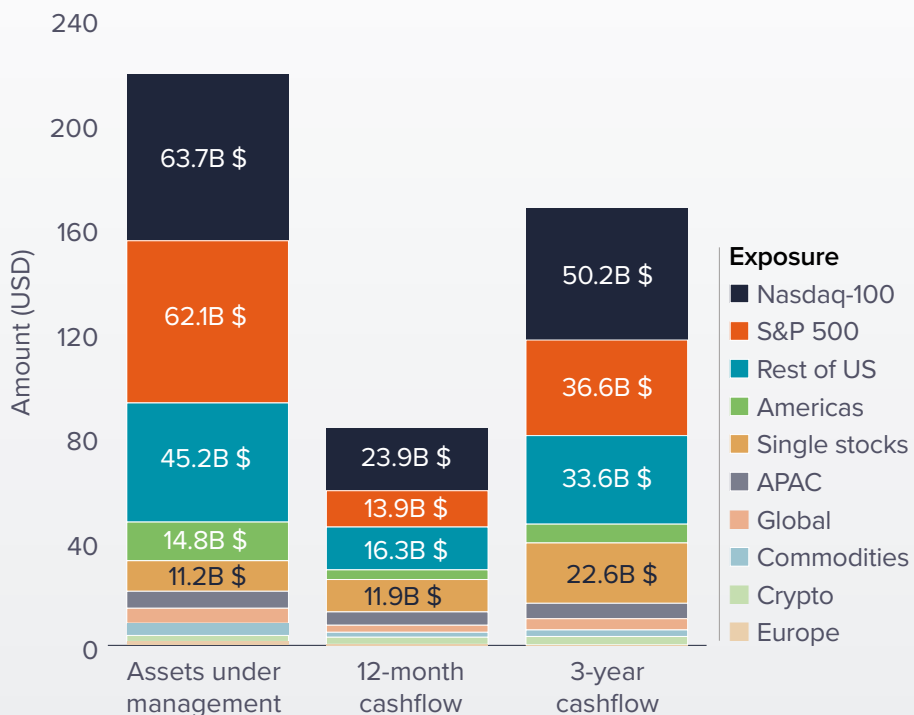


Source: Nasdaq Research & Development. Data as at end of February 2026

How the Nasdaq-100 is powering the next generation of income strategies

Among income solutions, covered call strategies have emerged as one of the fastest-growing segments, with category AUM reaching approximately \$227bn as at February 2026. Once niche, they now rank highly in retail ETF portfolios and attract substantial flows. With both active and passive Nasdaq-100-based products emerging as clear leaders, assets in Nasdaq-linked covered call ETFs have grown to nearly \$64bn globally, reflecting not only price appreciation but also strong and consistent inflows. Over the past year alone, investors have allocated \$24bn, bringing cumulative inflows to over \$50bn over the past three years. By contrast, S&P 500-based covered call strategies

AUM/historical inflows by exposure — covered call ETFs



Source: Nasdaq Research & Development. Data as at February 2026

have attracted \$36.5bn in net inflows over the past three years, including \$14bn in the past year.

Utilising the Nasdaq-100 in covered call strategies

Understanding this trend means looking at the source of these products’ appeal - the index itself. Since 2006, the Nasdaq-100 has delivered a much stronger annualised return than the S&P 500 (16.0% per year vs. 11.0% as at end of 2025), while its annualised volatility has been only modestly higher (22.9% vs. 20.1%).

As shown in the next chart, this combination has translated into consistently higher option income and stronger total returns over time for one-month ATM covered call strategies on the Nasdaq-100 relative

to comparable strategies on the S&P 500 and MSCI ACWI.

This combination is especially advantageous for options-based income strategies. Higher volatility supports larger option premiums at various tenors, allowing investors to generate meaningfully higher income. At the same time, the Nasdaq-100’s strong underlying performance means, while investors may forgo some upside when selling calls, they retain a much larger cushion of residual upside². The enhanced premium stream also provides some downside cushioning during periods of market stress by trading off some unrealised capital appreciation for realised income distributions, improving the overall risk-return trade-off, which has contributed to the Nasdaq-100 covered

call strategy’s relative resilience across market cycles.

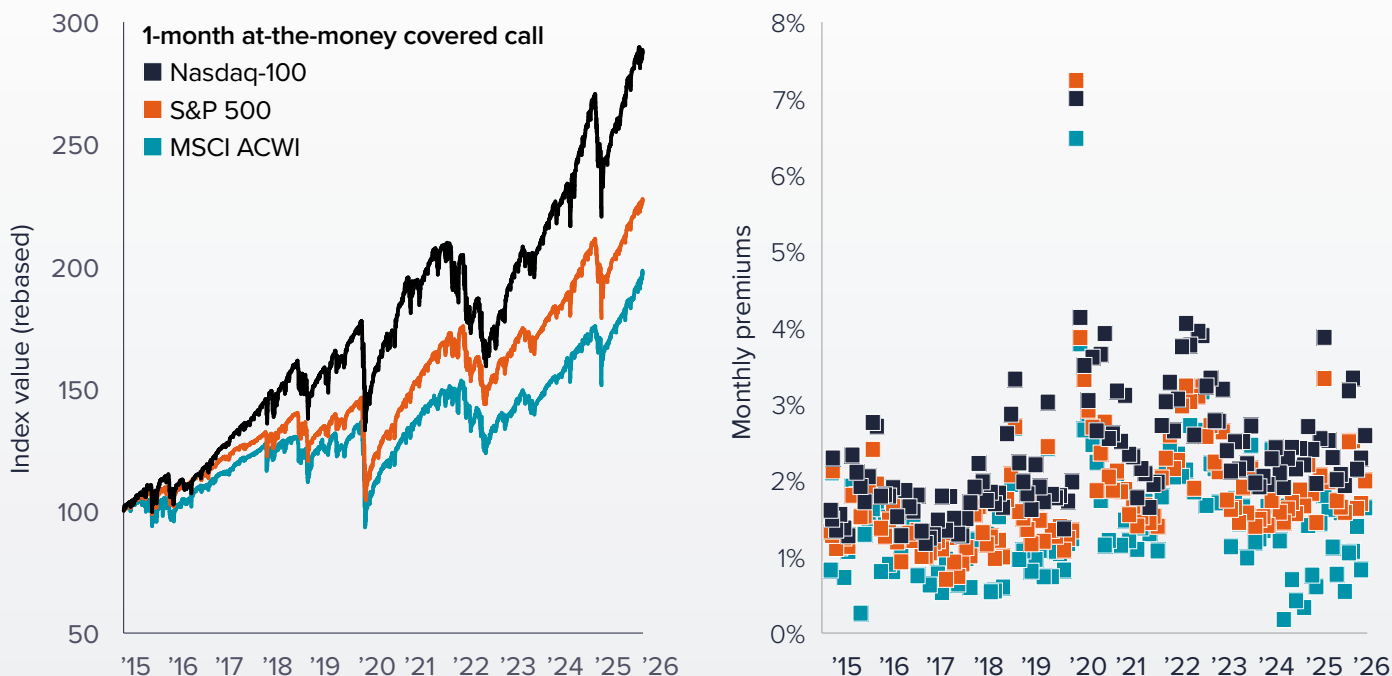
Together, these characteristics make the Nasdaq-100 a particularly effective underlying index for premium-generating strategies such as covered calls, combining elevated income potential with competitive long-term performance.

Why covered call strategies are becoming popular among retail investors

Understanding the rise of covered call strategies in Europe requires a closer look at how retail investors are behaving.

The following insights are derived from portfolio-level transaction and holdings data from one of Nasdaq’s retail investor data partners. As at

Total return & monthly premium

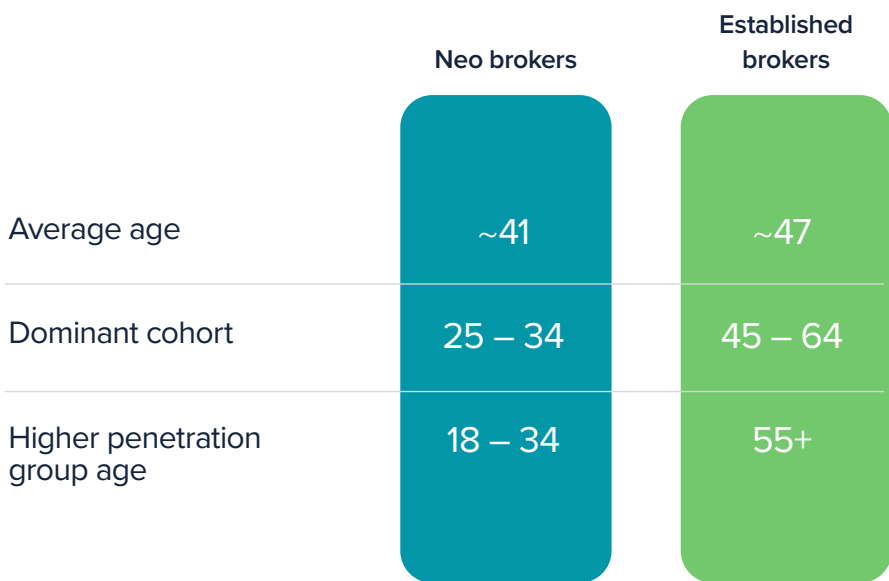


Source: Nasdaq Research & Development

Note: results on the following charts are based on back-tested historical data from 15 January 2015 to 28 February 2026, assuming reinvestment of premium received, and are not indicative of future performance.

² Higher volatility allows Nasdaq-100 covered call strategies to generate a meaningful level of premium income while writing fewer calls, preserving more residual upside.

Broker demographic overview



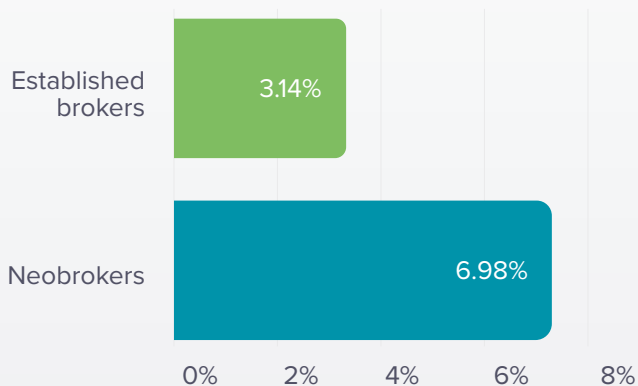
March 2026, the dataset covers approximately €36bn in total assets and more than 500,000 individual portfolios. This intelligence is enriched by additional proprietary datapoints from Nasdaq and is heavily skewed toward German-speaking regions.

Covered call UCITS ETFs are fast becoming a mainstream feature of German retail portfolios, with a few now ranking alongside some of the most widely held dividend and equity ETFs. When we look at the most popular ETFs and rank them by the total value of assets held by German self-directed retail investors, we see this shift clearly. For example, two Nasdaq-100 covered call ETFs have recently broken into the top 50: the

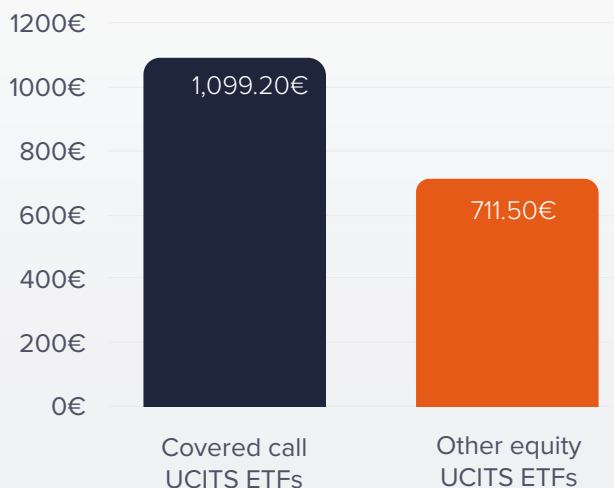
Source: Finfluencer.Digital, Nasdaq Global Indexes. Data as of February 2026

Covered call UCITS ETF trading by broker type

Covered Call ETFs as a % of total Equity ETF buy volume



Average buy size, H2 2025



Source: Finfluencer.Digital, Nasdaq Global Indexes

Neo-brokers — e.g. Trade Republic, Trading212, Scalable, Yuh, InvestEngine, JustTrade
 Established/Traditional brokers - e.g. HL, AJ Bell, Swissquote, Onvista, Sbroker, Comdirect, DKB, ING, etc.

Global X Nasdaq-100 Covered Call UCITS ETF (QYLD) now ranks #21 by % of ETF assets held by retail accounts and the JPMorgan Nasdaq Equity Premium Active Income UCITS ETF (JEPQ) has climbed to #34.³

In the US, covered call ETFs are often seen as a source of post-retirement income, colloquially referred to as “boomer candy,” a label that underscores how widely financial advisors have embraced option overlay products to generate income and provide partial downside cushioning for clients.

In Europe, however, the adoption pattern looks different once broker demographics are taken into account.

If covered call ETFs were primarily being adopted by older investors, we would expect stronger proportional

uptake via traditional platforms where client demographics are skewed towards older groups. Instead, the data suggests broader appeal: covered call ETFs represent 7% of overall equity ETF buy volume at neo-brokers, compared with 3% at established brokers.

This indicates that, although demand spans age groups, adoption is proportionally higher among neo-broker users than among clients of traditional platforms.

There is also encouraging evidence for asset managers considering this segment as a potential source of durable revenue growth. Across all distribution channels, average buy-side trade sizes for covered call UCITS ETFs exceed €1,000 — materially larger than those observed

for other equity ETFs.

In other words, when retail investors choose covered call ETFs, they tend to commit more capital per trade, signalling greater conviction or a stronger income-oriented intent.

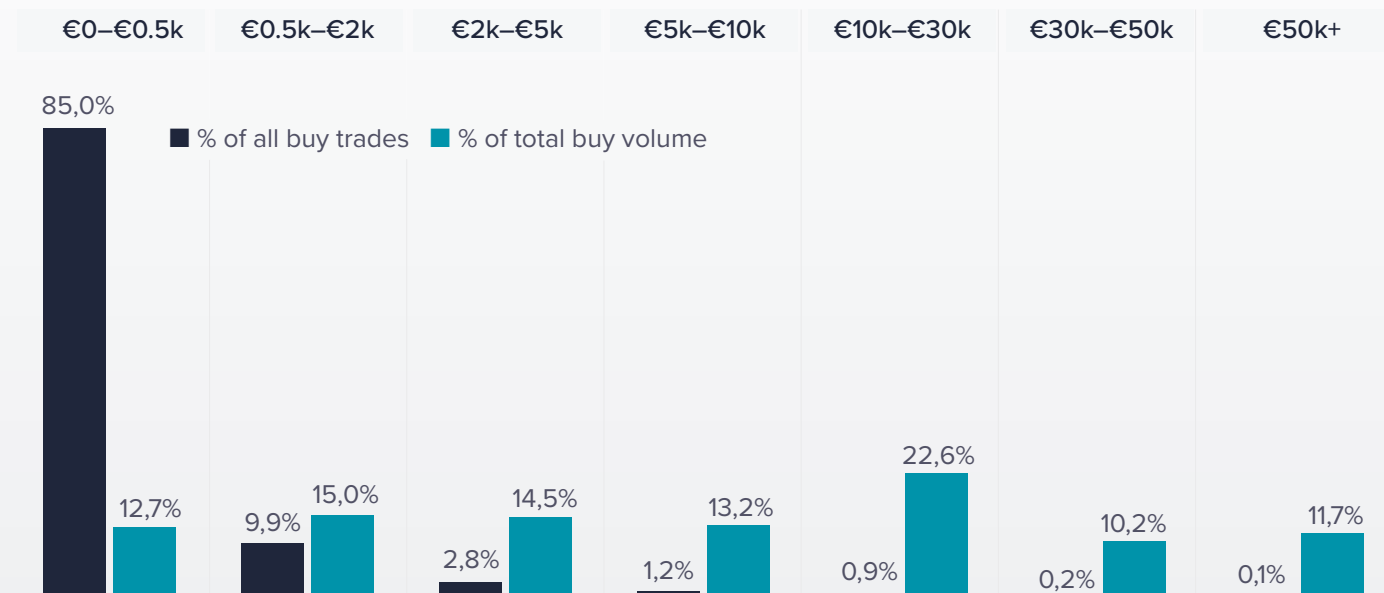
Transaction-level analysis shows that retail demand for covered call UCITS ETFs is broad-based and spans the full trade-size spectrum. This allows us to assume two distinct retail investor profiles.

On one side are savings-plan investors who trade frequently in small sizes, with around 80% of trades below €500. On the other are higher-conviction investors making larger allocations, accounting for a disproportionate share of volume, with 48% of buy volume coming from trades above €30,000.

Small trades dominate count, large trades drive volume

Note: Data is aggregated across select German retail brokers

Buy order size



Source: Finfluencer.Digital, Nasdaq Global Indexes. Data as of second half of 2025

³ Source: Finfluencer.Digital, Nasdaq Global Indexes

Taken together, these patterns suggest that covered call strategies are no longer niche retail products but are becoming a mainstream component of European retail portfolios.

What covered call strategies are and how they work

Understanding how covered calls work helps explain the rise in demand. Covered call strategies generate equity-linked income by holding an underlying index, such as the Nasdaq-100, and selling call options on that exposure to collect option premiums.

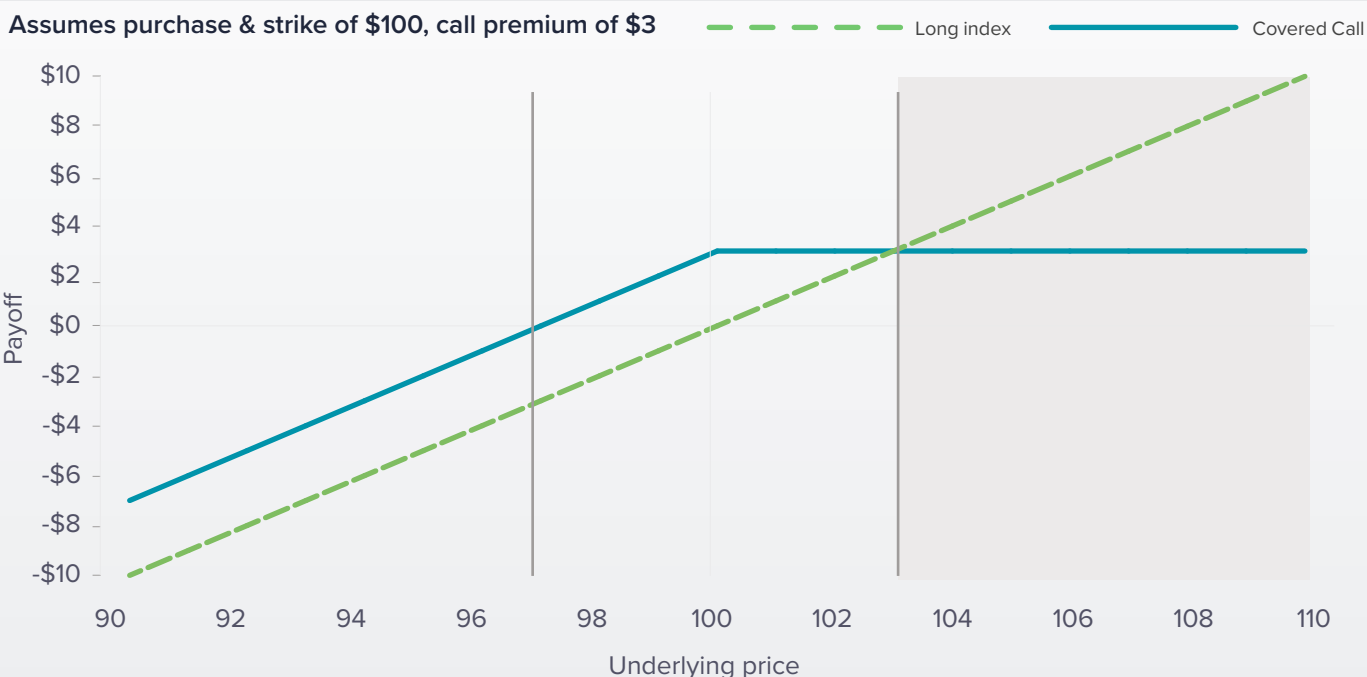
For example, an investor holding the Nasdaq-100 may sell an at-the-money (ATM) call option, receiving \$3 in premium with a strike of \$100. In doing so, upside beyond the strike is capped: if the index rises above \$100, gains from the underlying index exposure are

negated by the payment obligation arising from selling the call option; if it falls below, the investor’s loss on the underlying index is fully negated in the range of \$97-\$100, and still reduced by \$3 no matter how far below \$97 the index drops. This illustrates the core trade-off: income today in exchange for reduced participation in upside moves, which could help limit overall losses realised in downside moves.

Although the pay-off profile appears straightforward, a covered call strategy is ultimately defined by a set of structural design choices. We are seeing five distinct ways to customise the strategy in response to current market demand. Decisions around strike selection, target delta, yield objectives, and the frequency of overwriting collectively determine the strategy’s income characteristics, degree of upside participation, and overall risk-return profile.

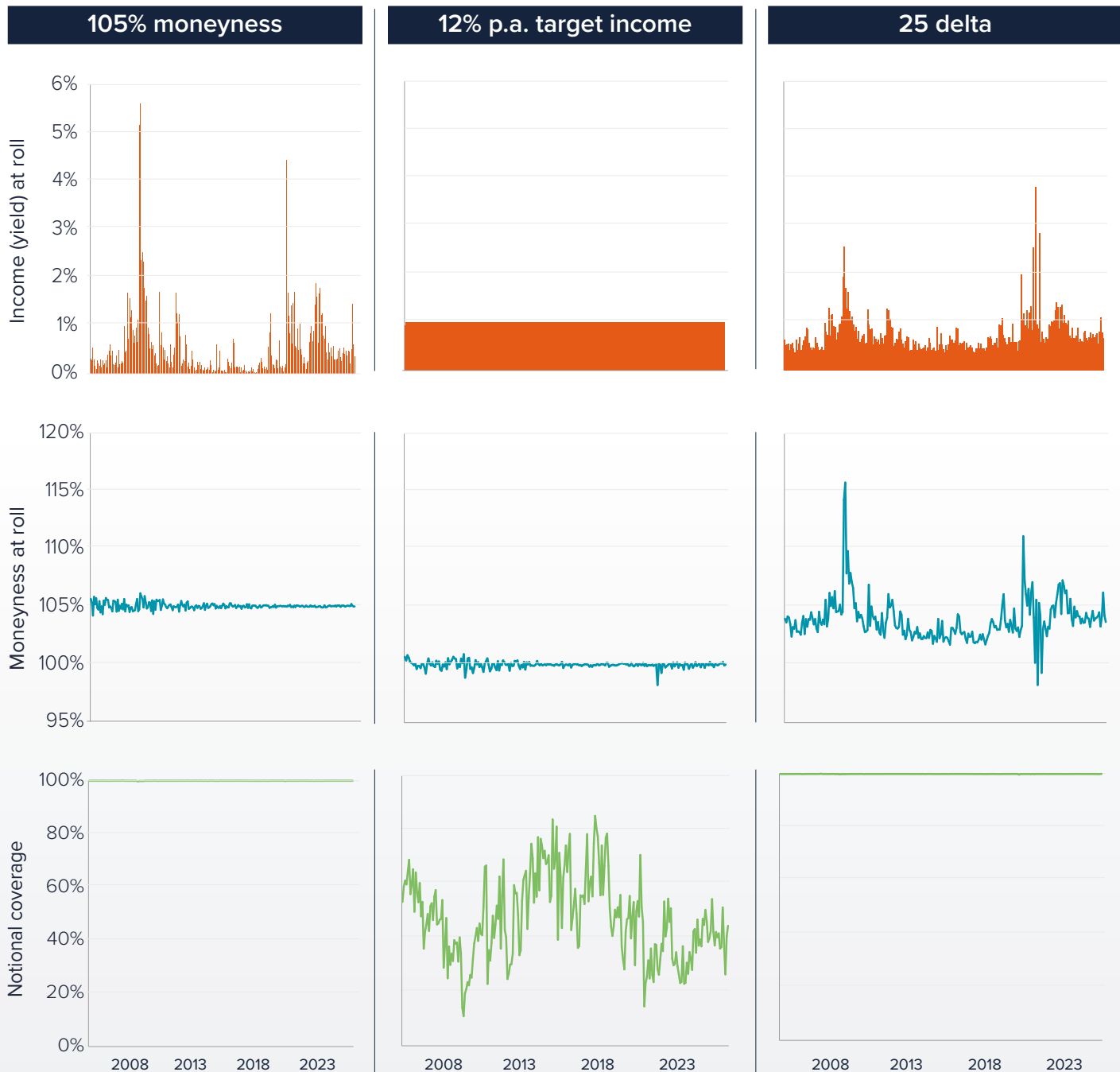
“ Across all distribution channels, average buy-side trade sizes for covered call UCITS ETFs exceed €1,000 — materially larger than those observed for other equity ETFs.

Traditional ATM covered call net profit illustration



Source: Nasdaq Global Indexes.

Income, moneyness & notional coverage at monthly roll



Source: Nasdaq Research & Development
 Note: results on the above charts are based on back-tested historical data from 20 January 2015 to 20 June 2025 and are not indicative of future performance.

1. Fixed moneyness — fixing the strike relative to the market

Fixed moneyness involves selling options at a strike that stays a constant distance from the current price.⁵

- Selling a call ATM generates higher premium because the option has increased probability of finishing in-the-money (ITM), but it also sacrifices more upside vs. selling a call OTM.
- Moving the strike out-of-the-money (OTM) preserves more room for gains, though premiums fall in line with the lower probability of expiry ITM.

*Importantly, even with fixed moneyness, income varies as option premiums fluctuate with volatility.*⁶

2. Delta targeting — fixing risk instead of the strike

Delta targeting focuses on keeping option risk consistent instead of fixing the strike price level.

Instead of choosing a specific moneyness (i.e. how far OTM the option is), the strategy targets a given delta, which naturally determines:

- the premium collected
- the upside sold, and
- the likelihood that the option finishes ITM.⁷

Delta is influenced by market volatility as well as the strike.

- For a given strike, delta rises when volatility increases and falls when volatility declines, because higher volatility makes it more likely that the option finishes ITM, while lower volatility makes this less likely.
- A fixed-delta strategy therefore adjusts the strike at each roll (i.e. once per month if using one-month option expiries):
 - when volatility is high, the strike moves further OTM to reduce the probability of finishing ITM back to the target level;
 - when volatility is low, the strike moves closer to the current price to increase that probability.

By keeping the option's risk profile broadly consistent across market conditions, a fixed-delta rule produces a smoother income profile than a fixed-moneyness approach, an attribute many institutional investors value.

3. Yield targeting — targeting a specific income level

A fixed-yield strategy targets a specific income level (e.g. 6%, 8%, or 10% annually) and then selects whichever call option generates the required premium at each roll.

- When volatility is high, the target yield can be met with strikes further OTM, preserving more upside;
- when volatility is low, the strategy must sell closer-to-the-money calls to maintain the yield.

This dynamic adjustment keeps income stable while allowing the level of upside participation to adapt to current market conditions.

However, because the strike is chosen to meet a premium target rather than a risk target, the option's delta can vary widely over time, making the strategy's risk exposure inherently more variable than in a fixed-delta approach.

An alternative way to implement this objective is to keep the strike constant — often ATM — and instead, vary how much of the portfolio is overwritten. In this case, the strategy adjusts option coverage rather than strike selection to meet the income target.

4. Notional allocation — choosing how much of the portfolio to overwrite

Notional allocation⁸ adds another layer of control by determining how much of the equity exposure is overwritten.

- A half-covered call sells options on only 50% of the portfolio, reducing upside drag in strong rallies while still generating meaningful premium.

This creates a middle ground between:

- full coverage (higher income, trading away more upside) and
- no coverage (full participation, no income)

with income that is steadier than fixed-moneyness approaches but still varies with volatility and roll timing.

5. Frequency — choosing how often to sell options

The frequency with which options are sold also plays an important role in shaping outcomes.

- As an example, daily strategies reduce timing risk by selling short-dated options and benefiting from accelerated time decay close to expiry.

⁵Moneyness quantifies an option's intrinsic value or in simple terms describes the relationship between an option's strike price and the current price of the underlying asset. An option is (1) at-the-money (ATM) when the strike price is close to the current market price, (2) in-the-money (ITM) when exercising it would have intrinsic value (for a call, the strike is below the market price), (3) out-of-the-money (OTM) when exercising it would have no intrinsic value (for a call, the strike is above the market price). Moneyness is often expressed as how far the strike is from the current price (for example, 2% or 5% out-of-the-money) and is commonly used as a simple way to describe how aggressive or conservative an option position is.

⁶With a fixed-moneyness approach, the strike does not adjust when market volatility changes. When volatility rises, options at a fixed OTM strike become more valuable because there is a higher chance they finish ITM, resulting in higher premiums. When volatility falls, the same strike becomes much less likely to be exercised, leading to much lower premiums. As a result, income from a fixed-moneyness covered call can fluctuate significantly as market volatility rises and falls.

⁷Delta measures how much an option's price is expected to change for a one-point move in the underlying asset. Call options have positive delta, ranging from 0 to +1, while put options have negative delta, ranging from 0 to -1.

⁸Such as half-covered implementations.

Conclusion

In summary, covered call strategies are simple in concept but highly customisable in practice, allowing investors to tailor income and risk characteristics to different market conditions and objectives.

Covered call strategies are

becoming a structural part of the European equity landscape. Within this context, the Nasdaq-100 has become a widely used foundation for income strategies, reflecting its unique return/risk characteristics and high suitability for option-based overlays.

As European demand continues to evolve, the debate among those who have not yet decided to allocate is likely to move from whether these strategies belong in portfolios at all, to how they are best designed and deployed across different investor objectives.

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Investors trade full market risk for income with covered call ETFs

Fund selectors sought predictable cash flows and poured \$5.4bn into the products in Q1



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Option-based ETFs are beginning to gain traction in Europe, as investors look for more controlled ways to navigate uncertain markets. Broadly, the category is splitting into two distinct approaches: buffer ETFs, which aim to limit downside over a defined period, and covered call strategies, which prioritise generating income by selling options on equity exposures.

While buffer ETFs have attracted interest, particularly among investors seeking capital protection, flows remain relatively modest. Instead, it is covered call strategies that are driving the bulk of activity in Europe, reflecting a growing preference for income-generating solutions in a lower-rate environment. According to ETFBook data, covered call strategies have attracted \$5.4bn in assets, compared to \$386m for buffer ETFs in the first quarter, underlining the clear divergence in investor demand.

J.P. Morgan Asset Management's Nasdaq equity premium income strategy alone attracted around \$2bn in Q1, representing a substantial portion of flows into covered call strategies over the period, highlighting the dominance of Nasdaq 100 exposure within the segment.

This growing appetite is also being reflected in investor conversations. Christophe Joye, passive and smart beta analyst at Lombard Odier & Cie SA said: "In terms of products to invest in today, currently, the only specific request I have received is for ETFs with a covered call overlay to enhance income, particularly on US equities, or buffer ETFs."

The trend echoes developments in the US, where covered call ETFs have become a staple in income-focused portfolios. European issuers are now attempting to replicate that success by bringing similar products to market.

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Christophe Joye, passive and smart beta analyst, Lombard Odier & Cie SA

As Hamilton Reiner, portfolio manager and CIO of US core equities at J.P. Morgan Asset Management, explained: "By design, covered call strategies give away some of the upside potential of the equity market in exchange for the certainty of income today. That said, we can still provide our clients with a portion of the upside through out-of-the-money options and laddered implementation."

In Europe, this demand has so far been met primarily through passive, index-based implementations, often linked to major benchmarks such as the Nasdaq-100, where option overlays are applied systematically according to predefined rules.

However, flows suggest that investors are increasingly allocating to more flexible, actively managed implementations. Of the \$5.4bn that flowed into covered call strategies in Q1, approximately \$3.7bn was directed towards active products, compared to \$1.7bn into passive equivalents.

From an asset allocation perspective, the appeal of these strategies reflects the current market backdrop.

Nathan Sweeney, CIO Multi-Asset at Marlborough, said investors are increasingly seeking ways to retain equity exposure while reducing risk at the margin.

"Covered call ETFs are really a reflection of where we are in the cycle. Investors still want equity exposure, particularly to areas like US tech, but they are less comfortable taking full market risk given valuations, concentration and ongoing macro uncertainty," he said. "These strategies allow them to monetise volatility by generating an income

stream from options, effectively trading a portion of upside for more predictable cash flow and a smoother return profile.”

He added that the environment of higher volatility, persistent inflation concerns and cautious central banks has further supported demand, although the strategies come with clear trade-offs.

However, adoption in Europe remains measured. Christian W. Röhl, chief economist at Scalable Capital, said covered call ETFs are “not mass-market investment products”, although they are gaining traction among income-focused investors. “The monthly distributions are significantly higher than those of dividend or bond ETFs,” he said,

highlighting one of the key drivers of demand.

While the segment is expected to see pockets of uptake among professional investors in the near-term, Röhl noted there are key selling points with broader appeal. “The key success factors are maximising distributions, providing monthly payouts and - especially following the dollar’s depreciation over the last 15 months - offering neutrality against exchange rate fluctuations,” he said.

Against this backdrop, the focus is increasingly turning to how these strategies are constructed and what is driving their appeal, with particular attention on the role of underlying indices such as the Nasdaq-100 in shaping outcomes.

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