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# Global X ETFs

## Strategic Investment Takes You Through Bull and Bear Markets

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# GLOBAL X

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# Strategic Investment Takes You Through Bull and Bear Markets

**Jeff Huang**

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January 2025

# About Us

## GLOBAL X

by Mirae Asset

Thematic Growth



Income



Core



Commodity



### Empower Investors with Intelligent ETF Solution

- A New York-based ETF provider founded in 2008.
- “For more than a decade, our mission has been empowering investors with unexplored and intelligent solutions”
- Became member of Mirae Asset Global Investments in 2018.
- 12<sup>th</sup> largest global ETF Provider<sup>#</sup>



# 610 ETFs Globally

# US\$137bn Total ETFs AUM

Source: Mirae Asset, 30 September, 2024

#Source: ETFGI, August 2024

Founded in 1997, Mirae Asset is one of the largest independent financial group based in Seoul. We are global enterprise offers asset management expertise worldwide across 12 Global markets, where we take a collaborative approach in managing a fully diversified investment platform.

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by Mirae Asset



# What is **Covered Call** Strategy?

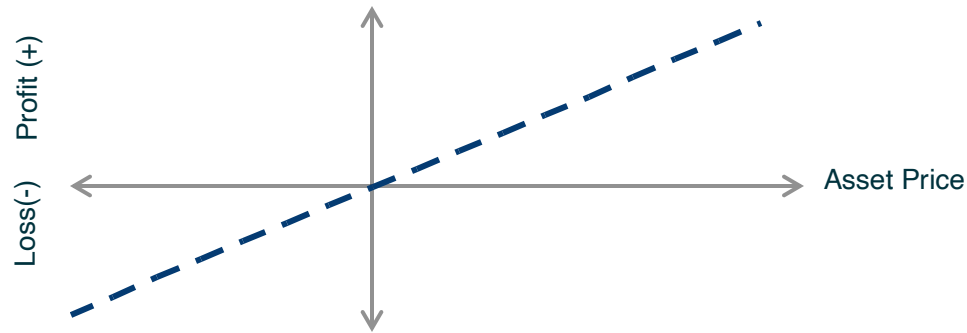
# Covered Call Strategy Summary

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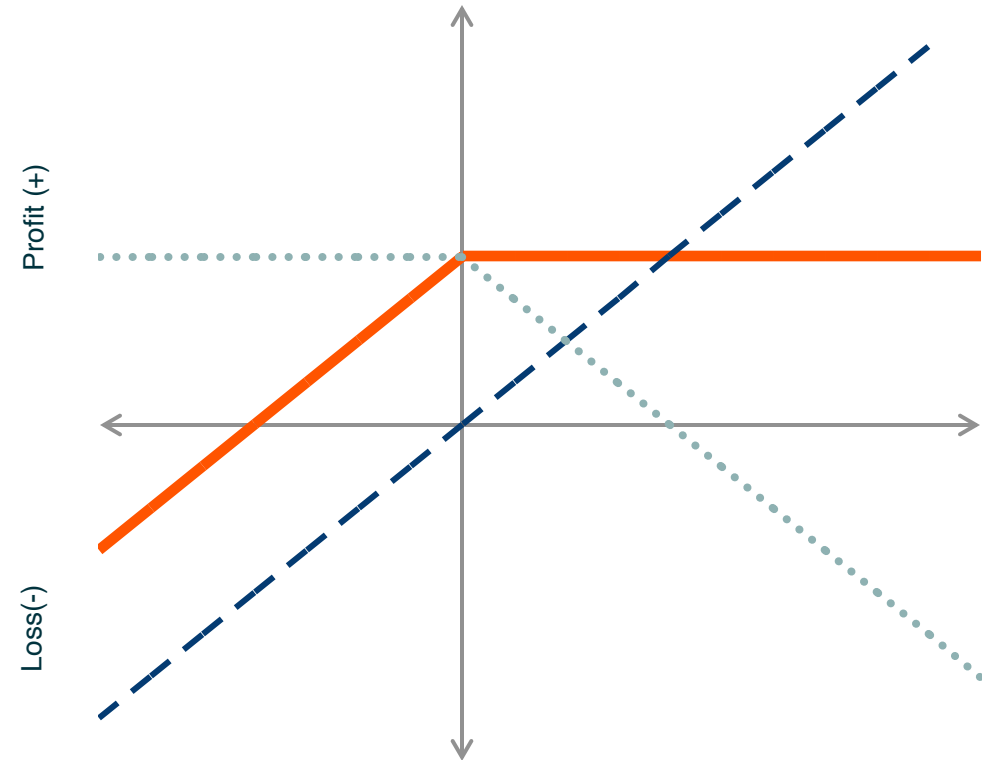
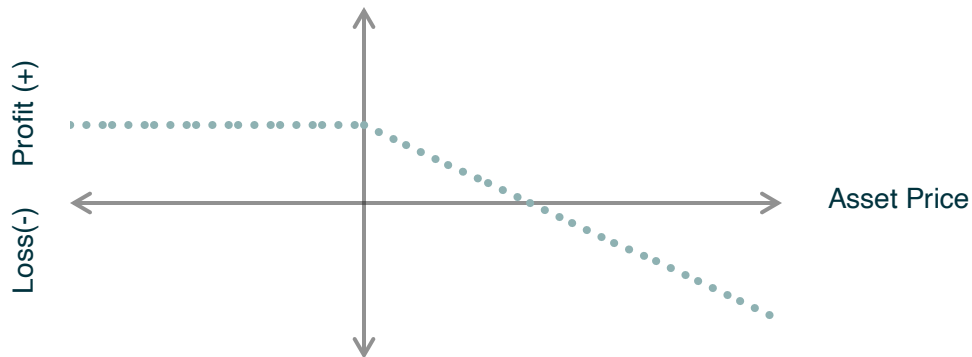
A covered call is an option strategy in which an investor sells a call option on stocks they already own.

## Covered Call Strategy Payoff

① Hang Seng Index stocks

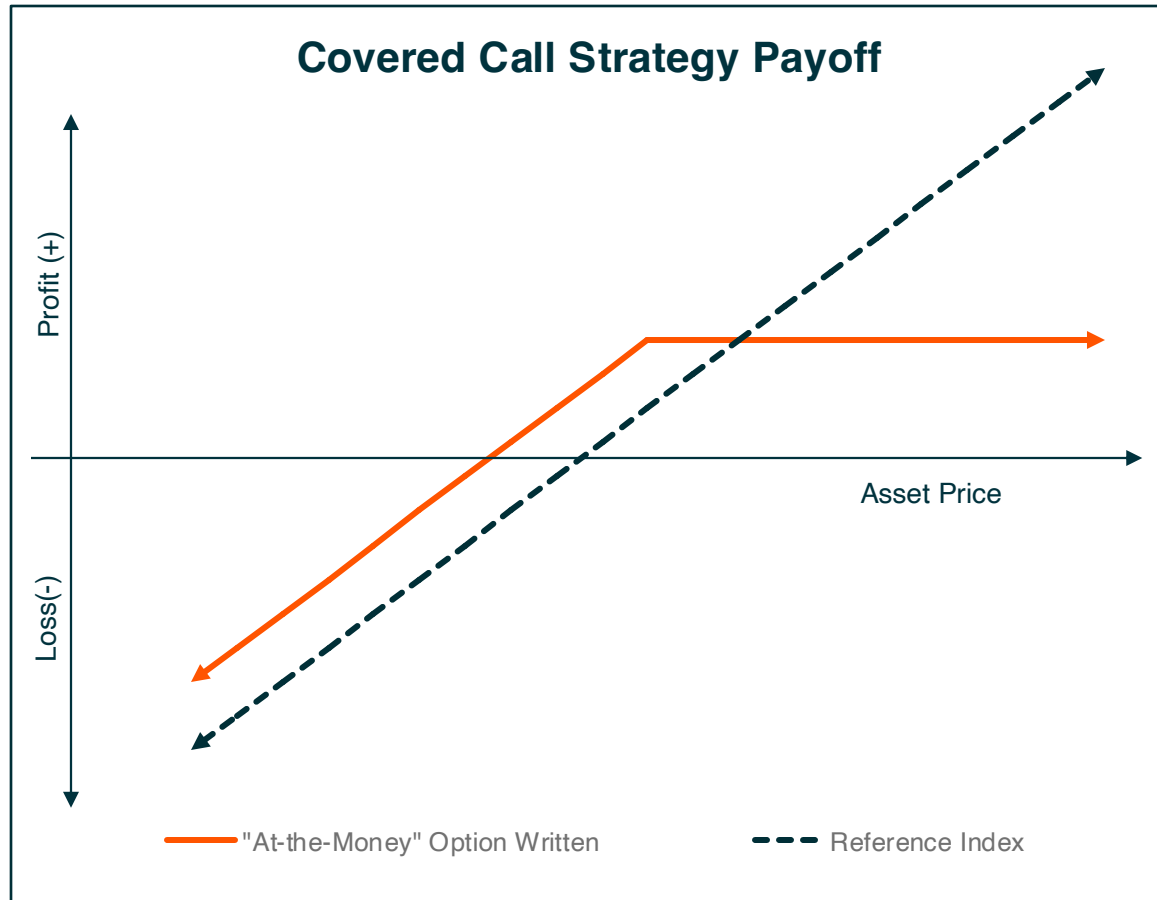


② Selling Hang Seng Index Call option (at the Money) → Monthly Option Premium Income



## Covered Call Strategy Summary

A covered call is an option strategy in which an investor sells a call option on stocks they already own.



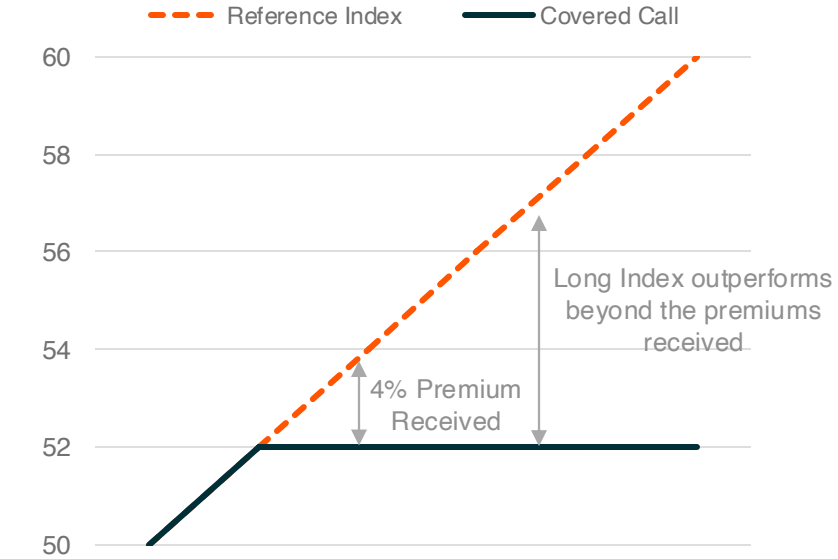
### Covered Call Features

- Generates higher income versus the underlying security itself due to the premiums received from selling call options.
- Upside potential is capped in the event that the stock appreciates beyond the strike price.
- Option premiums tend to increase during volatile markets, offering a potential risk management component.
- No additional downside protection beyond the premiums received.



# [Scenario] Covered Call Performance by Different Market Direction

Reference Index is in an **Uptrend**



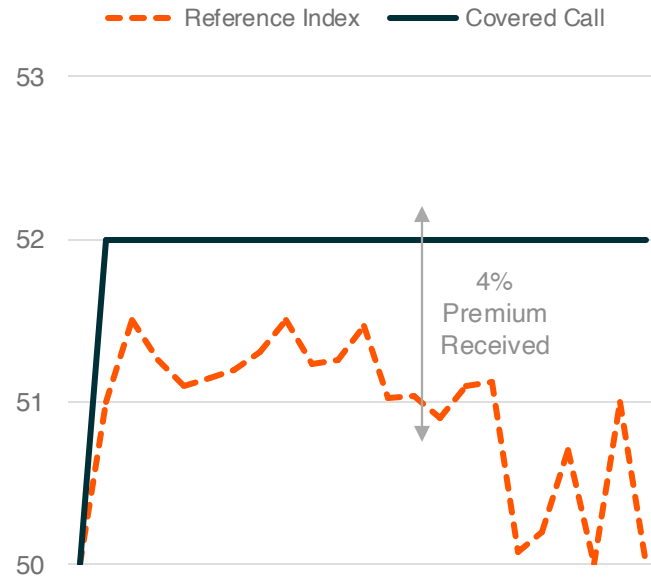
**Contract Initiation** (2nd last trading day of the current month)

**At Option Expiration Date** (2nd last trading day of the next month)

Short Call Strike Price = \$50 (ATM)

Reference Index is in an **Uptrend**: Covered call would be expected to **underperform** since its potential gain will be limited to the premiums received.

Reference Index is **Flat/Choppy**



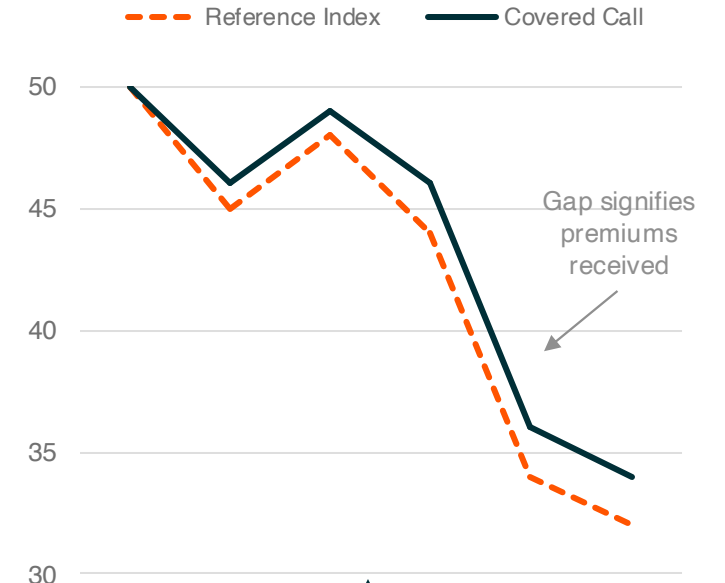
**Contract Initiation** (2nd last trading day of the current month)

**At Option Expiration Date** (2nd last trading day of the next month)

Short Call Strike Price = \$50 (ATM)

Covered call would be expected to **outperform** if the reference index price at contract initiation ends at the same price upon contract expiration since its performance will be supported by the premium income collected from selling monthly index calls.

Reference Index is in a **Downtrend**



**Contract Initiation** (2nd last trading day of the current month)

**At Option Expiration Date** (2nd last trading day of the next month)

Short Call Strike Price = \$50 (ATM)

Covered call would be expected to **outperform** if the reference index falls throughout the life of the options contract due to the covered calls potentially offsetting some losses.

For Illustration Purposes Only. Flat/Choppy market assumes no fluctuations below the strike price.

## [Scenario] China Market Strategy

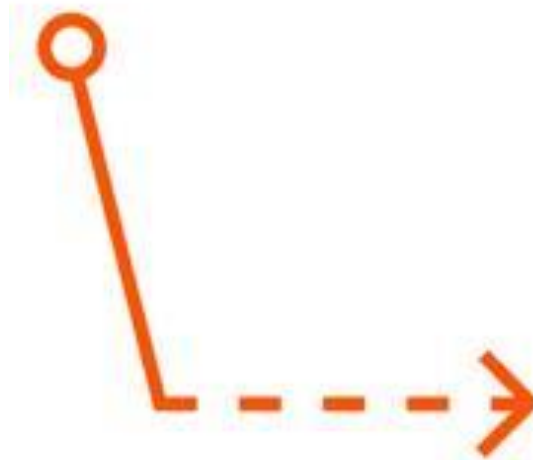
If expecting **strong market rebound**



Suite of China growth theme ETFs would be a good choice.

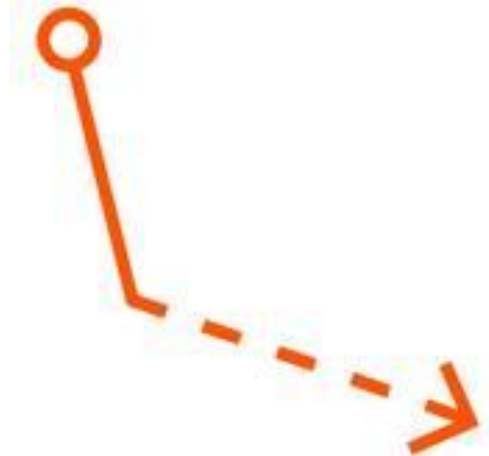
However, Income seeker or risk-averse investors also could enjoy meaningful income by purchasing covered call ETFs<sup>1</sup>

If expecting market to **remain flat**



Covered call ETFs are the most attractive investment choice in both absolute and relative return, as these products continue to provide premium income every month

If expecting market **fall furthermore**



Better to reduce exposure to China asset.  
Or, covered call ETFs could offer high level of protection, thanks to high premium income, as witnessed in the 2023 down turn

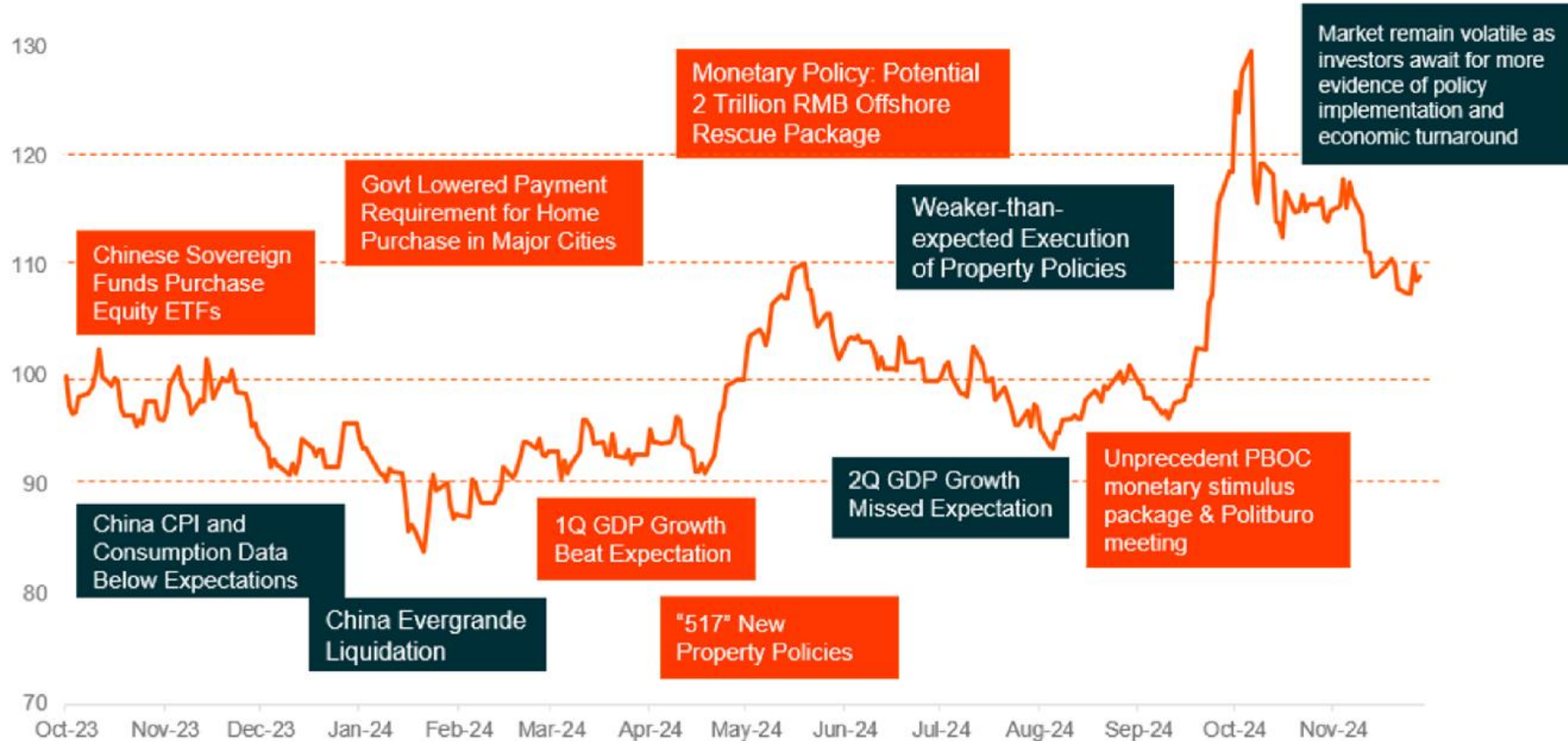
Source: Mirae Asset Global Investment (Hong Kong) Limited

1. Covered call writing can limit the upside potential of the underlying security. Payments of distributions out of capital or effectively out of capital amounts to a return or withdrawal of part of an investor's original investment or from any capital gains attributable to that original investment. Any such distributions may result in an immediate reduction in the Net Asset Value per Share of the Fund and will reduce the capital available for future investment.

For Illustration Purposes Only. Flat/Choppy market assumes no fluctuations below the strike price.

# A Volatile Hong Kong Market in 2024

## Hang Seng Index Performance



Source: Bloomberg, Mirae Asset, As of 29 November 2024

## The Investment Case of Covered Call Strategy in Hong Kong



[Income] Deliver appealing annualised income yield with monthly distribution plan (Monthly distribution is not guaranteed and maybe from capital just in case)\*



[Protection] Provide downside protection with option premium

Source: HSI Covered Call Index and HSCEI Covered Call Index outperformed the Hang Seng Index and Hang Seng China Enterprises Index since index inception in 24 Jun 2019. Data as of 31 Jan 2024.

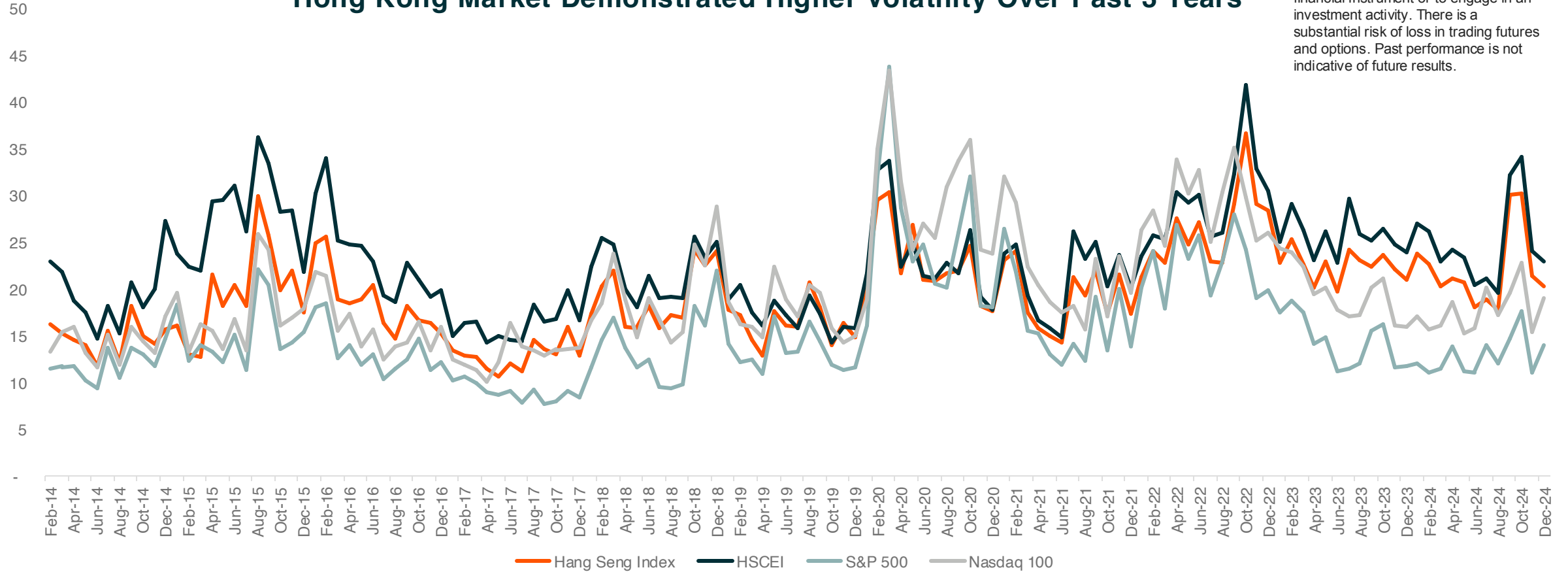
Source: Hang Seng Indexes; Annualised Income yield has been over 10% for both HSI Covered Call index and HSCEI Covered Call Index since index inception in 24 Jun 2019.

\* Index yield is not equivalent to yield/return of the fund. Positive yield does not mean positive return. Covered call writing can limit the upside potential of the underlying security. Payments of distributions out of capital or effectively out of capital amounts to a return or withdrawal of part of an investor's original investment or from any capital gains attributable to that original investment. Any such distributions may result in an immediate reduction in the Net Asset Value per Share of the Fund and will reduce the capital available for future investment.

# [Income] Option Premium of HK Indexes Offers Decent Income Source

## Hong Kong Market Demonstrated Higher Volatility Over Past 3 Years

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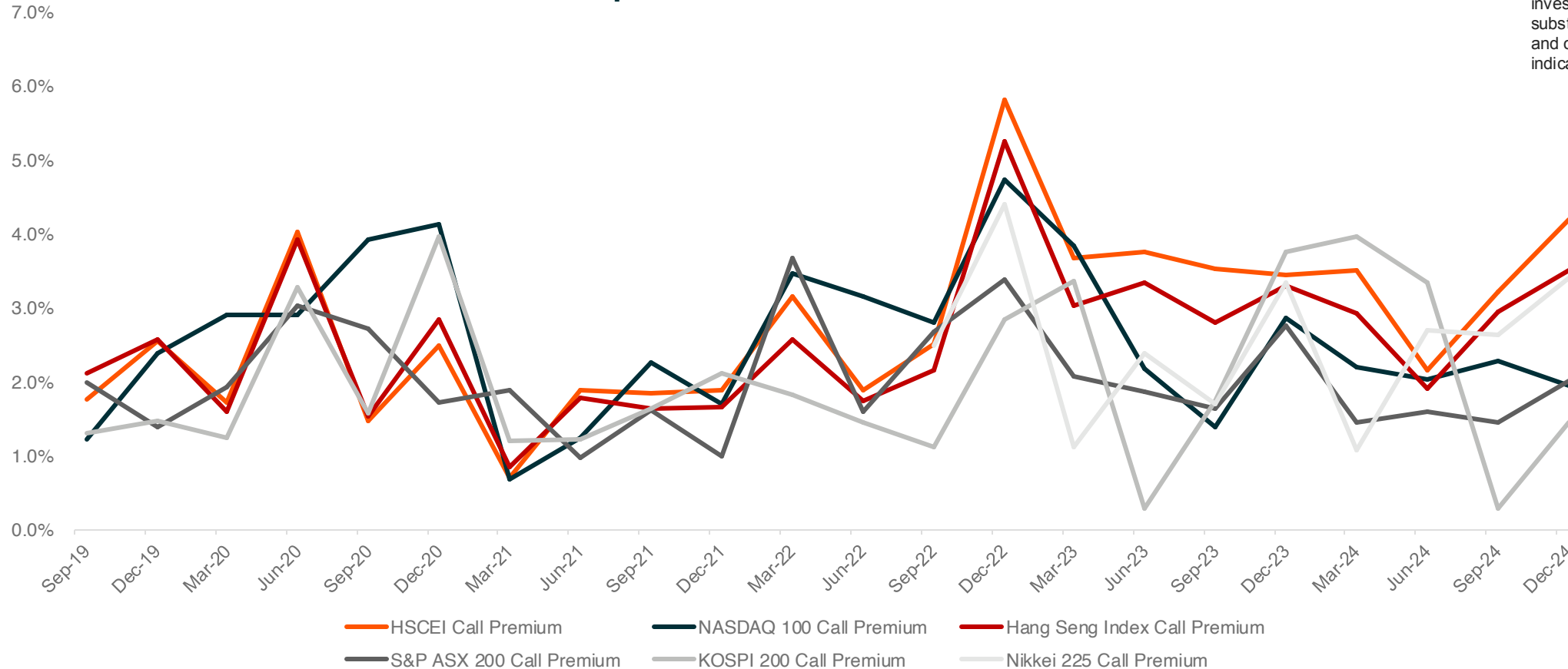


Source: Hang Seng Indexes; Bloomberg; Data as of 31 Dec 2024

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# [Income] Option Premium of HK Indexes Offers Decent Income Source

## Call Option Premium with Various Reference Index



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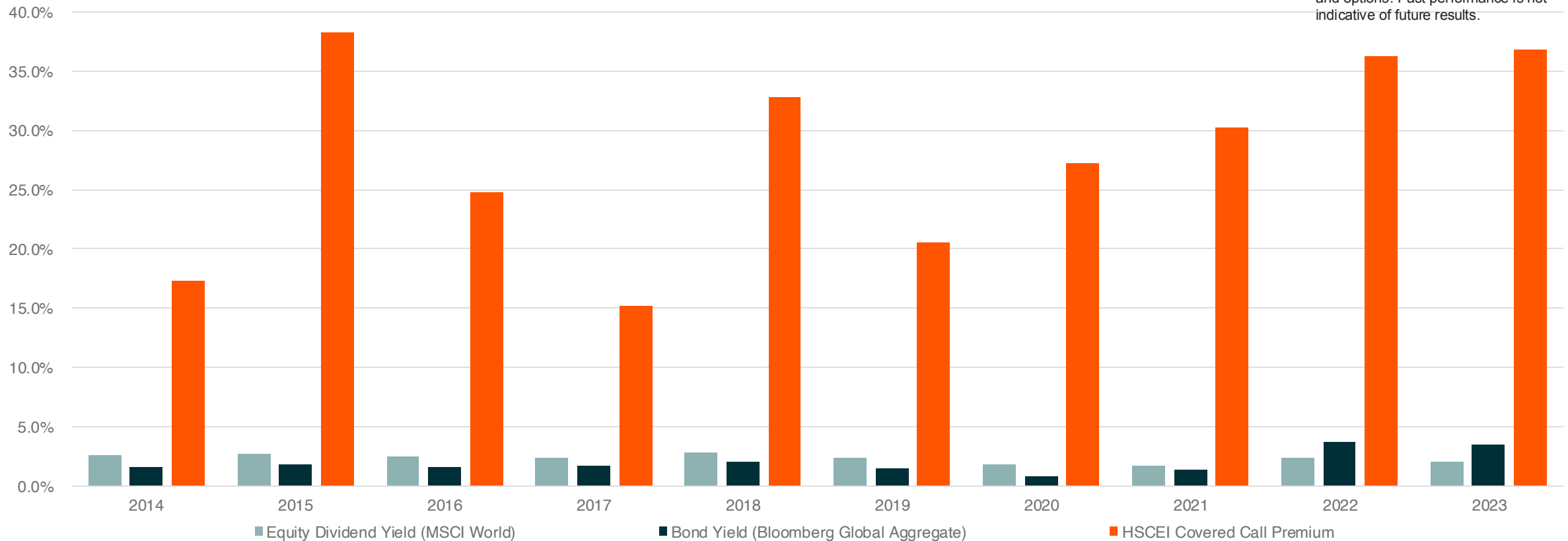
Source: Hang Seng Indexes; Bloomberg; Data as of 31 December 2024

Index yield is not equivalent to yield/return of the fund. Positive yield does not mean positive return. Covered call writing can limit the upside potential of the underlying security. Payments of distributions out of capital or effectively out of capital amounts to a return or withdrawal of part of an investor's original investment or from any capital gains attributable to that original investment. Any such distributions may result in an immediate reduction in the Net Asset Value per Share of the Fund and will reduce the capital available for future investment.

# [Income] Covered Call Strategies Provide Higher Income Yield\*

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## Income Yield of HSCEI Covered Call Strategy vs Traditional Asset Classes

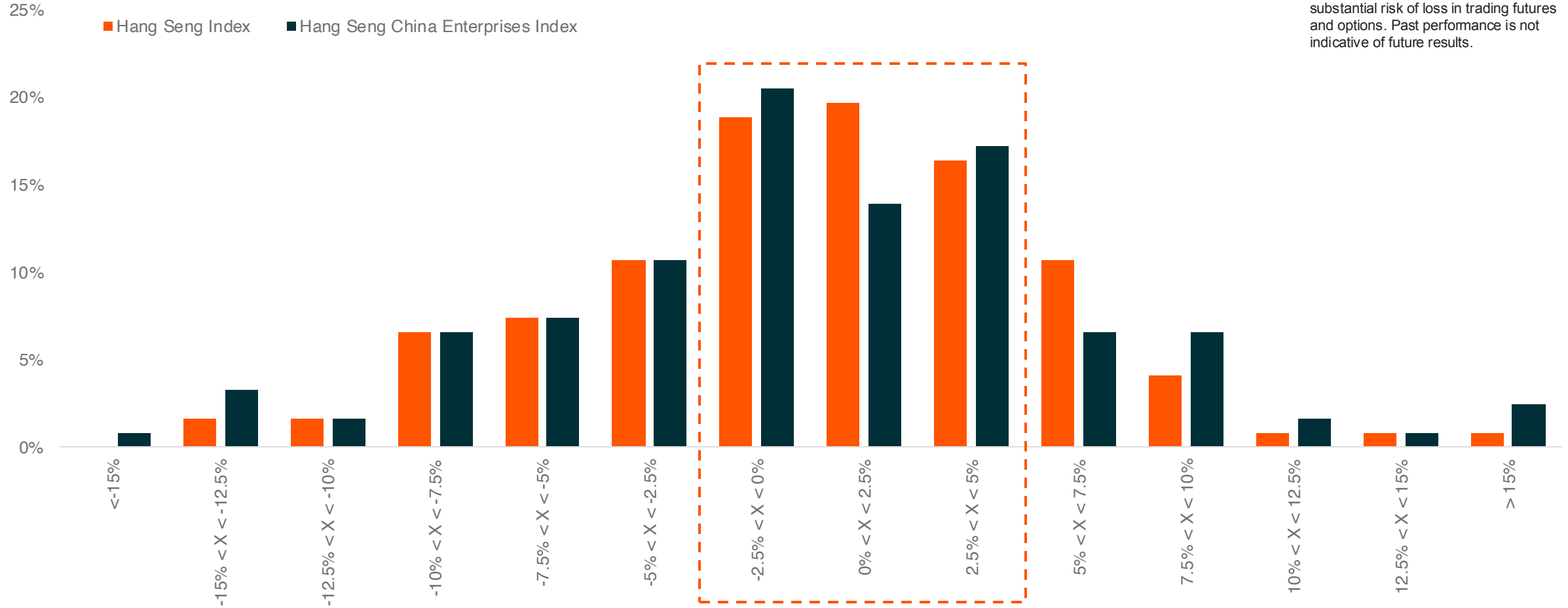


Source: Hang Seng Indexes; Bloomberg; Data as of 31 Dec 2023.

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# [Protection] Hong Kong Market Has Been Volatile In the Past Decade

## Historical Monthly Return in Past 10 Years



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Source: Bloomberg; Data as of 28 June 2024. Note: Monthly index call option premium was 2.7% for HSCEI Index and 2.5% for Hang Seng Index on average since Sep 2019, so investors could make positive return in the particular month if the index returns were better than -2.5%.



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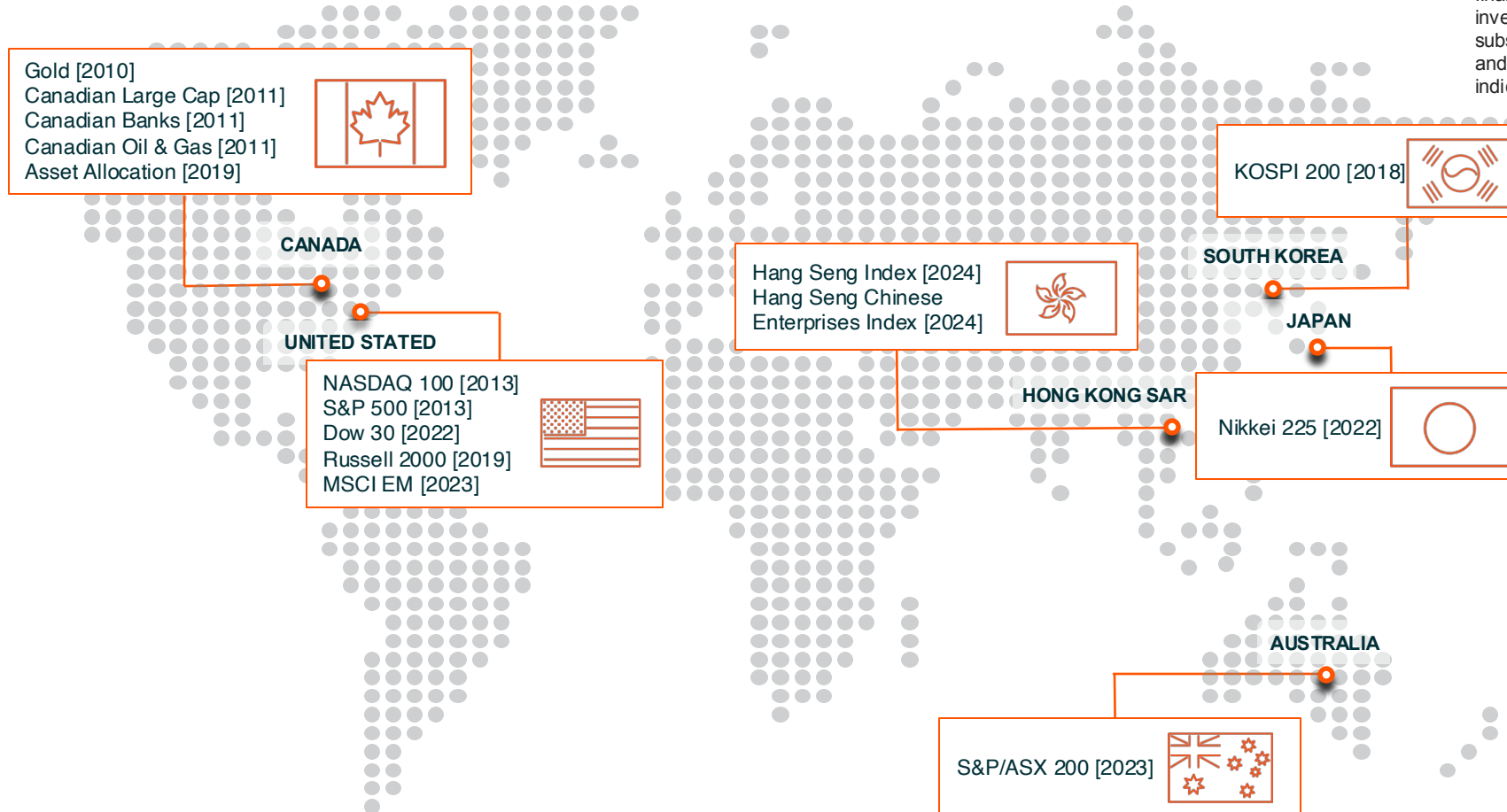
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# Appendix

# Global Covered Call Leader for More Than a Decade

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Inception Year in the bucket []

Source: Mirae Asset; Data as of Jan 2024

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