COVERED CALL ETFs

by Henry Pasts, Executive Vice President and Analyst, BTS Asset Management, Inc.

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COVERED CALL ETFs — JEPI and JEPQ

The Covered Call ETFs strategy makes up 10% of the BTS Enhanced Equity Income Fund. The strategy involves a static 10% allocation split between JEPI, JPMorgan Equity Premium Income ETF (5.00% holding), and JEPQ, JPMorgan Nasdaq Equity Premium Income ETF (5.00% holding). Here is a brief overview of each fund:

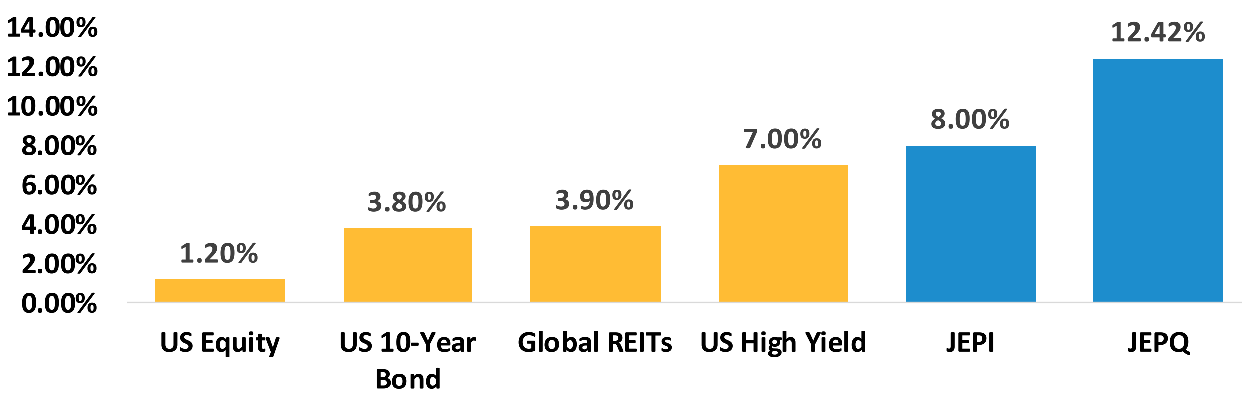
JEPI seeks to deliver monthly distributable income and equity market exposure with less volatility. The portfolio consists of a defensive equity portfolio with bottom-up fundamental research stock selection with risk-adjusted stock rankings. JEPI generates income with a disciplined options overlay that implements written out-of-the-money S&P 500 Index call options that seek to generate distributable monthly income.[1]

JEPQ seeks to generate income through a combination of selling options and investing in U.S. large cap growth stocks, seeking to deliver a monthly income stream from associated option premiums and stock dividends. It seeks to deliver the returns of the NASDAQ 100 Index with less volatility. JEPQ generates income with a disciplined options overlay that implements written out-of-the-money NASDAQ 100 Index call options that seek to generate distributable monthly income.[2]

Why Covered Call ETFs Fit Into the BTS Enhanced Equity Fund

Both JEPI and JEPQ aim to distribute income while reducing the beta and volatility against the S&P 500 and NASDAQ 100, respectively. Unlike other income producing assets, such as bonds, Covered Calls seek to distribute income without duration or credit risk. This can be key in an equity income solution because investing a portion of the portfolio in bonds or other income producing assets would add non-equity risks. Below is a comparison of yield against other income asset classes to highlight the attractive yield that Covered Calls offer.

Attractive Yield vs. Other Asset Classes as of 12/31/2024



Adopted from JPMorgan, as of 12/31/2024[3]
JEPI—30-Day Sec Yield as of 12/31/24 - 8.00% and 8.00% Unsubsidized
JEPQ—30-Day Sec Yield as of 12/31/24 - 12.42% and 12.42% Unsubsidized

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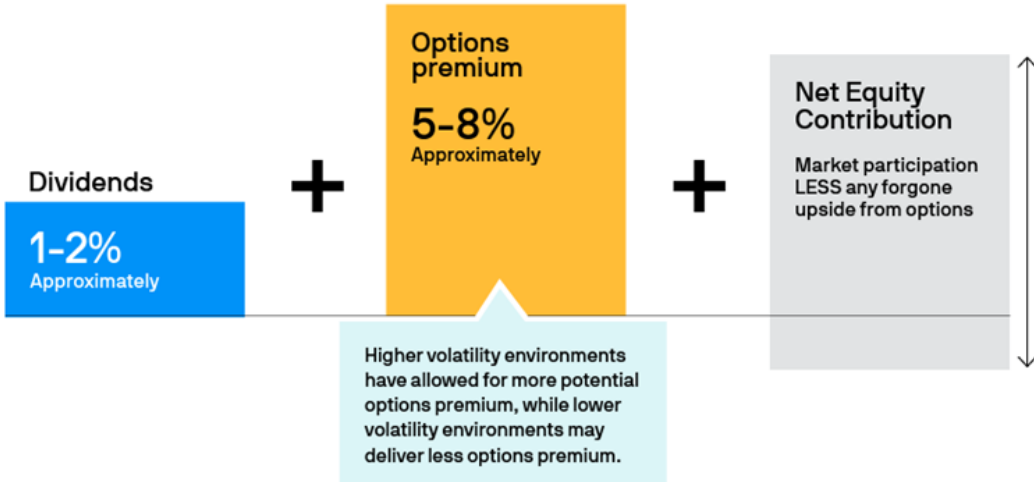
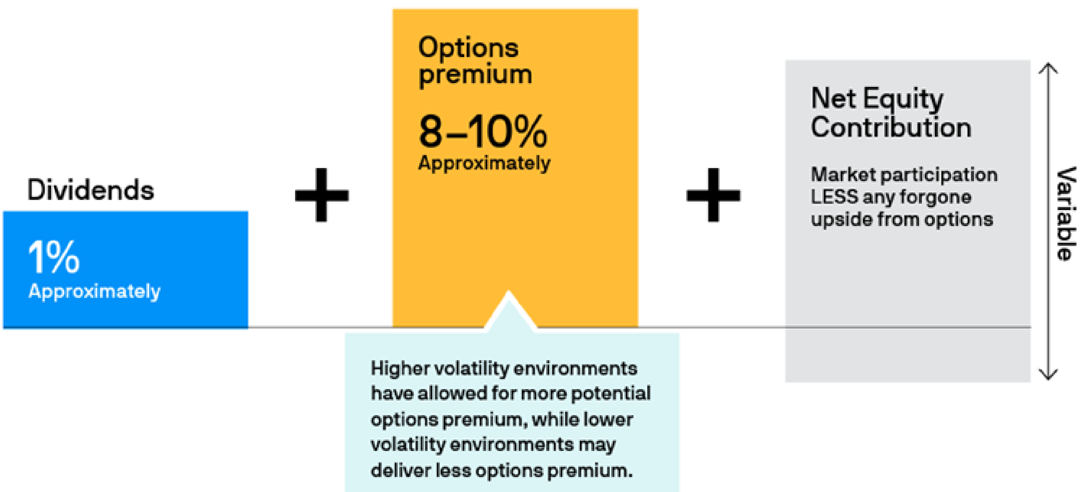
Covered Call ETFs Components of Return

To get a better sense of the return dynamics of Covered Calls, let's analyze the annual return potentials and components of JEPI and JEPQ in a historically normalized market environment.

JEPI Annualized Returns Observed in a Historically Normalized Environment



JEPQ Annualized Returns Observed in a Historically Normalized Environment



Adopted from JPMorgan. Past Performance is Not Indicative of Future Results[3]

From above, there are three components of return for Covered Call strategies: 1. Dividends, 2. Option Premiums, and 3. Net Equity Contribution.

In addition to the option premium, Covered Call ETFs offer dividends from the underlying equity positions that may increase distributable income. Additionally, in more volatile markets, option premiums tend to be higher (and lower in less volatile markets), potentially offering some added returns during negative, volatile markets. Finally, unless Equities rise above the strike price of the out-of-the-money calls, then Net Equity Contribution or market return should aid in the return of the Covered Call ETF strategy.

PERFORMANCE	
JEPI Since Inception (5/20/20-12/31/24)	+12.41%
JEPI 1 Year (12/31/23-12/31/24)	+12.58%
JEPI 3 Year (12/31/21-12/31/24)	+6.05%
JEPQ Since Inception (5/3/22-12/31/24)	+16.86%
JEPQ 1 Year (12/31/23-12/31/24)	+24.89%
Gross Expenses for JEPI	0.35%
Gross Expenses for JEPQ	0.35%

Source: JP Morgan
https://am.jpmorgan.com/content/dam/jpm-am-aem/americas/us/en/literature/fact-sheet/etfs/FS-JEPI.PDF
https://am.jpmorgan.com/content/dam/jpm-am-aem/americas/us/en/literature/fact-sheet/etfs/FS-JEPQ.PDF

Disclosure

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Past performance is no guarantee of future results.

The fund is newly formed with a limited history of operations.

Important Risks

Diversification does not ensure a profit or guarantee against loss. Mutual funds involve risk, including possible loss of principal. There is no assurance that the Fund will achieve its investment objective. Investors cannot invest directly in an index. Unmanaged index returns do not reflect any fees, expenses or sales charges.

This material has been provided by BTS Asset Management and is for informational purposes only and should not be construed as an offer to sell or the solicitation to buy securities or adopt any investment strategy, nor shall this commentary constitute investment advice. This commentary may contain opinions and assumptions that are forward-looking in nature. To the extent this material constitutes an opinion or assumption, recipients should not construe it as a substitute for the exercise of independent judgment. This material has been prepared from information believed to be reliable, but BTS Asset Management, Inc. makes no representations as to its accuracy or reliability. Past performance is no guarantee of future results. The views and opinions expressed herein are subject to change without notice and are the authors own and not necessarily that of BTS Asset Management, Inc.

Equity Risk

Equity securities are susceptible to general stock market fluctuations and to volatile increases and decreases in value. The equity securities held by the Fund may experience sudden, unpredictable drops in value or long periods of decline in value. This may occur because of factors affecting securities markets generally, the equity securities of a specific sector, or a specific company.

ETF Risk

ETFs are subject to investment advisory fees and other expenses, which will be indirectly paid by the Fund. As a result, your cost of investing in the Fund will be higher than the cost of investing directly in the ETFs and may be higher than other mutual funds that invest directly in fixed income securities. Certain restrictions of the 1940 Act may limit the Fund's assets that can be invested in any one ETF. This limit may prevent the Fund from allocating its investments in the manner the Adviser considers optimal or cause the Adviser to select an investment other than that which the Adviser considers optimal. The strategy of investing in ETFs could affect the timing, amount and character of distributions and may increase the amount of taxes paid.

- **Covered Call Strategy Risk**

  Covered call ETFs receive premiums from the call options they sell but limit their opportunity to profit from an increase in the value of the underlying stock. If the underlying stock declines more that the option premium received by the ETF, there will be a loss on the overall position. Covered call ETFs are also subject to the risks of investing in equity securities.

Large Capitalization Company Risk

Large-cap companies may be unable to respond quickly to new competitive challenges, such as changes in technology and consumer tastes, and also may not be able to attain the high growth rate of successful smaller companies, especially during extended periods of economic expansion.

Issuer-Specific Risk

The value of a specific security can be more volatile than the market as a whole and can perform differently from the value of the market as a whole.

Management Risk

The Adviser's judgments about the attractiveness, value and potential appreciation of particular security in which the Fund invests or sells short may prove to be incorrect and may not produce the desired results.

Market and Geopolitical Risk

The increasing interconnectivity between global economies and financial markets increases the likelihood that events or conditions in one region or financial market may adversely impact issuers in a different country, region or financial market. Securities in the Fund may underperform due to inflation (or expectations for inflation), interest rates, global demand for particular products or resources, natural disasters, pandemics, epidemics, terrorism, international conflicts, regulatory events and governmental or quasi-governmental actions. The occurrence of global events similar to those in recent years, such as terrorist attacks around the world, natural disasters, social and political discord or debt crises and downgrades, among others, may result in market volatility and may have long term effects on both the U.S. and global financial markets. It is difficult to predict when similar events affecting the U.S. or global financial markets may occur, the effects that such events may have and the duration of those effects. Any such event(s) could have a significant adverse impact on the value and risk profile of the Fund.

Turnover Risk

A higher portfolio turnover may result in higher transactional and brokerage costs and taxes.

Definitions

A Covered Call refers to a financial transaction in which the investor selling call options owns an equivalent amount of the underlying security. To execute this, an investor who holds a long position in an asset then writes (sells) call options on that same asset to generate an income stream. The investor's long position in the asset is the cover because it means the seller can deliver the shares if the buyer of the call option chooses to exercise.

JPMorgan Equity Premium Income ETF (JEPI) The investment objective of the Fund is to seek current income while maintaining prospects for capital appreciation. The Fund seeks to achieve this objective by (1) creating an actively managed portfolio of equity securities comprised significantly of those included in the Fund's primary benchmark, the Standard & Poor's 500 Total Return Index (S&P 500 Index) and (2) through equity-linked notes (ELNs), selling call options with exposure to the S&P 500 Index. The resulting Fund is designed to provide investors with performance that captures a majority of the returns associated with the S&P 500 Index, while exposing investors to lower volatility than the S&P 500 Index and also providing incremental income.

JPMorgan Nasdaq Equity Premium Income ETF (JEPQ) The investment objective of the Fund is to seek current income while maintaining prospects for capital appreciation. The Fund seeks to achieve this objective by (1) creating an actively managed portfolio of equity securities comprised significantly of those included in the Fund's primary benchmark, the Nasdaq-100 Index® (the Benchmark), and (2) through equity-linked notes (ELNs), selling call options with exposure to the Benchmark. The resulting Fund is designed to provide investors with performance that captures a majority of the returns associated with the Benchmark, while exposing investors to lower volatility than the Benchmark and also providing incremental income.

S&P 500 is an index that includes 500 leading companies in leading industries of the U.S. economy and is a proxy for the total stock market. This is the primary index used for comparison to the portfolio as we believe this portfolio should be used in the equity portion of a client's account.

Nasdaq 100 is an index is of the 100 largest, most actively traded companies listed on the Nasdaq stock exchange. The index includes companies from diverse industries like manufacturing, technology, healthcare, and others. The index excludes those in the financial sector, like commercial and investment banks.

Out Of The Money (OTM) Call Option is an expression used to describe an option contract that only contains extrinsic value. These options will have a delta of less than 0.50. An OTM call option will have a strike price that is higher than the market price of the underlying asset.

Beta measures sensitivity to market movements relative to a benchmark index. The S&P 500 is used as the benchmark, based on monthly returns.

10-Year Treasury Note is a debt obligation issued by the United States government with a maturity of 10 years upon initial issuance. A 10-year Treasury note pays interest at a fixed rate every six months and it pays the face value to the holder at maturity.

The Bloomberg US Corporate High Yield Bond Index measures the USD-denominated, high yield, fixed-rate corporate bond market. Securities are classified as high yield if the middle rating of Moody's, Fitch and S&P is Ba1/BB+/BB+ or below.

The FTSE EPRA NAREIT Global Real Estate Index Series is designed to represent general trends in listed real estate equities worldwide.

US High Yield - Bloomberg US Corporate High Yield

Global REITs – FTSE NAREIT Global REITs

US 10-Year Bond – Tullett Prebon is a broker in the wholesale financial, energy, and commodities markets. We are a TP ICAP Group company. Our role is to facilitate trading for commercial and investment banks, hedge funds, buy-side institutions, corporates and trading houses.

US Equity – MSCI USA

The MSCI USA Index is designed to measure the performance of the large and mid cap segments of the US market. With 609 constituents, the index covers approximately 85% of the free float-adjusted market capitalization in the US.

30-Day SEC Yield Represents net investment income earned by a fund over a 30-dayperiod, expressed as an annual percentage rate based on the fund's share price at the end of the 30-day period. The 30-day yield should be regarded as an estimate of investment income andmay not equal the fund's actual income distribution rate.

30-Day SEC Yield (unsubsidized) Unsubscribed yield does not adjust for any fee waivers and/or expense reimbursements.

Sources:

[1] *https://am.jpmorgan.com/us/en/asset-management/adv/products/jpmorgan-equity-premium-income-etf-etf-shares-46641q332*

[2] *https://am.jpmorgan.com/us/en/asset-management/adv/products/jpmorgan-nasdaq-equity-premium-income-etf-etf-shares-46654q203#/documents*

[3] *https://am.jpmorgan.com/content/dam/jpm-am-aem/americas/us/en/literature/fund-story/STO-JEPI.pdf and*

https://am.jpmorgan.com/content/dam/jpm-am-aem/americas/us/en/literature/fund-story/STO-JEPQ.pdf

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PAST PERFORMANCE IS NO GUARANTEE OF FUTURE RESULTS.

About BTS Asset Management

Founded in 1979, BTS Asset Management is one of the oldest risk managers, managing traditional assets with a nontraditional approach. BTS has a multi-year track record in tactical fixed income and equity management. Our goal is to find opportunities with the potential to take advantage of rising markets while working to manage losses during downturns.

BTS:

- ❑ Seeks to preserve capital
- ❑ Aims to offer downside risk management and upside potential
- ❑ Strives to reduce volatility while delivering consistent long-term returns

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