GLOBAL X
by Mirae Asset

An Introduction to Options & Options Strategies

What Is an Option?

An option is a financial contract that gives the buyer the right, but not the obligation, to buy or sell an underlying asset at a predetermined price (strike price) within a specific period (tenor).

Options Contract Components

Underlying Asset	This specifies the asset on which the contract price is based, such as a stock, bond, or index.
Tenor	This refers to the life-span of the option, reflecting the amount of time that exists from its inception to its expiration date.
Strike Price	This is the fixed price at which the owner of the option can buy or sell the underlying asset.
Premium	This represents the price that the buyer pays to purchase the contract.

Options are derivative financial instruments since they take their value from an underlying asset, such as a stock.

A call (put) option becomes exercisable when the price of its reference asset moves above (below) the strike price of the option.

Each options contract typically represents 100 shares of the underlying asset.

Index Options vs. Stock Options

Investors utilize different types of options with varied characteristics ranging from the underlying asset, time to expiration, and even settlement. Two common types of options are index options and single stock options.

	Index Options (European-Style)	Stock Options (American-Style)
Exercise Date	Can only be exercised on the **contract's expiration date**.	Can be exercised on **any day up to and including the expiration date**.
Settlement	**Cash-Settled:** An index option holder receives the cash difference between the contract strike price and value of the underlying asset.	**Physically Settled:** An equity option holder receives (call) or sells (put) the underlying asset at the strike price stated in the contract, "pocketing" the difference.
U.S. Tax Treatment	When an Index Options trade earns a profit, **60%** of it is treated as long-term capital gains, while **40%** is treated as short-term capital gains and is taxed as ordinary income.	Equity options are taxed as **100%** short-term capital gains.
Concentration Risk	Exposure to an **entire index** may help lower the impact of one company's performance.	Exposed to **company-specific** risks.

Comparing FLEX Options with Exchange-Traded and Over-the-Counter Options

Options can be bought and sold via different avenues: (1) an Options Exchange (“listed” options) or (2) Over-the-Counter. FLEX options, introduced by the CBOE in 1993, combine the different capabilities and risks to investors.

Exchange-Traded Options

Counterparty Risk?

- The exchange acts as an intermediary and clearinghouse.
- The clearinghouse guarantees the execution of the contract, reducing the risk of default.

Liquidity

- Exchange-Traded options typically have a higher liquidity due to their standardization and centralized trading.

Contract Terms

- Exchange-Traded options are standardized with set terms for contract size, expiration dates, and the underlying asset.

Over-the-Counter Options

Counterparty Risk?

- The risk of counterparty default is higher because these trades are not guaranteed by a clearinghouse.
- Each party must assess and manage the other's credit risk, as there is no guarantee the contract will be fulfilled.

Liquidity

- Over-the-Counter options tend to be less liquid because they are customized and traded privately.

Contract Terms

- Over-the-Counter derivatives are customized to meet the specific needs of the parties involved such as the notional amount, maturity, and other contract terms.

FLEX Options

Counterparty Risk?

- Similar to exchange-traded Options, FLEX Options are cleared, settled, and guaranteed by the Options Clearing Corporation.

Liquidity

- Similar to Exchange-Traded Options, FLEX Options can be bought and sold publicly on a national securities exchange.
- Due to this, they have a higher liquidity.

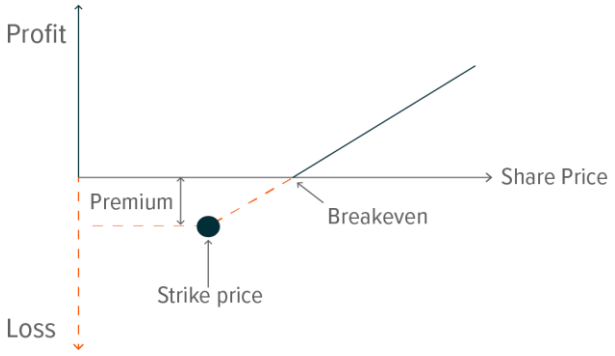
Contract Terms

- Like Over-the-Counter Options, FLEX Options can be customized to fit the needs of the investor before contract initiation including expiration date, exercise style, exercise price and expanded position limits.

Options Trading Strategies

Options allow investors to implement diverse strategies. They can be leveraged for protection (hedging), income generation, or speculation on an asset's future price movement.

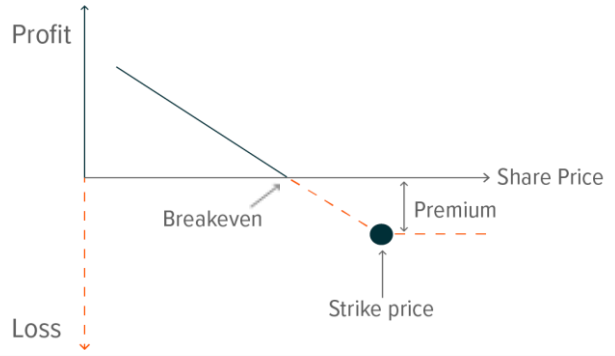
Long Call Option



Definition: Long Call options give the right to purchase an asset at a specified price in a certain timeframe by paying a premium.

Desired Underlying Asset Movement

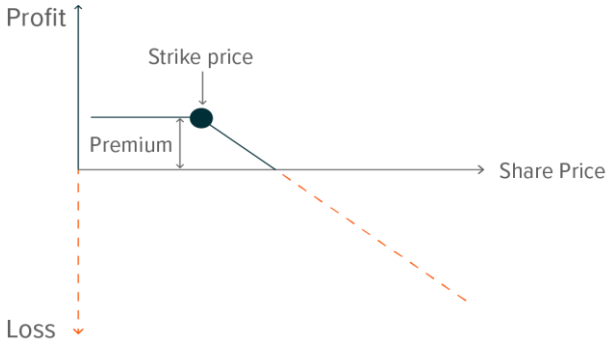
Long Put Option



Definition: Long Put options give the right to sell an asset at a specified price in a certain timeframe by paying a premium.

Desired Underlying Asset Movement

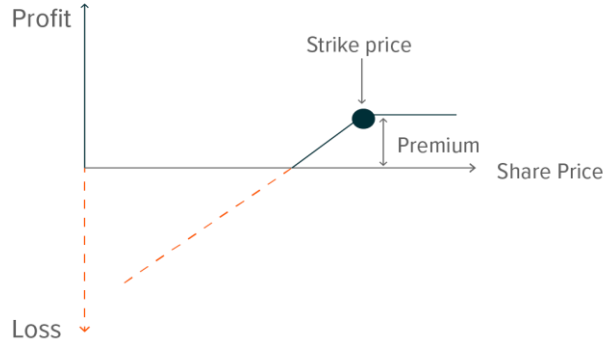
Short Call Option



Definition: "Writing" or selling a call option gives the seller the obligation to sell the underlying asset at a specified price in exchange for receiving a premium.

Desired Underlying Asset Movement

Short Put Option



Definition: "Writing" or selling a put option gives the seller the obligation to buy an asset at a certain price in exchange for receiving a premium.

Desired Underlying Asset Movement

Examining Fundamental Option Strategies

Definitions	Example		
Long Call Option • This gives the buyer the right, but not the obligation, to buy the underlying asset at the contract's specified strike price. It is viewed as a bullish position, as the buyer can profit if the underlying asset increases in value.	**Underlying Asset:** Apple Inc. Stock (AAPL) • **Expiration Date:** 3 months • **Strike Price:** $100 • **Premium:** $1		
	• **Buyer purchases** the call option for a **$1** premium via their broker in exchange for the contract.	• **1 month later,** Apple's stock price is **$105**, at which the buyer exercises the call and buys AAPL for **$100**.	• $5 profit with $1 premium paid. • The final profit on the contract would be **$4**.
Short Call Option • This gives the seller the obligation to sell the underlying asset at the contract's specified strike price. It is viewed as a bearish position, as the seller can profit if the underlying asset stays flat or decreases in value.	**Underlying Asset:** Apple Inc. Stock (AAPL) • **Expiration Date:** 3 months • **Strike Price:** $100 • **Premium:** $1		
	• **Seller sells** the call option for a **$1** premium via their broker in exchange for the contract.	• **3 months later,** Apple's stock price is **$98**, at which the call option expires worthless since the strike price is **$100**.	• $0 profit with $1 premium received.* • The final profit on the contract would be **$1**.
Long Put Option • This gives the buyer the right, but not the obligation, to sell the underlying asset at the contract's specified strike price. It is viewed as a bearish position, as the buyer can profit if the stock decreases in value.	**Underlying Asset:** Apple Inc. Stock (AAPL) • **Expiration Date:** 3 months • **Strike Price:** $100 • **Premium:** $1		
	• **Buyer purchases** the put option for a **$5** premium via their broker in exchange for the contract.	• **1 month later,** Apple's stock price is **$85**, at which the buyer exercises the put and sells AAPL for **$100**.	• $15 profit with $5 premium paid. • The final profit on the contract would be **$10**.
Short Put Option • This gives the seller the obligation to buy the underlying asset at the contract's specified strike price. It is viewed as a bullish position, as the seller can profit if the underlying asset stays flat or increases in value.	**Underlying Asset:** Apple Inc. Stock (AAPL) • **Expiration Date:** 3 months • **Strike Price:** $100 • **Premium:** $1		
	• **Seller sells** the put option for a **$5** premium via their broker in exchange for the contract.	• **3 months later,** Apple's stock price is **$100**, at which the put option expires worthless since the strike price is **$100**.	• $0 Profit with $5 premium received.* • The final profit on the contract would be **$5**.

*Assumes buyer did not exercise the option prior to expiration date if the position would have been profitable at the then-current stock price.

Combining Options Positions: Net-Debit and Net-Credit

Investors can combine various options positions to shape different risk and return profiles. One popular trade is to form a 'spread' trade between two options of the same type (i.e., two call options or two put options).

Net Debit Refers to a Net Cost Incurred by the Trader While Net Credit Refers to a Net Gain Received from the Market

Net-Debit Transaction

Investor implements a net-debit spread by taking 2 positions:

1. Selling an Apple Stock call option with a strike price of $100
   - Premium received = $2
2. Buying an Apple Stock call option with a strike price of $90
   - Premium cost = $8

The investor **received $2 for the sold call option** and **paid $8 for the long call option** resulting in a **net-debit premium of $6**.

$2 - $8 = -$6

Note: The investor *paid* a net premium.

Net-Credit Transaction

Investor implements a net-credit spread by taking 2 positions:

1. Selling an Apple Stock call option with a strike price of $90
   - Premium received = $8
2. Buying an Apple Stock call option with a strike price of $100
   - Premium cost = $2

The investor **received $8 for the sold call option** and **paid $2 for the long call option** resulting in a **net-credit premium of $6**.

$8 - $2 = $6

Note: The investor *received* a net premium.

Net-Debit vs. Net-Credit Positions: Implementing a Spread

Implementing a spread has core use cases to either (1) generate income by implementing a short spread or (2) potentially achieve limited capital appreciation by implementing a long spread.

How Put Options Can Be Used to Implement a Spread Strategy

Long Put Spread Example

1. Selling an Apple Stock put option with a strike price of $90
   - Premium received = $2
2. Buying an Apple Stock put option with a strike price of $100
   - Premium cost = $5

Net-Debit: $3 ($2 - $5 = -$3)

Maximum Loss: -$3 (premium costs)

Maximum Profit: $7 ($10 - $3)

Remember: Net-debit = premiums *paid*.

Short Put Spread Example

1. Buying an Apple Stock put option with a strike price of $90
   - Premium cost = $2
2. Selling an Apple Stock put option with a strike price of $100
   - Premium received = $5

Net-Credit: $3 ($5 - $2 = $3)

Maximum Loss: -$7

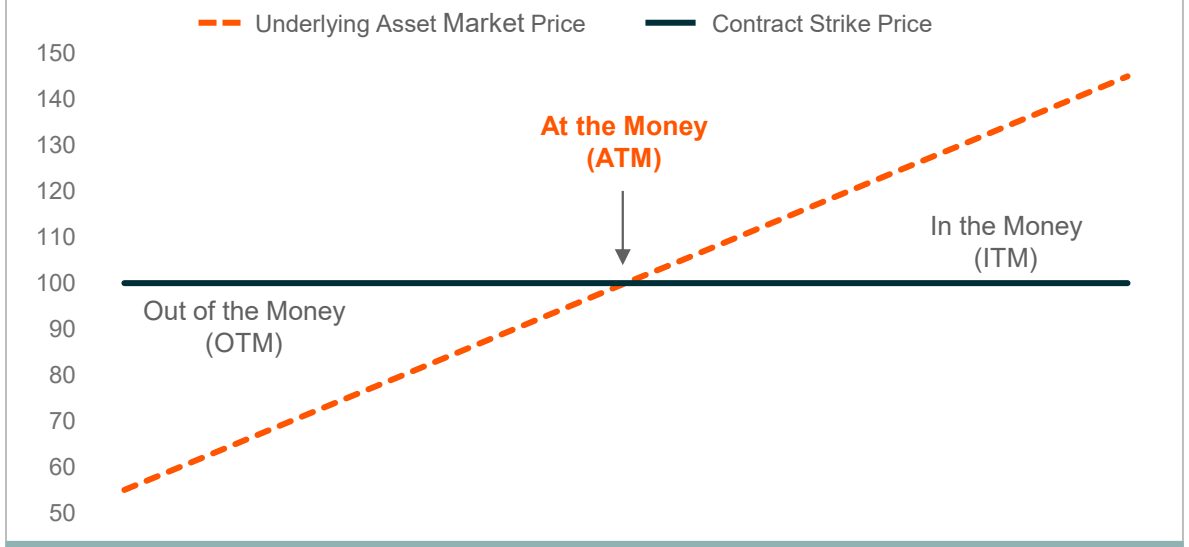
Maximum Profit: $3 (premiums received)

Remember: Net-credit = premiums *received*.

What Is Moneyness?

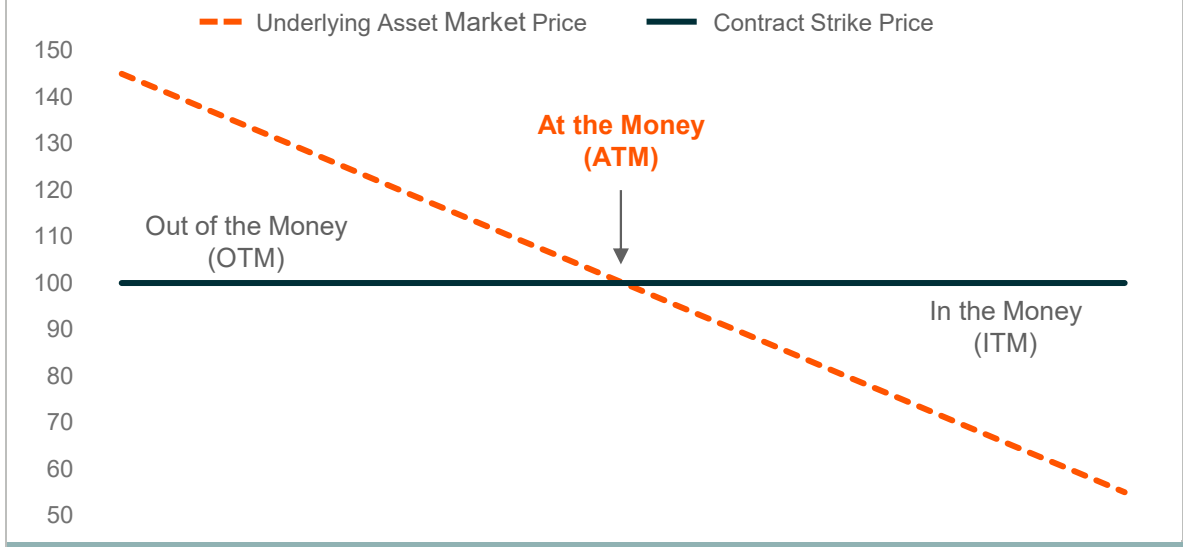
Moneyness is a standardized measure of the intrinsic value of an option at a current point in time. As the difference between the underlying asset value and strike price, it informs whether exercising the option will be profitable.

Moneyness of Call Options (Long Position)



Out of the Money	At the Money	In the Money
Market Price < Strike Price	Market Price = Strike Price	Market Price > Strike Price

Moneyness of Put Options (Long Position)

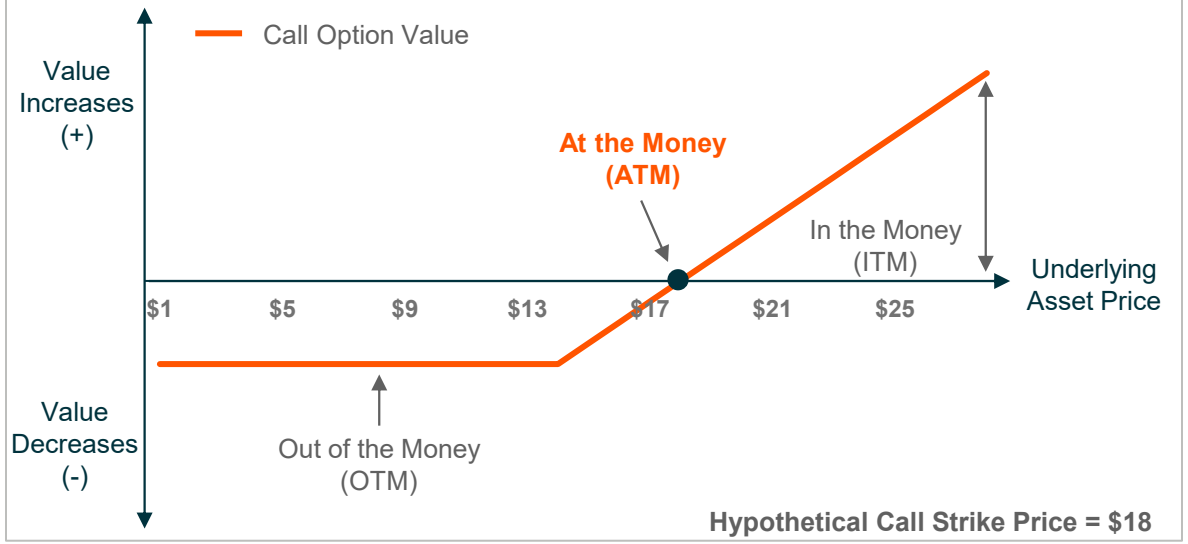


Out of the Money	At the Money	In the Money
Market Price > Strike Price	Market Price = Strike Price	Market Price < Strike Price

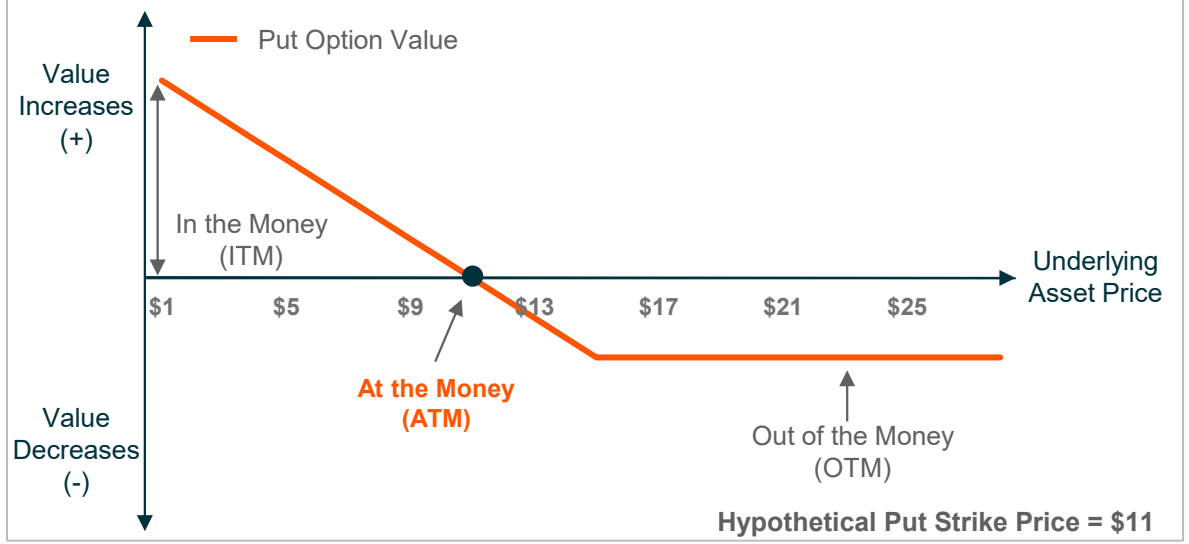
Moneyness and Option Value

Being further in-the-money generally translates to a higher option price or premium value, as the intrinsic value component becomes larger.

Call Option Moneyness Affect on Its Value



Put Option Moneyness Affect on Its Value



In the Money Option Value	At the Money Option Value	Out of the Money Option Value
ITM options usually have higher premiums than OTM or ATM options, since investors pay for the profit already associated with the contract. However, ITM options may have more downside because they can lose much of their value if the underlying asset falls (calls) or rises (puts).	ATM options occur when the strike price equals the market price, offering investors immediate exposure to potential upsides (calls) or downsides (puts) of an asset while limiting premium costs. These tend to be associated with high premiums due to the likelihood of ending up in the money.	OTM options usually have lower premiums than ATM or ITM options because there is a lower likelihood that they end up in the money.

Implied Volatility

Implied volatility, an extrinsic force for option valuation, measures market expectations of potential price movements in an asset. In pricing option contracts, higher implied volatility generally leads to higher premiums.

Underlying Asset's Implied Volatility Affects an Option's Value

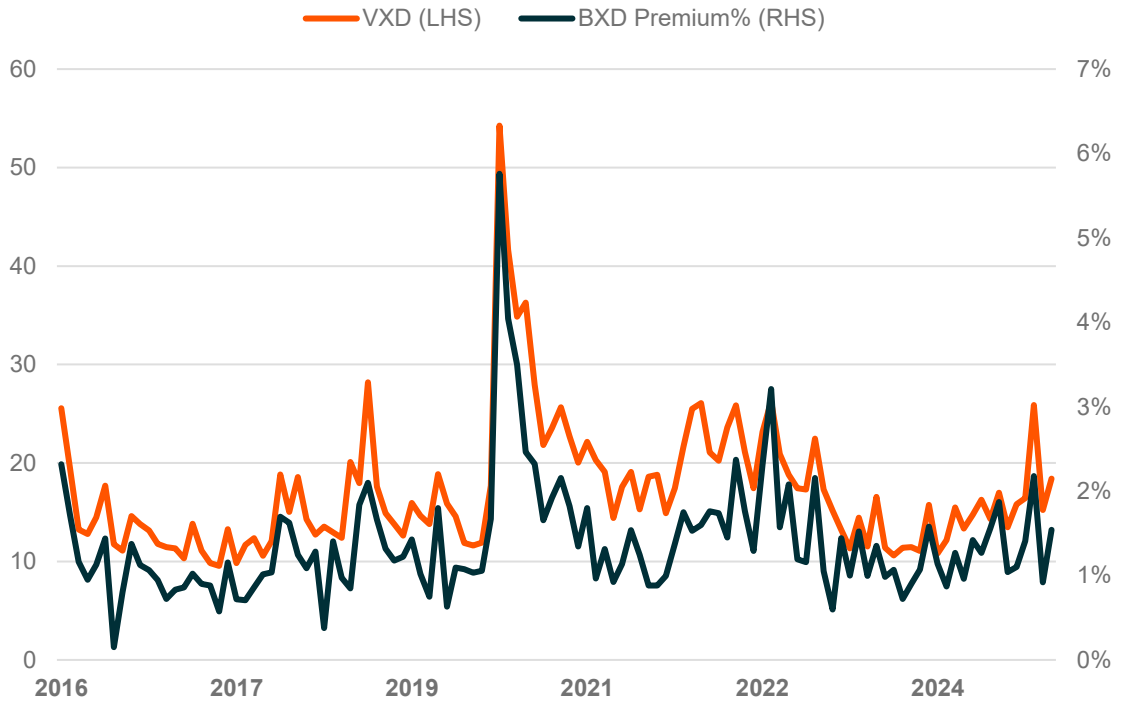
- Typically, although not always, implied volatility tends to rise when the market declines and fall when the market increases.
- Often quoted in financial media as the 'Fear Gauge' of the U.S. stock market, the Cboe Volatility Index (VIX) is a measurement of S&P 500 Implied Volatility.

Implied Volatility ≠ Historical Volatility

- **Implied volatility** is a theoretical value – the market's expectation of an asset's likely movement. It is *forward-looking*.
- **Historical volatility** is the actual, realized volatility of an underlying asset based on its past market movements. It is *backward-looking*.

Implied volatility increases → **Demand for calls and puts increases** → **Options premiums rise**

Dow Jones Industrial Average Implied Volatility (VXD) vs. DJIA BuyWrite Index (BXD) Call Options Premiums



Source: VXD Price Levels from Morningstar Direct and BXD Premiums from CBOE Markets. Data from 1/15/2016 to 6/20/2025 using the 3rd Friday of each month, when the options are written. CBOE DJIA Buywrite Index (BXD) represents the performance of a theoretical portfolio that sells Dow Jones Industrial Average "DJI" call options against a portfolio of the stocks included in the DJI. Premiums are a hypothetical measurement since it is an index. Past Performance does not guarantee future results.

ETFs & Options

ETFs offering exposure to options strategies — such as covered-call, collar, and tail risk-hedged ETFs — are gaining popularity. These ETFs hold the underlying asset while using options to adjust risk/return profiles.

Common ETF Strategies Using Options

Covered Call

- Generates premiums in exchange for upside potential.
- Gains exposure to stocks in a specific index and sells a call option on that index.

Risk-Managed Income

- Generates premiums in exchange for upside potential with a level of downside protection.
- Gains exposure to stocks in a specific index. Sells call options and buys a put options on the same index. Calls sold should generate more premiums than paid for the put options.

Collar

- Provides protection against a predetermined number of losses to help reduce equity market risk and provide range-bound capital appreciation potential.
- Gains exposure to stocks in a specific index. Sells a call option and buys a put option on the same index. Premiums received help offset a portion of the premiums paid.

Tail Risk-Hedged

- Provides protection against extreme downside movements.
- Gains exposure to stocks in a specific index and buys an out-of-the-money put option.

How a Covered Call Strategy Works

A covered call is a popular options strategy aimed at producing income. It also bears the potential to help investors increase risk-adjusted returns.

The Process

1. Purchase securities underlying the reference index.
2. Sell a call option on the reference index at a specified strike price.

Covered Call Strategy Features

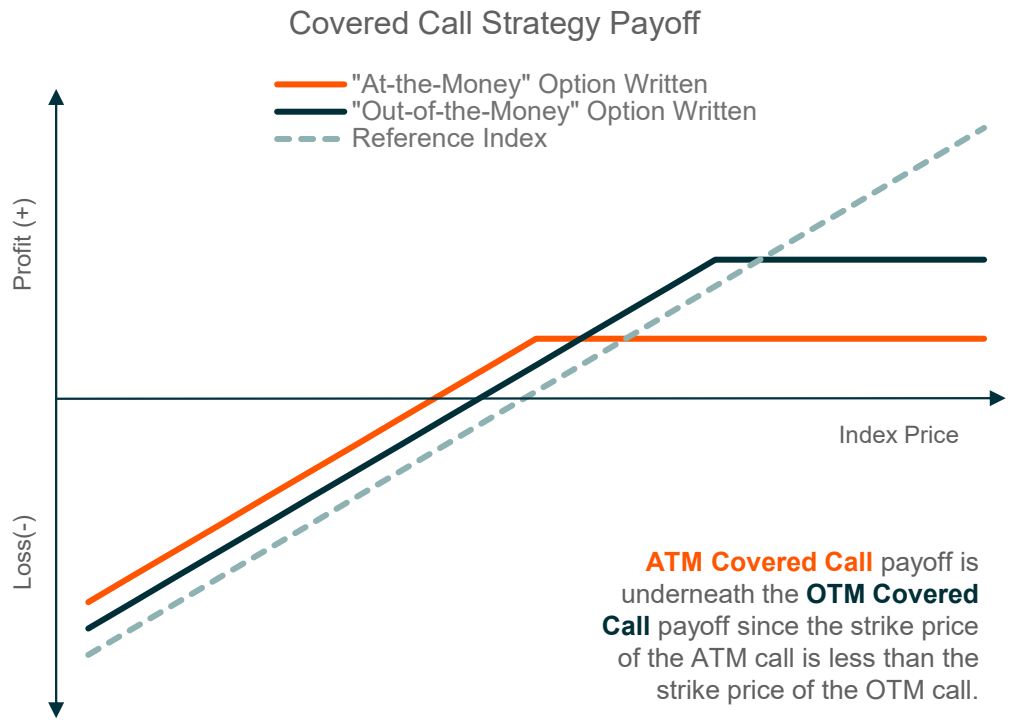
- May generate higher expected distributions versus the reference index itself due to the premiums received from selling call options.
- Upside potential is capped in the event that the reference index appreciates beyond the strike price.
- Option premiums tend to increase during volatile markets, offering a potential risk management component.
- No additional downside protection beyond the premiums received.

Calculating Maximum Profit

(Short Call Strike Price – Reference Index Price) + Short Call Premium

Calculating Maximum Loss

(–Reference Index Price) + (Short Call Premium)



Covered call payoffs in **orange** and **dark blue** are above the dotted, **light blue** reference index line. The gaps signify the premiums received for the sold call options.

How a Covered Call Strategy Works: An Example

Covered calls are often employed by investors who intend to hold the underlying stock for a long time but do not expect an appreciable price increase in the near term.

The Process

1. **Purchase the underlying asset.**
   - Investor purchases 100 shares of Apple for $100 per share.
2. **Sell a call option on the underlying asset at a specified strike price.**
   - Same investor sells 1 call option on Apple's stock with a strike price of $110 in exchange for $4 worth of premiums or 4% of the value of Apple stock purchased in Step 1.

Remember: Stock options typically represent 100 shares of the underlying asset.

Covered Call Position Summary	
Underlying Asset	100 shares of Apple Inc. Stock ($100 per share)
Covered Call	Sells 1 call contract on Apple Inc. Stock • Strike Price: $110 • Premium: $4
Maximum Profit	$14 per share ($110 - $100 + $4) or +14%
Maximum Loss	-$96 per share (-$100 + $4) or -96%

Remember: Since a covered call is a bearish position, the upside on the stock position is capped at the call's strike price.

How a Net-Credit Collar Strategy Works

A net-credit collar is a popular options strategy designed to produce income with the potential to increase risk-adjusted returns with additional downside protection relative to a covered call strategy.

The Process

1. Purchase securities underlying the reference index.
2. Sell a call option on the reference index at a specified strike price.
3. Buy a protective put option on the reference index with a level of moneyness that is less than the moneyness of the call option that was written in Step 2.

Net-Credit Collar Strategy Features

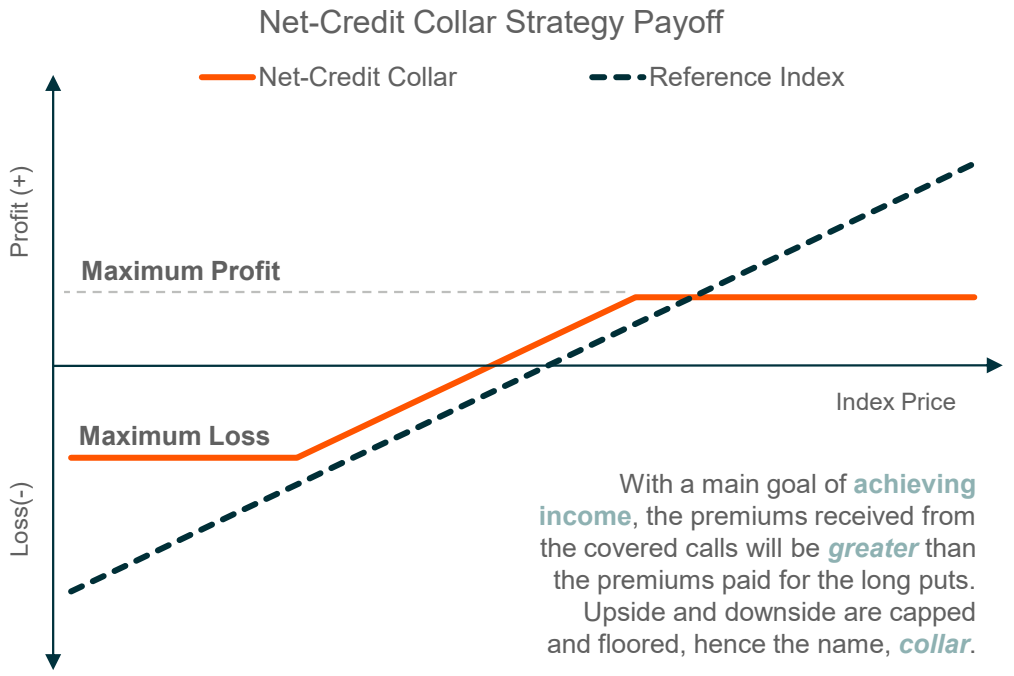
- Expects to generate higher potential income versus the reference index itself due to the premiums received from selling call options being greater than the premiums paid for buying puts.
- Generates lower expected income versus a covered call strategy since premiums will be used to purchase a protective put.
- Upside potential is capped in case the reference index appreciates beyond the strike price of the call.

Calculating Maximum Profit

(Short Call Strike Price – Reference Index Price) + (Short Call Premium – Long Put Premium)

Calculating Maximum Loss

(Long Put Strike Price – Reference Index Price) + (Short Call Premium – Long Put Premium)



The net-credit collar payoff in **orange** is above the dotted, **blue** reference index line. The gap signifies the net premiums received since the call option premiums received are worth more than the cost of the put options.

How a Net-Credit Collar Strategy Works: An Example

Net-credit collars are often employed by investors who intend to hold the underlying stock for a long time but are cognizant of the potential for its price to decline in the near term.

The Process

1. **Purchase the underlying asset.**
   - Investor purchases 100 shares of Apple for $100 per share.
2. **Sell a call option on the reference asset at a specified strike price.**
   - Investor sells 1 call option on Apple's stock with a strike price of $100, in exchange for $10 worth of premiums or 10% of the value of Apple stock purchased.
3. **Buy a protective put option on the reference asset with a level of moneyness that is less than the moneyness of the call option that was written in Step 2.**
   - Investor buys 1 put option on Apple's stock with a strike price of $85, in exchange for $5 worth of premiums or 5% of the value of Apple stock purchased.

Net-Credit Collar Position Summary	
Underlying Asset	100 shares of Apple Inc. Stock ($100 per share)
Covered Call	Sell 1 call contract on Apple Inc. Stock • Strike Price: $100 • Premium: $10
Protective Put	Purchase 1 put contract on Apple Inc. Stock • Strike Price: $85 • Premium: $5
Maximum Profit	$5 per share ($100 - $100) + ($10 - $5) or +5%
Maximum Loss	-$10 per share ($85 - $100) + ($10 - $5) or -10%

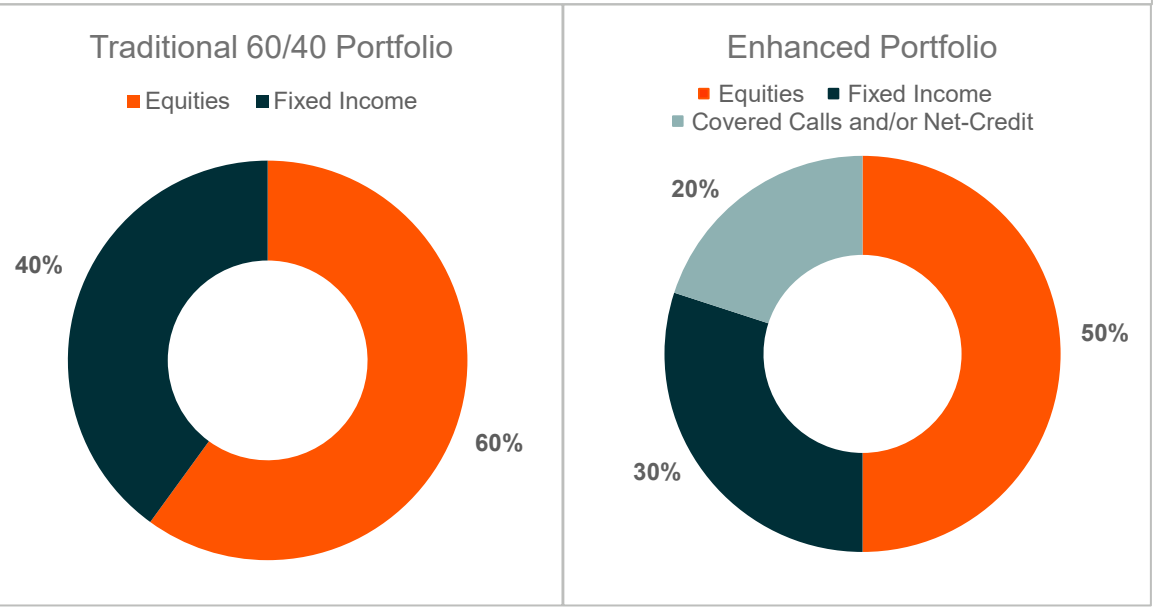
Remember: Net-credit collar strategies expect to generate lower potential premium income in comparison to a covered call strategy.

Implementation: Covered Calls & Net-Credit Collars

Covered call and net-credit collar strategies are designed to pursue income. They can be used in portfolios by carving out portions of equity and/or fixed-income exposures to alter the risk/return profile and add premium collection.

Portfolio Implementation

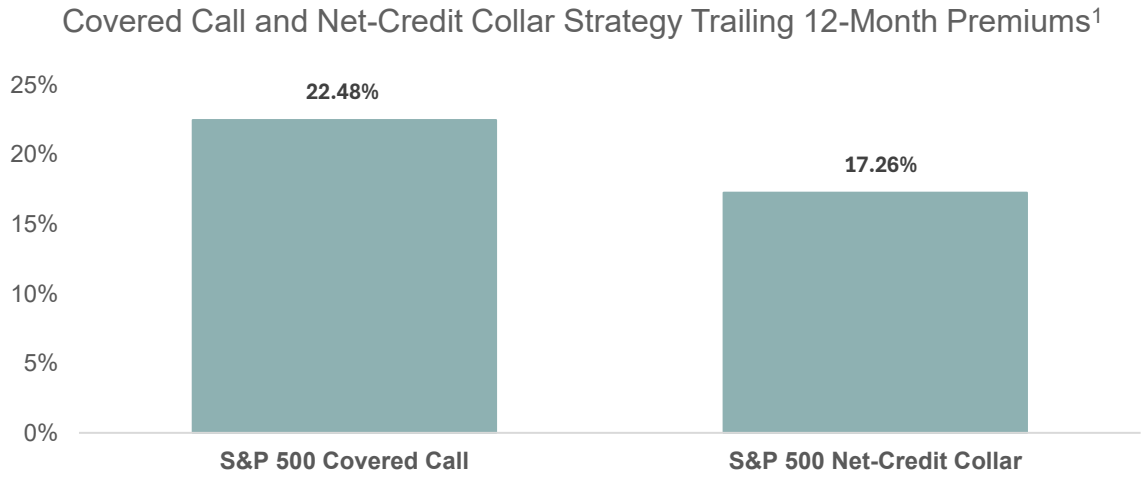
These strategies can be useful tools for managing risk and generating premiums in a balanced portfolio, but these benefits are balanced by capping upside exposure.



For Illustrative Purposes Only

Pursuing a Distribution Element

- **Covered Calls:** Receives premiums by selling call options on existing equity positions. This may reduce interest rate risk and add distributions beyond traditional fixed income assets.
- **Net-Credit Collar:** May enhance distribution in a portfolio while mitigating downside risk through the use of put options. The premiums collected by selling calls are generally expected to exceed the cost of the puts.



Past performance is not a guarantee of future results.

[1]CBOE.com utilizing the sum of net calculated premiums deemed to be sold for index calculation purposes on the third Friday of each month from May 17, 2024 to April 17, 2025. S&P 500 Covered Call represented by the Cboe S&P 500 BuyWrite Index (BXM); S&P 500 Net-Credit Collar represented by the Cboe S&P 500 Risk Managed Income Index (CLL1M), which assumes a collar engaged with an at-the-money call write and a 5% out-of-the-money protective put purchased.

How a Net-Debit Collar Strategy Works

A net-debit collar is a popular options strategy with the potential to provide significant hedging properties to help minimize volatility while simultaneously increasing risk-adjusted returns.

The Process

1. Purchase securities underlying the reference index.
2. Sell a call option on the reference index at a specified strike price.
3. Buy a protective put option on the reference index with a level of moneyness that is more than the moneyness of the call option that was written in Step 2.

Net-Debit Collar Strategy Features

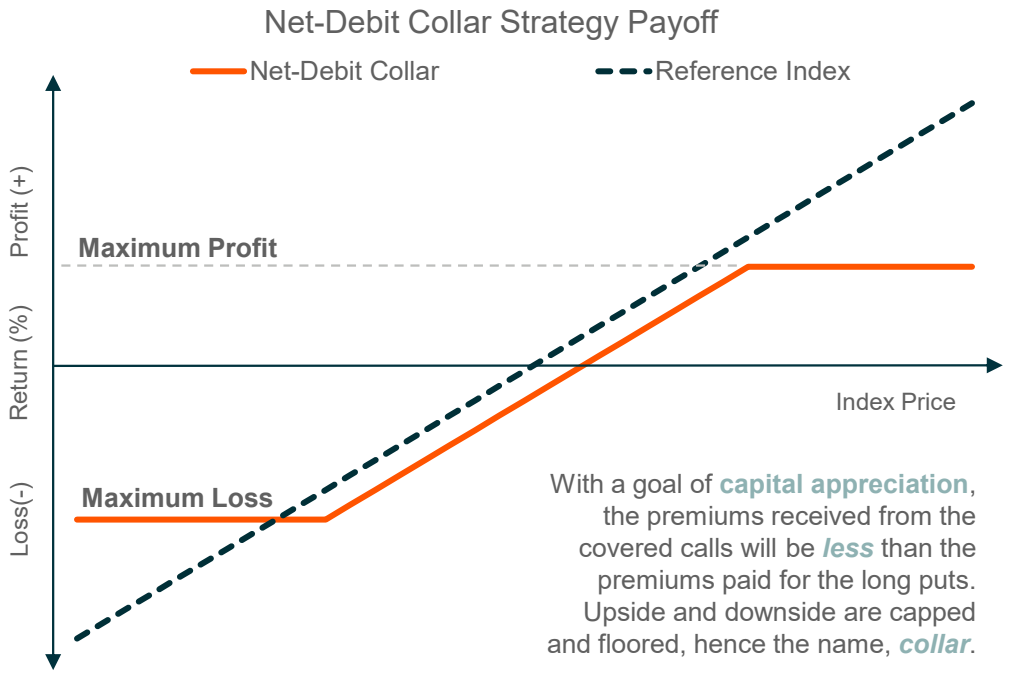
- With a goal of capital appreciation, the strategy is used to provide a range-bound return profile on a reference index.
- Upside potential is capped as the reference index appreciates beyond strike price.

Calculating Maximum Profit

(Short Call Strike Price – Reference Index Price) + (Short Call Premium – Long Put Premium)

Calculating Maximum Loss

(Long Put Strike Price – Reference Index Price) + (Short Call Premium – Long Put Premium)



The net-debit collar payoff in **orange** is below the dotted, **blue** reference index line. The gap signifies the net premiums paid since the call option premiums received are worth less than the cost of the put options.

How a Net-Debit Collar Strategy Works: An Example

Net-debit collars are often employed by investors who wish to participate in a portion of the potential price appreciation that may be realized by an underlying stock but wish to seek a floor on losses at a reduced cost.

The Process

1. **Purchase the underlying asset.**
   - Investor purchases 100 shares of Apple for $100 per share.
2. **Sell a call option on the reference asset at a specified strike price.**
   - Investor sells 1 call option on Apple's stock with a strike price of $120 in exchange for $2 worth of premiums or 2% of the value of Apple stock purchased.
3. **Buy a protective put option on the reference asset with a level of moneyness that is more than the moneyness of the call option that was written in Step 2.**
   - Investor buys 1 put option on Apple's stock with a strike price of $95 in exchange for $8 worth of premiums or 8% of the value of Apple stock purchased.

Remember: The investor paid a net premium, since premiums received from the short call position was less than than premiums paid on the long-put position.

Protective Put Position Summary	
Underlying Asset	100 shares of Apple Inc. Stock ($100 per share)
Covered Call	Sell 1 call contract on Apple Inc. Stock • Strike Price: $120 • Premium: $2
Protective Put	Buy 1 put contract on Apple Inc. Stock • Strike Price: $95 • Premium: $8
Maximum Profit	$14 per share (($120 - $100) + ($2 - $8)) or +14%
Maximum Loss	-$11 per share (($95 - $100) + ($2 - $8)) or -11%

Remember: Net-debit collars are not meant to produce income but are a way to enhance risk mitigation efforts.

How a Protective Put Strategy Works

Using protective puts is a popular options strategy to provide a level of protection on an underlying asset while pursuing capital appreciation. This is commonly referred to as a tail risk strategy.

The Process

1. Purchase securities underlying the reference index.
2. Buy a put option on the reference index at a specified strike price.

Protective Put Strategy Features

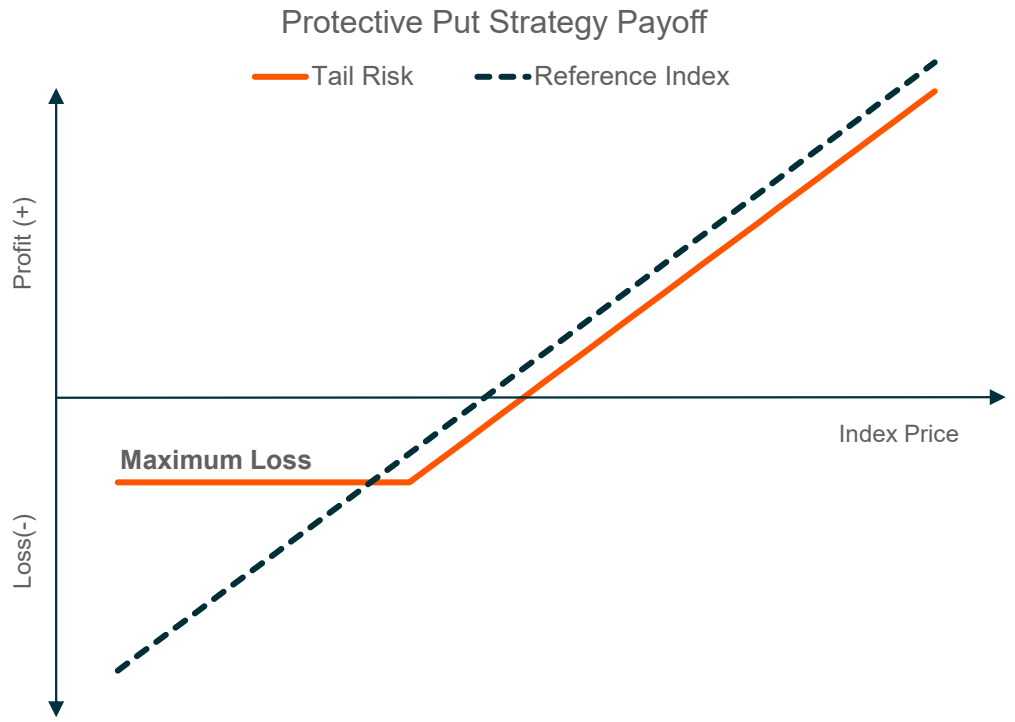
- With a goal of capital appreciation, the strategy is used to provide downside protection below the strike price of the purchased put option.
- Upside potential is unlimited. However, a premium is paid, which reduces the return compared to the reference index.

Calculating Maximum Profit

Unlimited (minus premiums paid, which reduces return compared to the reference index)

Calculating Maximum Loss

(Long Put Strike Price – Reference Index Price) – Long Put Premium



The tail risk payoff in **orange** is below the dotted, **blue** reference index line. The gap signifies the premiums paid for the protective put options.

How a Protective Put Strategy Works: An Example

Protective puts are often employed by investors who wish to participate in all the potential price appreciation that may be realized by an underlying stock but seek to create a floor on losses in the event of a negative outcome.

The Process

1. **Purchase the underlying asset.**
   - Investor purchases 100 shares of Apple for $100 per share.
2. **Buy a put option on the underlying asset at a specified strike price.**
   - Same Investor purchases 1 put option on Apple's stock with a strike price of $90 in exchange for $6 worth of premiums or 6% of the value of Apple stock purchased.

Protective Put Position Summary	
Underlying Asset	100 shares of Apple Inc. Stock ($100 per share)
Protective Put	Buy 1 put contract on Apple Inc. Stock • Strike Price: $90 • Premium: $6
Maximum Profit	Unlimited (minus premiums paid)
Maximum Loss	-$16 per share (($90 - $100) - $6) or -16%

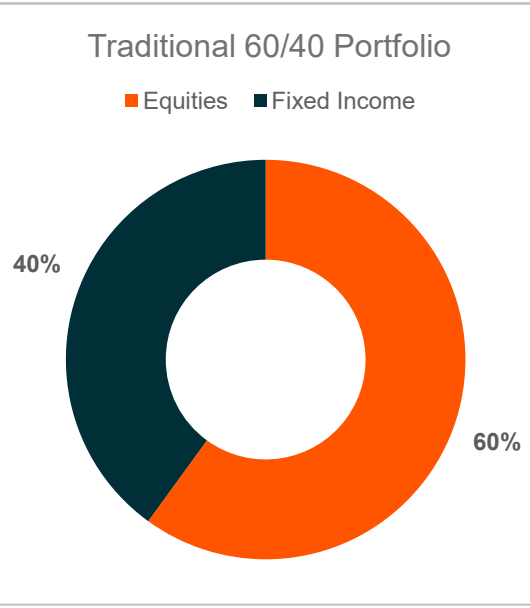
Remember: A protective put strategy calls for the initial purchase of a put option. However, it may enhance risk mitigation efforts.

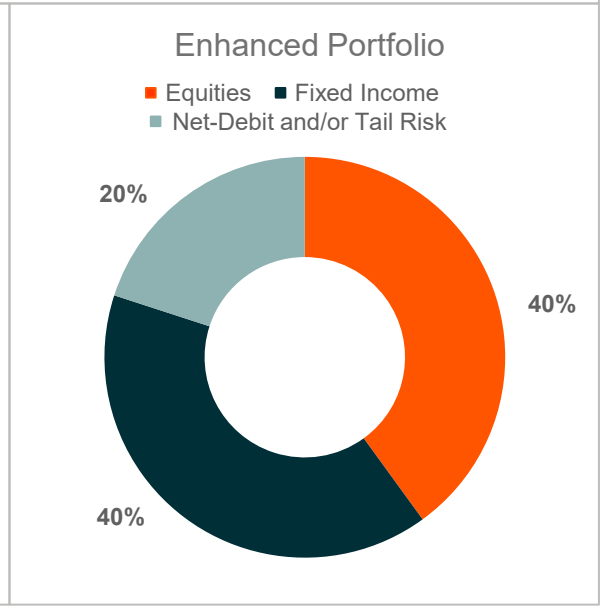
Implementation: Net-Debit Collar & Tail Risk Strategies

Net-debit collar and tail risk strategies are designed to provide degrees of downside protection and still allow for capital appreciation. They may be represented in portions of the equity sleeve to reduce sector drift and portfolio volatility.

Portfolio Implementation

Collar and tail risk strategies add a degree of downside mitigation to a broader portfolio, acting as hedges during sharp market selloffs. Both strategies can be useful in managing risk and staying invested during uncertain times.





For Illustrative Purposes Only

Pursuing Reduced Risk

- **95-110 Net-Debit Collar:** Limits losses to 5% over the outcome period while still allowing for upside exposure to a 10% cap. This may provide investors with a tactical option during uncertain markets.
- **Tail Risk:** Offers investors downside protection below a predefined level (strike price) through put options paired with unlimited upside potential, less the cost of the options position. This may be a core position for more risk-sensitive investors.

Risk-Reward Metrics

	CBOE S&P 500 95-110 Collar Index	CBOE S&P 500 Tail Risk Index	S&P 500 Index
Beta	0.49	0.83	-
Annualized Volatility (Standard Deviation)	13.79%	16.66%	22.16%
Upside Capture Ratio	63.97	83.73	-
Downside Capture Ratio	63.36	84.77	-

Sources: Morningstar Direct and Bloomberg 8/27/2021 – 4/30/2025. Risk-Reward Metrics (with exception of annualized volatility) are compared to the S&P 500. Past performance is not a guarantee of future results.

Global X Options-Based ETF Suite

	Covered Call	Covered Call & Growth	Risk Managed Income	Collar 95-110	Tail Risk
Associated Tickers	QYLD, XYLD, RYLD, DJIA, MLPD, QDCC	QYLG, XYLG, RYLG, DYLG, TYLG	QRMI, XRMI	QCLR, XCLR	QTR, XTR
Strategy Overview	Buy reference ETF or index components, write monthly "at-the-money" calls on 100% of the fund's portfolio in an effort to maximize income.	Buy reference ETF or index components, write monthly "at-the-money" calls on 50% of the fund's portfolio for income with partial upside potential.	Buy reference index components, write monthly call options for income and purchase monthly put options for a level of downside protection on the same index. (Net credit collar)	Buy reference index components, write three-month call options for income and purchase 3-month protective puts to provide a degree of downside protection on the same index. (Net debit collar)	Buy reference index components, purchase three-month protective puts to provide a degree of protection against extreme selloffs on the same index.
Reference Asset Exposures Offered	Nasdaq 100, S&P 500, Russell 2000, Dow Jones Industrial Average, Global X MLP & Energy Infrastructure ETF, Global X S&P 500 Quality Dividend ETF	Nasdaq 100, S&P 500, Russell 2000, Dow Jones Industrial Average, Information Technology Select Sector Index	Nasdaq 100, S&P 500	Nasdaq 100, S&P 500	Nasdaq 100, S&P 500
Call Positions	Sells "At-the-Money" Covered Calls (100% of assets)	Sells "At-the-Money" Covered Calls (50% of assets)	Sells "At-the-Money" Covered Calls (100% of assets)	Sells 10% "Out-of-the-Money" Covered Calls (100% of assets)	None
Put Positions	None	None	Buys 5% "Out-of-the-Money" Puts	Buys 5% "Out-of-the-Money" Puts	Buys 10% "Out-of-the-Money" Puts
Options Contract Length	One Month	One Month	One Month	Three months	Three months
Distribution Frequency	Monthly	Monthly	Monthly	Semi-Annually	Semi-Annually

Options Terminology

Term	Description
Call Option	An option that gives the holder the right to buy an underlying asset from another party at a fixed price over a specific period of time.
Put Option	An option that gives the holder the right to sell an underlying asset to another party at a fixed price over a specific period of time.
Long Call	A position in a call option contract in which one has the exercisable right under the contract. This position reflects a bullish attitude.
Short Call	A position in a call option contract one has in which the right under the contract can be exercised against oneself. This reflects bearish attitude.
Long Put	A position in a put option contract in which one has the exercisable right under the contract. This reflects bearish attitude.
Short Put	A position in a put option contract one has in which the right under the contract can be exercised against oneself. This reflects bullish attitude.
Market Price	The current price of the underlying asset of the option contract, such as a stock.
Strike Price	The fixed price at which an option holder can buy or sell the underlying asset. Also called 'exercise price'.
Net Debit	The investor pays a net premium to implement an options strategy, typically seeking capital appreciation.
Net Credit	The investor receives a net premium to implement an options strategy, typically seeking income.
Over-the-Counter	A private options transaction between two different investors with customized terms.
Moneyness	A measure of intrinsic value of an option, that is, it will tell the option holder whether exercising the option will be profitable.

Term	Description
Beta	A measure of a security or portfolio's volatility in relation to the market or a given asset or index.
Standard Deviation	A statistical measure of the variation or dispersion with a set of numbers. In investing, it is used to discuss the volatility in returns.
Upside Capture Ratio	Relative performance measure used to examine the degree of price appreciation an asset may realize when its benchmark is trending upward.
Downside Capture Ratio	Relative performance measure used to examine the degree of price appreciation an asset may realize when its benchmark is trending negatively.
Intrinsic Value	The difference between the option strike price and the current price of the reference asset.
Premium	The amount of money a buyer pays and seller receives to engage in an option transaction.
Covered Call	An option strategy involving the holding of an asset and sale of a call option on the same asset.
Expiration Date	This is the day an options contract ceases to exist.
At-the-Money	An option in which the underlying's price equals the strike price.
In-the-Money	Options that, if exercised, would result in the value received being worth more than the payment required to exercise.
Out-of-the-Money	Options that, if exercised, would require the payment of more money than the value received and therefore would not be currently exercised.

Important Information

This communication is not intended to provide tax advice nor as a recommendation to buy or sell options contracts. Please speak to your financial and/or tax professional for more information. Individual securities mentioned are for illustrative purposes only and not meant as a recommendation.

Options trading involves substantial risk and is not suitable for all investors. Please read the options disclosure document titled "Characteristics and Risks of Standardized Options" for more information. Supporting documentation for any claims or statistical information is available upon request.

There are risks involved with investing, including possible loss of principal. Diversification does not ensure a profit or guarantee against a loss. Concentration in a particular industry or sector will subject the Funds to loss due to adverse occurrences that may affect that industry or sector. Investors in the Funds should be willing to accept a high degree of volatility in the price of the fund's shares and the possibility of significant losses.

The Funds engages in options trading. By purchasing put options, in return for the payment of premiums, QRMI, XRMI, QTR, XTR, QCLR, and XCLR may be protected from a significant decline in the price of the index if the put options become in the money (index closes below the strike price as of the expiration date); but during periods where the index appreciates, the Fund will underperform due to the cost of the premiums paid.

By selling covered call options, QYLD, XYLD, RYLD, DJIA, MLPD, QDCC, QYLG, XYLG, RYLG, TYLG, QRMI, XRMI, QCLR, and XCLR limit their opportunity to profit from an increase in the price of the underlying index above the strike price but continue to bear the risk of a decline in the index. While these funds receive premiums for writing the call options, the price it realizes from the exercise of an option could be substantially below the index's current market price.

Investments in securities of MLPs involve risk that differ from investments in common stock including risks related to limited control and limited rights to vote on matters affecting the MLP. MLP common units and other equity securities can be affected by macro-economic and other factors affecting the stock market in general, expectations of interest rates, investor sentiment towards MLPs or the energy sector, changes in a particular issuer's financial condition, or unfavorable or unanticipated poor performance of a particular issuer (in the case of MLPs, generally measured in terms of distributable cash flow). MLPD invests in the energy industry, which entails significant risk and volatility. Small and mid-capitalization companies may pose greater risks than large companies. The MLPD also expects to pay distributions, which will be treated as a return of capital for tax purposes rather than from net profits and shareholders should not assume that the source of distributions is from the net profits of the Fund.

Neither MLPD nor the Adviser has control over the actions of underlying MLPs. The amount of cash that each individual MLP can distribute to its partners will depend on the amount of cash it generates from operations, which will vary from quarter to quarter depending on factors affecting the energy infrastructure market generally. Available cash will also depend on the MLPs' level of operating costs (including incentive distributions to the general partner), level of capital expenditures, debt service requirements, acquisition costs (if any), fluctuations in working capital needs, and other factors. The MLP holdings of the underlying fund expect to generate significant investment income, and the underlying fund's investments may not distribute the expected or anticipated levels of cash, resulting in the risk that the fund may not have the ability to make cash distributions as investors expect from MLP-focused investments. Past distributions are not indicative of future distributions. There is no guarantee that dividends will be paid.

A liquid market may not exist for options held by the Funds. The following funds are non-diversified: QYLD, QYLG, QTR, QCLR, QRMI, DJIA, TYLG, QDCC, and MLPD.

Important Information

Shares of ETFs are bought and sold at market price (not NAV) and are not individually redeemed from the Fund. Brokerage commissions will reduce returns. Index returns are for illustrative purposes only and do not represent actual fund performance. Indices are unmanaged and index returns do not include the effect of fees, expenses or sales charges. One cannot invest directly in an index. Past performance does not guarantee future results.

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