



GLOBAL X INSIGHTS

Introducing the Global X Treasury Bond Enhanced Income ETF (TLTX)

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Date: July 16, 2025
Topic: **Options and Income**

On July 16, 2025, we listed the **Global X Treasury Bond Enhanced Income ETF (TLTX)** on the Cboe BZX exchange. TLTX seeks to offer investors exposure to the long end of the treasury yield curve while writing weekly call options on long-duration treasury ETFs. The fund aims at writing call options at a value equal to a portion of its notional holdings, in an attempt to provide access to a portion of the price appreciation potential of long-duration treasuries. Meanwhile, it is designed to harvest option premiums as a potential source of income.

Investors have long sought to incorporate treasury exposure into their portfolios. It offers a perceived means of safety being backed by the full faith and credit of the U.S. government, a tax-efficient source of income with exemptions common at state and local levels, and yield potential, which, as of late, has risen to levels not seen for the better part of the last decade. Historically, when investors have looked to enhance the yield associated with these positions, they've sought to increase bond duration by moving further out on the yield curve. While longer-duration Treasuries can offer this enhanced yield potential, they also have the potential to carry higher volatility, given their heightened sensitivity to moving interest rates.

The Global X Treasury Bond Enhanced Income ETF seeks to allow investors to maintain exposure to this higher-yielding segment of the curve, while potentially mitigating associated volatility through monthly distributions.

Key Takeaways

- The Global X Treasury Bond Enhanced Income ETF is a systematic active strategy that offers access to a portfolio of treasury securities while writing weekly call options to pursue premium distributions and manage interest-rate sensitivity.
- The measure of volatility that long-duration treasury securities tend to display may be a deterrent for some investors. TLTX seeks to monetize this volatility by engaging in call option writing.
- TLTX's active management team writes weekly call options and maintains discretion over particular functions of the options roll process to seek superior premiums.

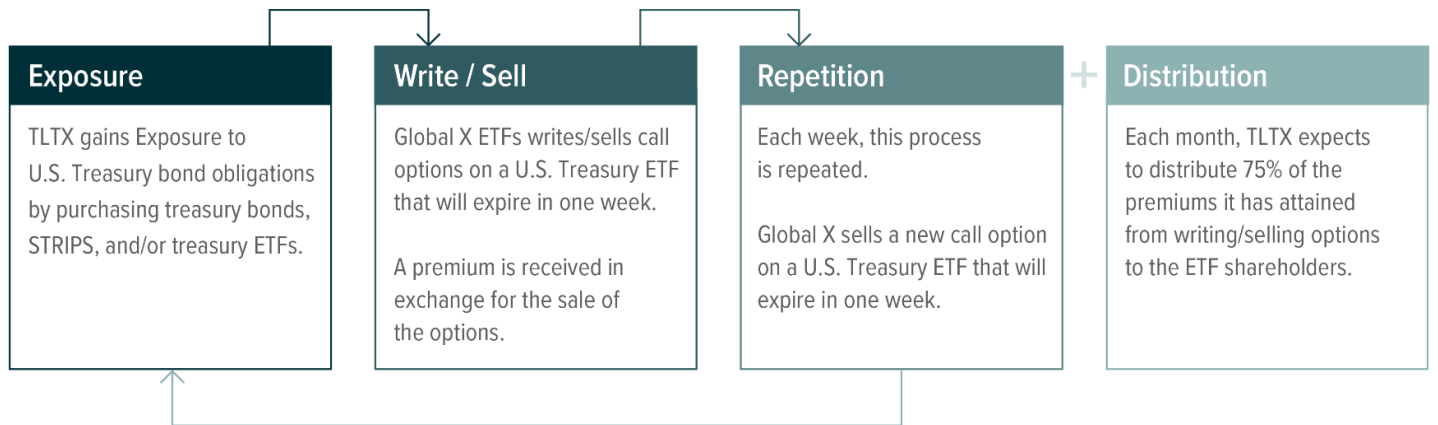
TLTX Aims to Address Challenges Facing Income Investors Through a Covered Call Strategy

Within treasury markets - where most instruments share similarly high credit ratings - the positive relationship between yield and duration is evident (i.e., longer durations generally produce higher yields). The relationship holds true across other fixed income asset classes, as well, but when looking at the broader bond market, investors generally have two options when they want to boost yield potential: increase duration or invest further down on the credit-quality spectrum.

Each approach presents distinct trade-offs. Extending duration may expose investors to greater volatility through heightened interest rate sensitivity. Conversely, accepting lower credit quality may result in less volatility relative to long-duration instruments, but it introduces higher default risk as credit quality deteriorates. The Global X Treasury Bond Enhanced Income ETF (TLTX) seeks to address this challenge by allowing investors to take share in the long end of the treasury yield curve, while seeking to mitigate interest rate sensitivity through the writing of weekly call options. The fund employs a systematic active strategy, but at large it will see the fund hold long positions in a basket of treasury securities with an approximate 20-year duration target, while writing weekly call options, in succession, in an effort to manage volatility associated with the position by cushioning downside price movements with option premiums. The fund is expected to perform monthly distributions, valued at approximately 75% of the weekly premiums it collects. Returns generated by the fund may also be enhanced by the underlying treasury securities that it fund holds.



TLTX'S COVERED CALL PROCESS EXPLAINED



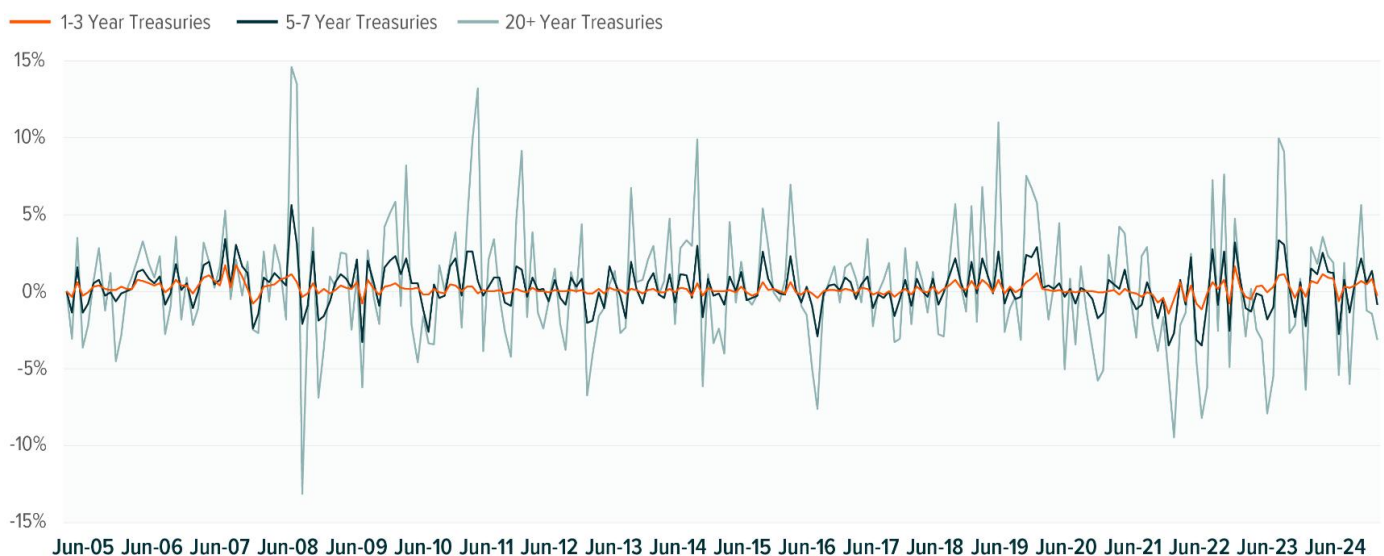
Sources: Global X ETFs.

Long-Duration Treasury Volatility Creates Opportunity to Source Better Premiums

Interest rates and economic uncertainty have the potential to influence the value of treasury securities, and their impact can be even more emphatic at the long end of the curve. This stems from the understanding that bond values are derived from the present value of their future cash flows. Meaning that if the market growth is expected to be healthy for the foreseeable future, the value of a bond's predetermined coupon payments may prove less impactful than if the market was assuming a weak or negative growth trajectory. That type of environment would likely result in more spending power to the coupon payments provided by the bond. And because long-tenored bonds offer more coupon payments, and more of those payments take place much further out into the future, the influence of interest rates and economic uncertainty tend to have a stronger effect on these longer-dated securities. The level of sensitivity that these long-duration instruments have to changes in the market outlook, among other factors, can be examined by looking at the deviations between monthly total returns provided by 20+ year treasuries over the last 20 years, relative to shorter-duration instruments.

LONG-DURATION TREASURY RETURNS HAVE OSCILLATED WIDELY OVER THE LAST 20 YEARS

Monthly Total Returns of Treasuries with Varying Durations



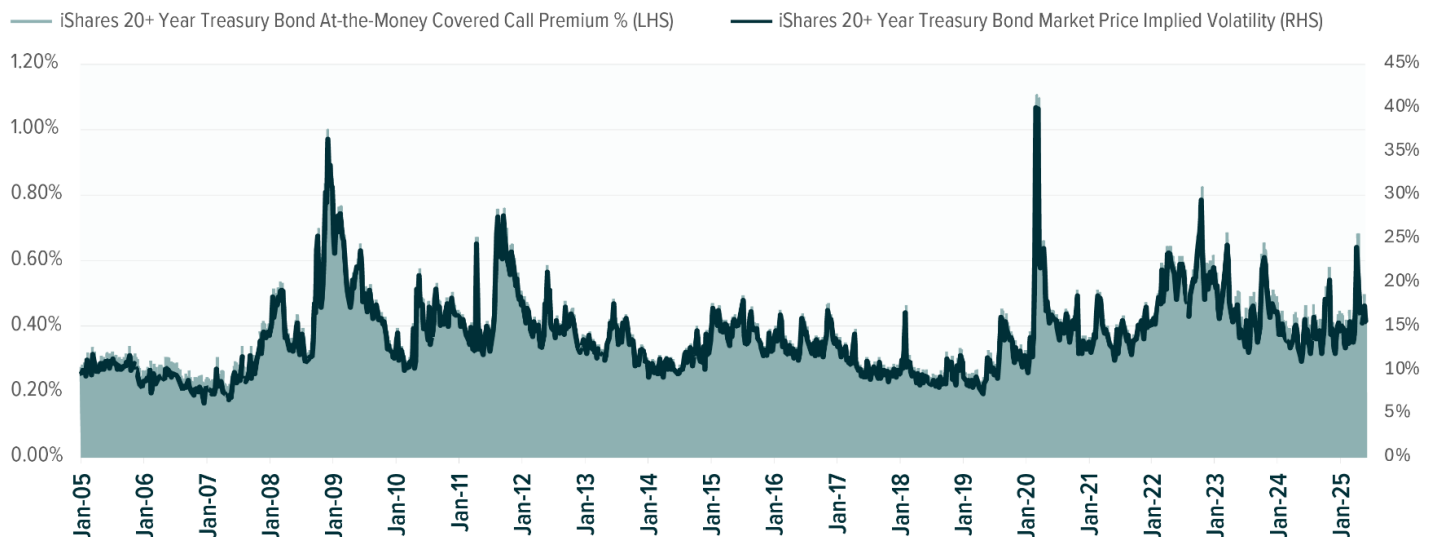
Sources: Bloomberg L.P. Monthly total return data from June 30, 2005 to May 31, 2025. Retrieved June 23, 2025. 1-3 Year Treasuries represented by the Bloomberg U.S. Treasury 1-3 Year Total Return Index; 5-7 Year Treasuries, Bloomberg U.S. Treasury 5-7 Year Total Return Index; 20+ Year Treasuries, Bloomberg U.S. Treasury 20+ Year Total Return Index. Past performance is not a guarantee of future results.



This volatility dynamic creates an interesting opportunity, as volatility typically correlates positively with option premiums. To examine this relationship further, the chart below uses a Black-Scholes¹ option pricing model using a weekly call writing strategy on the iShares 20+ Year Treasury Bond ETF (TLT). The analysis clearly demonstrates that higher asset volatility generates correspondingly higher option premiums.

MORE PRICE VOLATILITY TYPICALLY RESULTS IN HIGHER PREMIUMS

Calculated iShares 20+ Year Treasury Bond ETF (TLT) Average ATM Covered Call Premiums (Half Covered) vs. TLT 7-Day Implied Volatility



Sources: Global X ETFs with information derived from Bloomberg. L.P. iShares 20+ Year Treasury Bond ETF Implied Volatility sourced from Bloomberg's LIVE Volatility Engine using 30-Day IVOL at 100% Moneyness LIVE function, converted to 7-Day implied volatility by multiplying the value of the 30-day measure by the square root of 7/30. Weekly data with premiums recorded each Friday from January 1st, 2005 to May 30th, 2025, commencing at the first available implied volatility data point provided by Bloomberg L.P. The options premiums are estimated using the Black-Scholes model. The premiums are hypothetical; actual premiums may have varied.

The Global X Treasury Bond Enhanced Income ETF leans into this relationship and the elevated volatility characteristic of long-duration treasury instruments. It also seeks to keep a portion of its portfolio unencumbered by the influence of written call options to retain price appreciation potential should the value of its underlying treasuries rise. When operating a covered call strategy, the strike price at which the call option can be exercised sets a cap on the upside potential that can be realized by holding the underlying security. By writing the call on only a portion of its portfolio, however, TLTX keeps a measure of the portfolio's upside uncapped, making the fund a potential total return solution.

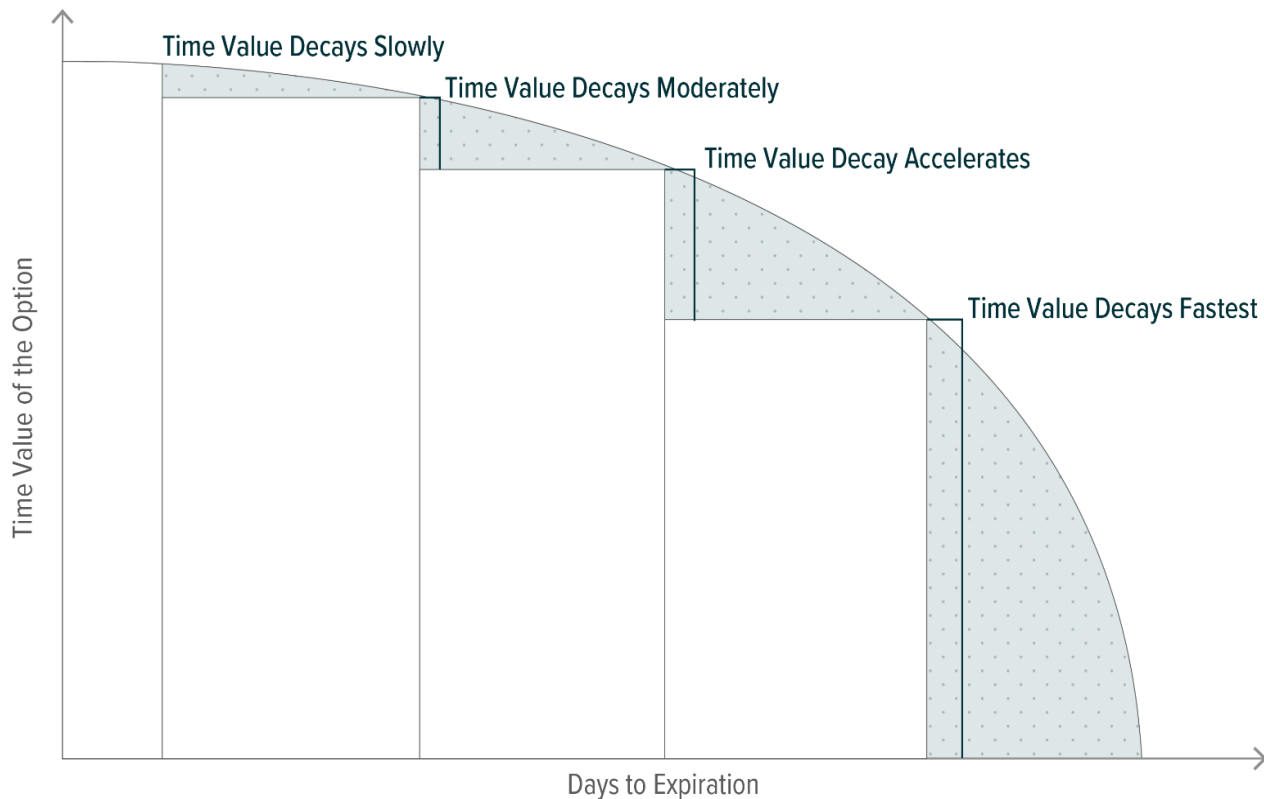
A critical consideration by TLTX is that notional option coverage is not determined by the fund's total asset value, but rather by a strategic coverage ratio. The fund typically maintains notional coverage equivalent to approximately half its duration exposure. Since bond prices typically share a negative relationship with interest rates, we expect writing call options at a notional value that represent half the fund's duration will capture roughly half the upside potential of its Treasury holdings when interest rates are on the decline while collecting option premiums. On the other hand, when interest rates are on the rise, the fund remains exposed to the full downside of its Treasury positions, with option premiums providing a partial offset.

TLTX's Active Management Team Has Discretion to Seek Opportunistic Pricing and Coverage

Many of the functions of TLTX's investment strategy could be deemed deliberate and systematic. For instance, the fund seeks to utilize weekly call options with consistency as opposed to longer-dated options in an effort to attract higher annualized premiums. This rationale stems from option contracts typically losing value more rapidly the closer that they get to expiration. As a function of this more-rapid time value decay, the seller is typically afforded more generous premium compensation when transacting the trade. Thus, by selling short-term weekly options in succession rather than longer-term options the fund can potentially capture this accelerated decrease in value more efficiently.



PROGRESSION OF THE TIME VALUE DECAY OF AN AT-THE-MONEY OPTION OVER TIME



Source: Global X ETFs. For illustrative purposes only.

Outside these systematic functions, however, the fund's active portfolio managers are granted the flexibility to perform their trades utilizing varying levels of moneyness and notional coverage, while seeking opportunistic timing in an effort to manage risk and seek out advantageous pricing. The call options that are being written by TLTX are expected to have strike prices that are only slightly out of the money, and the degree of notional that is covered is expected to remain relatively consistent at around half the portfolio's duration. However, having the flexibility to actively govern these factors may open up the opportunity to enhance returns.



TLTX'S ACTIVE MANAGERS EXERCISE DISCRETION IN AN EFFORT TO SEEK ADDITIONAL VALUE



Call option **moneyness** may be adjusted to throttle premium collection.



Opportunistic timing may be sought when performing the fund's weekly option rolls.



Notional coverage may modestly deviate in an effort to strike a balance between premium collection and upside participation potential.

Conclusion: TLTX May Enhance Income Potential Associated with Long-Duration Treasuries

Treasury investment returns fundamentally depend on the interest rates investors can capture from these instruments. The Global X Treasury Bond Enhanced Income ETF seeks to enhance this income potential by systematically writing call options. The premiums received from writing the options can help buffer against capital losses in environments when interest rates rise, or act as a supplement to the returns of a basket of long-duration treasury securities when the rate environment is static. The fund has the potential to be utilized as a single source of distributions, or as a pairing with a broader basket of treasuries to help manage volatility and maintain upside potential.

Related ETFs

TLTX – Global X Treasury Bond Enhanced Income ETF (TLTX)

Click the fund name above to view current performance and holdings. Holdings are subject to change. Current and future holdings are subject to risk.

Footnotes

1. The Black Scholes model is a flagship model to calculate the fair price for an option contract using current asset price, expected dividends, strike price of an option, expected interest rates, time to expiration and expected volatility. The model assumes that dividends are not paid, the option can only be exercised at expiration, risk-free rate and volatility of the underlying investment are known and constant, no transaction costs are involved in buying the option, markets are efficient, and the returns are log-normally distributed.

Glossary

Duration: A measure of interest rate sensitivity for a fixed income instrument, denoting an estimate of how much a bond's price will change in response to a 1% change in interest rates. The greater the duration, the more sensitive the bond.

Notional: The full value of an underlying instrument that could theoretically be tied to a derivatives contract.

STRIPS: Separate Trading of Registered Interest and Principal Securities (STRIPS) are zero-coupon treasury securities that are created by financial institutions to separate coupons from the principal of a U.S. Treasury bond.

Moneyness: A measure of intrinsic value of an option, that is, it will tell the option holder whether exercising the option will be profitable.

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.

At-the-Money: An option in which the underlying asset's price equals the strike price.

Tenor: An option contract's tenor is the full length of time over which it will be active and tradable prior to expiration.



Investing involves risk, including the possible loss of principal. Fixed income securities are subject to loss of principal during periods of rising interest rates. An investment in the fund is not insured or guaranteed by the Federal Deposit Insurance Corporation or any other government agency. TLTX is non-diversified.

TLTX engages in options trading. An option is a contract sold by one party to another that gives the buyer the right, but not the obligation, to buy (call) or sell (put) a security at an agreed upon price within a certain period or on a specific date. A covered call option involves holding a long position in a particular asset and writing a call option on that same asset with the goal of realizing additional income from the option premium. By selling covered call options, the fund limits its opportunity to profit from an increase in the price of the underlying asset above the exercise price, but continues to bear the risk of a decline in the asset. A liquid market may not exist for options held by the fund. While the fund receives premiums for writing the call options, the price it realizes from the exercise of an option could be substantially below the asset's current market price.

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. Index returns do not reflect any management fees, transaction costs or expenses. Indexes are unmanaged and one cannot invest directly in an index. Past performance does not guarantee future results.

Carefully consider the Fund's investment objectives, risks, and charges and expenses before investing. This and other information can be found in the Fund's summary or full prospectuses, which is available at globalxetfs.com. Please read the prospectus carefully before investing.

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