

Cash Flow and Carey



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This chart is for illustrative purposes only and not indicative of any actual investment. The illustration excludes the effects of taxes and brokerage commissions or other expenses incurred when investing. Investors cannot invest directly in an index. The S&P 500 Index is an unmanaged index of 500 companies used to measure large-cap U.S. stock market performance. The CBOE S&P 500 BuyWrite Index (BXM) is designed to track a hypothetical buy-write strategy on the S&P 500. It is a passive total return index based on (1) buying an S&P 500 stock index portfolio, and (2) "writing" (or selling) the near-term S&P 500 Index (SPXSM) "covered" call option.

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An Update on Covered Call Returns

S&P 500 Index vs. CBOE S&P 500 BuyWrite Index (Annual Total Returns)

Year	S&P 500 Index	CBOE S&P 500 BuyWrite Index	Winner
2026 (YTD thru 3/20)	-4.70%	-1.87%	?
2025	17.86%	8.91%	S&P 500
2024	25.00%	20.12%	S&P 500
2023	26.26%	11.82%	S&P 500
2022	-18.13%	-11.37%	BuyWrite
2021	28.71%	20.47%	S&P 500
2020	18.40%	-2.75%	S&P 500
2019	31.49%	15.68%	S&P 500
2018	-4.38%	-4.77%	S&P 500
2017	21.83%	13.00%	S&P 500
2016	11.96%	7.07%	S&P 500
2015	1.38%	5.24%	BuyWrite
2014	13.69%	5.64%	S&P 500
2013	32.39%	13.26%	S&P 500
2012	16.00%	5.20%	S&P 500
2011	2.11%	5.72%	BuyWrite
2010	15.06%	5.86%	S&P 500
2009	26.46%	25.91%	S&P 500
2008	-37.00%	-28.65%	BuyWrite
2007	5.49%	6.59%	BuyWrite
2006	15.79%	13.33%	S&P 500

Source: Bloomberg. **Past performance is no guarantee of future results.**

View from the Observation Deck

Total assets invested in covered call strategies have grown rapidly over the past several years. Data from Morningstar Direct reveals that net assets in the "derivative income" category of ETFs increased by \$33 billion in 2024 and \$56 billion in 2025, marking five consecutive years of record inflows for the category.

Covered call strategies tend to be most beneficial when the stock market posts negative returns, or when returns range from 0%-10%.

The S&P 500 Index posted a negative total return four times in the table above (including YTD in 2026). The CBOE BuyWrite Index outperformed the S&P 500 Index in three of those four periods (missing the fourth by 0.39 percentage points in 2018). For comparison, there are three years in the table where the S&P 500 Index posted returns between 0% and 10%. The CBOE BuyWrite Index outperformed the S&P 500 Index in each of those time frames.

While covered call options can generate an attractive income stream and serve as a hedge against negative price movement, they may limit the potential for capital appreciation.

There were 14 years in today's table where the S&P 500 Index notched total returns of 10% or more. The CBOE BuyWrite Index underperformed the S&P 500 Index in every one of them, including last year when the S&P 500 Index increased by 17.86%, vs. the BuyWrite Index's 8.91%.

Takeaway

Covered call strategies may serve as a unique alternative to the S&P 500 Index. That said, while the income they provide has generally led to outperformance during negative or moderately positive periods, returns often fall short during times where the market is performing exceedingly well. As a recent example, the S&P 500 Index surged by 17.86% in 2025, outperforming the CBOE BuyWrite Index by 8.95 percentage points. As the table above shows, the opposite has been true so far in 2026, with the CBOE BuyWrite Index outperforming the S&P 500 Index by 2.83 percentage points on a total return basis (thru 3/20/26). As noted above, investors continue to allocate record amounts of capital to derivative income instruments amidst heightened volatility from tariffs, geopolitical strife, and deteriorating economic data. Will these factors persist, prompting investors to continue purchasing these strategies? We will report back as updates require.