First Trust
Investment Solutions

Covered Call Income

STRATEGY

For investors with an existing equity portfolio who are interested in enhancing income, the strategy sells a call on the underlying stock(s). The investor receives a premium for the call option(s) sold, participates in potential price gains up to the call strike price, and continues to receive dividends (if any). The call premium acts as a source of income and potential buffer if the stock price decreases. Investors can customize their desired income levels and risk of call exercise.

Enhanced Income Potential

Growth Potential

INVESTMENT PROCESS

Growth Potential | Underlying Stock

Option Strategy

Sell out of the money call options on the underlying stock.

Two Sources of Income Potential

Stock dividends
+
Option premiums

Monitoring

Evaluate call options for assignment risk prior to and at expiration. Take possible action based on client Investment Policy Statement.

Manage Between Expirations for Assignment Risk and Writing New Contracts

POTENTIAL RETURN SCENARIOS OF THE COVERED CALL INCOME STRATEGY

Stock Price Moves Higher

If the price of the underlying stock increases, the strategy will participate in gains up to the strike price. The profit potential is equal to the strike price plus call option premium and dividends paid on the underlying stock.

Stock Price Remains Unchanged

If the underlying stock remains unchanged, the profit potential is equal to the option premium received plus any stock dividends.

Stock Price Declines

If the stock price declines, the return is equal to the loss in the stock plus the call option premium and any dividends received

COVERED CALL ILLUSTRATION

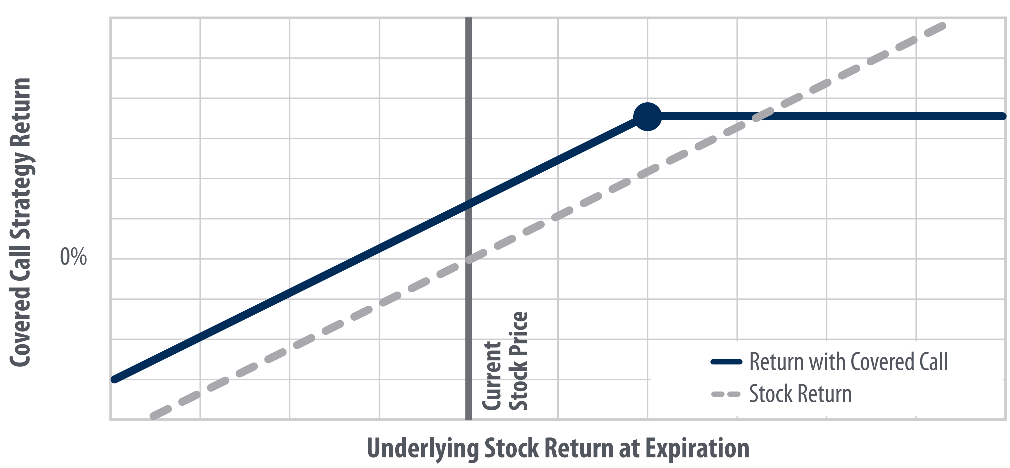

Chart is for illustrative purposes only and not indicative of any actual investment.

Covered Call Income

WHY CHOOSE FIRST TRUST INVESTMENT SOLUTIONS?

- We work with financial professionals and their clients to help manage their concentrated stock positions and potentially improve outcomes.
- Our suite of custom solutions offer the potential for yield enhancement, hedging, diversification and tax-mitigating strategies.
- We utilize state-of-the-art option analytics tools taking into account an option's delta, skew, and moneyness.
- We customize strategies to each client blending options analysis and client expectations.
- We draft and adhere to a tailored Investment Policy Statement for each client based on their needs, goals, tax budget, risk tolerance and timeline.

DEFINITIONS

An **option** is a contractual obligation between a buyer and a seller. There are two types of options known as "calls" and "puts." The buyer of a **call option** has the right, but not the obligation, to purchase an agreed upon quantity of an underlying asset from the writer (seller) of the option at a predetermined price (the strike price) within a certain window of time (until the option's expiration), creating a long position.

Delta measures an option's price movement for every $1 change in the price of the underlying security or index.

An **option skew** refers to the level of implied volatility for options with different strike prices.

Moneyness refers to the relationship between the current price of the underlying asset and the strike price of the option.

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