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 buffer if the stock price decreases. Investors can customize their desired income levels and risk of call exercise.

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

Repeat Process
Roll into a new set of options at expiration.

High Income Potential

Limited Downside Protection

Growth Potential

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 Stable

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

Stock Price Declines

If the stock price declines, loss potential is equal to the stock price(s). However, the call option premiums received from the written call(s) and any dividends received may offset some of the losses.

COVERED CALL ILLUSTRATION

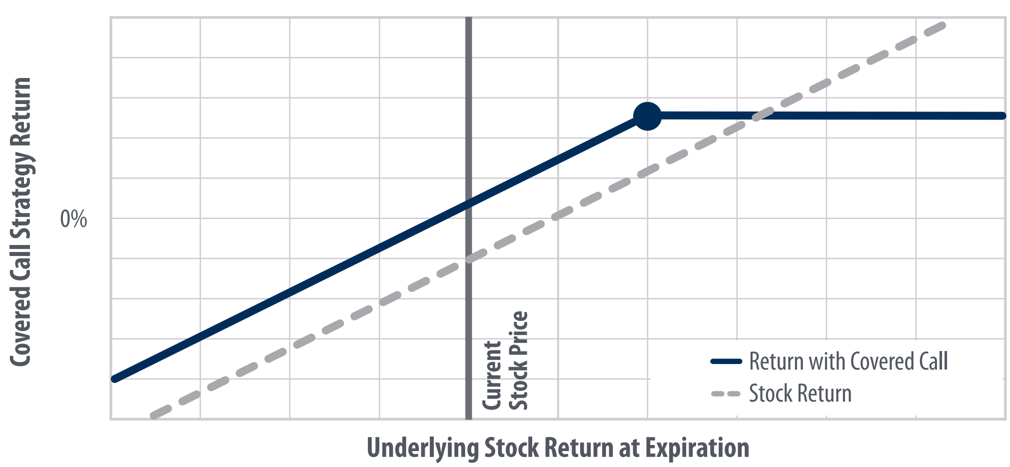

Chart is for illustrative purposes only and not indicative of any actual investment.

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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 best-in-class option analytics tools taking into account an option's delta, skew, and moneyness.
- Based on volatility surface, expected premiums and relative volatility, we provide an optimized strategy.
- 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.

Volatility surface refers to a three-dimensional plot of the implied volatilities of the various options listed on the same stock.