

BABO

YieldMax BABA Option Income Strategy ETF

Fund Description

BABO seeks to provide current income and capped gains on the Alibaba stock (BABA) through a synthetic covered call strategy, collateralized by cash and US Treasurys. The actively managed fund uses both standardized exchange-traded and FLEX options.

FactSet Analyst Report

BABO aims to generate monthly income while providing exposure to the price returns of the ADR of Alibaba Group Holding Limited (BABA), subject to a cap on potential gains. It utilizes a synthetic covered call strategy via standardized exchange-traded and FLEX options, consisting of i) synthetic long exposure, ii) covered call writing, and iii) US Treasurys. The synthetic long exposure seeks to replicate the price movements of BABA by buying and selling one- to six-month at-the-money calls and puts. The short put positions fully expose investors to the downside of the stock. The fund writes call options expiring in one month or less, with a strike price of 0%-15% above BABA's share price. This generates income but limits participation in potential gains. To seek greater participation in BABA's potential appreciation in the short term, the fund may opportunistically write credit call spreads. Note: the fund does not invest directly in BABA stocks and thus, is not entitled to dividends.

