

HYGW

iShares High Yield Corporate Bond BuyWrite Strategy ETF

Fund Description

HYGW uses a fund-of-fund approach to passively track an index that measures the performance of holding shares of the iShares High Yield Corporate Bond ETF and writing one-month call options against the shares.

FactSet Analyst Report

HYGW teaches an old dog a new trick. The fund holds shares of the iShares High Yield Corporate Bond ETF (ticker: HYG), one of the first bond ETFs offered in the US, and writes (sells) one-month covered call options. The objective is to provide additional income, in the form of option premium, along with the distributions received from the underlying bond portfolio. The fund will write call options up to the full amount of the shares being held in the portfolio. In doing so, the fund takes in option premium but forgoes the upside potential on the bonds at the strike price. The fund uses European-style options, which means the call options can only be exercised on the expiration date. This helps to roll the call options and reduces the chance the fund must physically deliver underlying shares. This strategy may outperform in periods of rising rates and widening credit spreads. In periods of declining rates, the fund will likely underperform as compared to just holding high yield bonds.

