



Options Strategies with Exchange Traded Funds

Fidelity Brokerage Services, Member NYSE, SIPC, 900 Salem Street, Smithfield, RI 02917. © 2021 FMR LLC. All rights reserved.

983264.1.0



Agenda

Common
Option
Strategies

Why ETFs



ETF
Screening

Why ETFs

Exposure

- Many Asset Classes Available
- Large amount of index- based objectives
- New Hybrid and Active objectives provide even more choices

Diversification

- Helps mute certain individual stock risks
- Allows a more simplistic way to hedge your portfolio

Why ETFs

Multiple choices to gain exposure...

Exposures

- Country Exposure
- Sector Exposure
- Industry Exposure
- Market Cap Exposure

Commodity

Currency

Equity

Fixed Income

Hybrid

Multi-Asset

Real Estate

Volatility

Equity: Consumer Discretionary

Equity: Consumer Staples

Equity: Energy

Equity: Financials

Equity: Healthcare

Equity: Industrials

Equity: Information Technology

Equity: Materials

Equity: Real Estate

Equity: Communications Services

Equity: Utilities

Commodity: Agriculture

Commodity: Energy

Commodity: Industrial Metals

Commodity: Precious Metals

...can help provide more investment opportunities

Option Strategies

Why Trade Options?



Risk Management

- Helps reduce individual security risk
- Helps provide portfolio protection
- Potentially less money out of pocket



Yield Enhancement

- Potential improvement of trade returns
- Seeks to create self directed stream of income

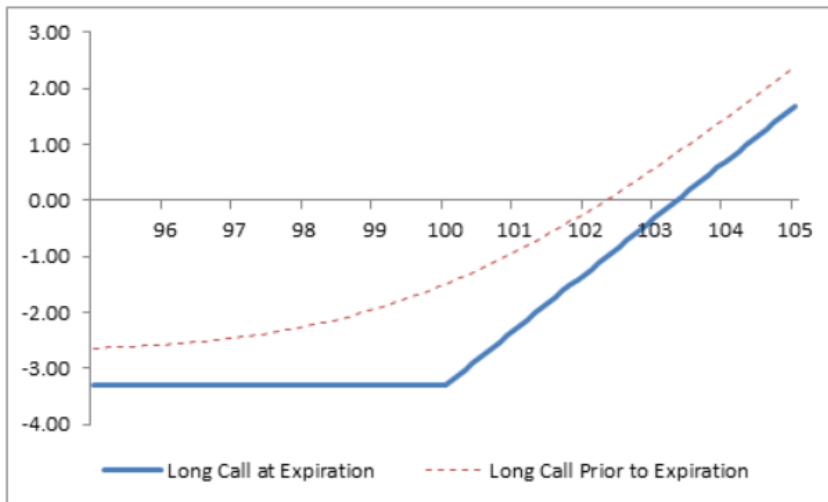


Leverage

- Potentially less money out of pocket
- More choices

Option Strategies – Long Call

Profit/Loss diagram and table: Long 100 Call @ 3.30



Goal: Profit from an expected short-term price rise in the underlying

Outlook: Bullish

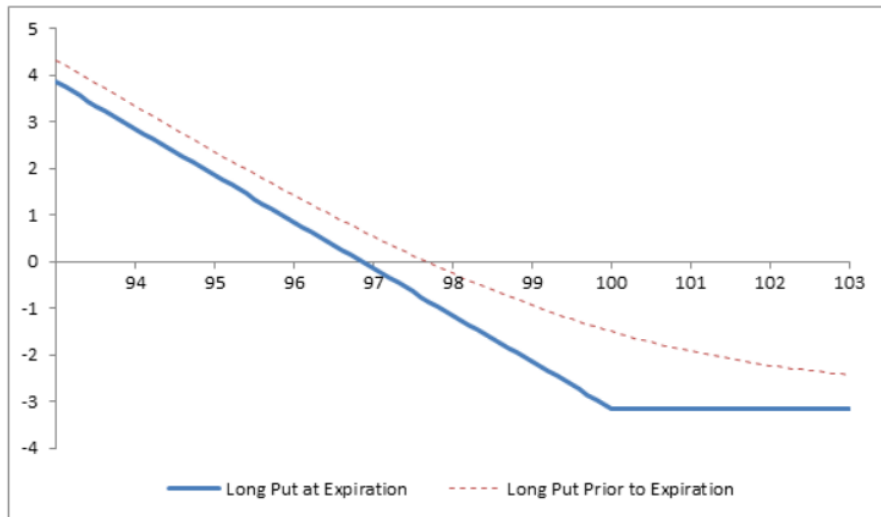
Maximum Profit: Unlimited

Maximum Risk: Premium Paid

Break Even: Strike Price + Premium

Option Strategies – Long Put

Profit/Loss diagram and table: Long 100 Put @ 3.15



Goal: To profit from an expected short-term price decline

Outlook: Bearish

Maximum Profit: Strike Price – Premium

Maximum Risk: Premium paid

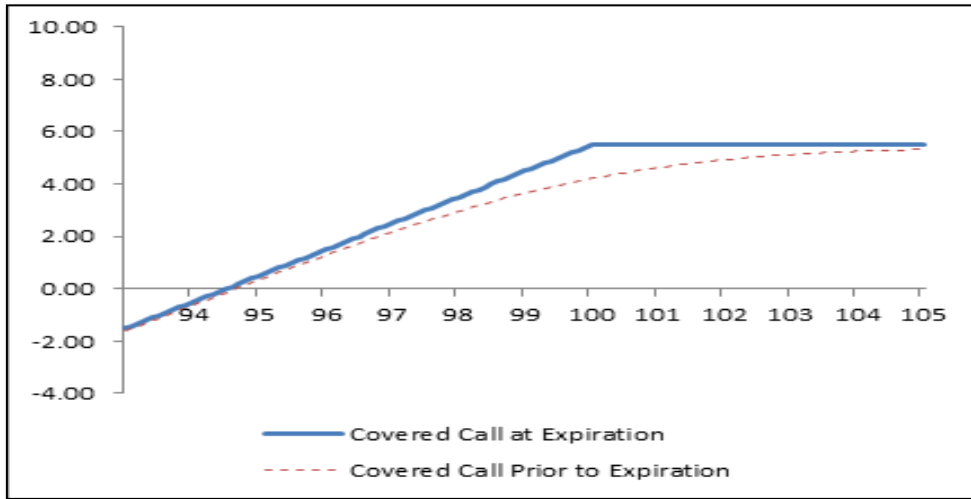
Break Even: Strike Price - Premium

Option Strategies – Covered Call

Profit/Loss diagram and table: covered call

Long 100 shares at 98.00

Short 1 100 Call at 3.50



Outlook:

Bullish/neutral

Construction:

Buying (or owning) stock and selling call options on a share-for-share basis

Max Gain:

$(\text{Strike Price} + \text{Call premium received}) - \text{Cost of the long shares}$

Max Loss:

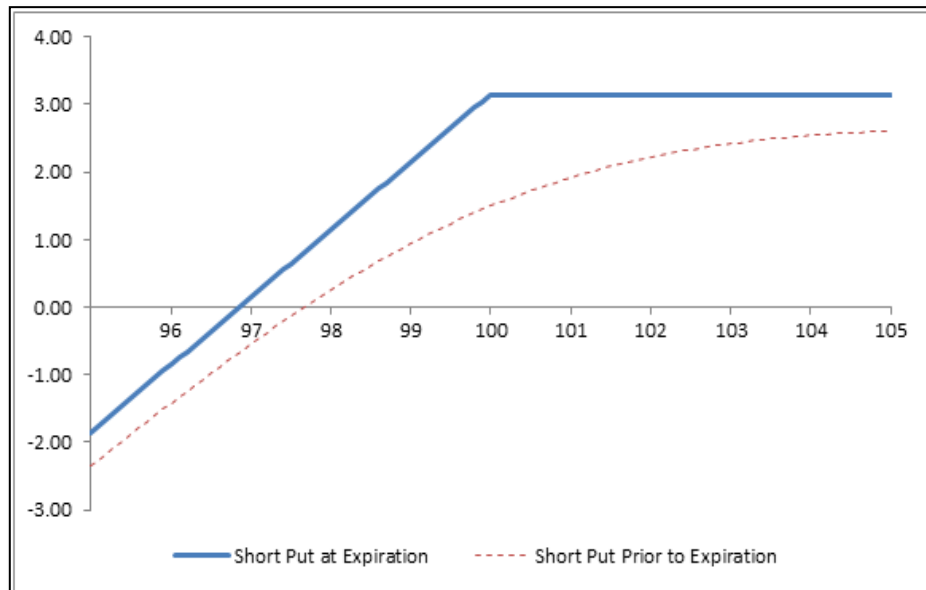
Substantial $(\text{cost of the long shares} - \text{call premium received})$

Breakeven @ expiration:

Stock price minus call premium received

Option Strategies – Put Selling

Profit/Loss diagram and table: Short 100 Put @ 3.15



Outlook:

Bullish/Neutral

Construction:

Selling a put (cash-covered or naked) in return for premium

Max Gain:

Premium received

Max Loss:

Substantial (limited to the strike price – premium received)

Breakeven @ expiration:

Strike price – Premium received

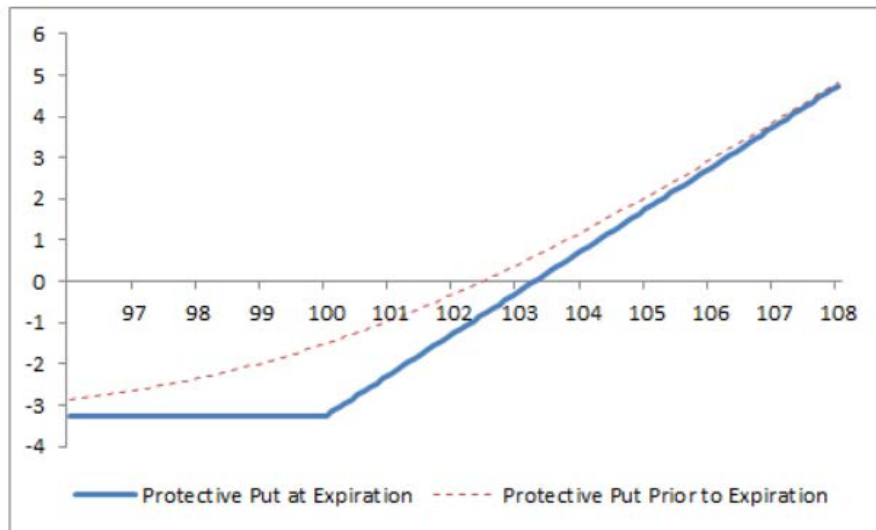
*** Source: Fidelity.com – For Illustrative purposes Only

Option Strategies – Hedging

Profit/Loss diagram and table: protective put

Buy 100 shares XYZ stock at 100.00

Buy 1 XYZ 100 put at 3.25



Outlook: Bullish

Construction:

Owning a portfolio similar to XYZ index; paying the option premium in exchange for a put option

Max Gain: Unlimited

***Max Loss:** Substantial

Premium paid for the put option plus any losses on the unhedged portion of the portfolio

Breakeven @ expiration:

Breakeven will vary depending on the correlation of the portfolio to the index; there is no guarantee that a proxy hedge will perform as desired.

*Maximum loss in this example is not limited to the premium paid for the put option because the portfolio is not perfectly positively correlated with the index. Index construction, methodology and other factors including transaction costs associated with the portfolio will contribute to tracking differences between the index and the portfolio. Therefore, maximum loss on this strategy includes any losses on the unhedged portion of the portfolio.

Option Strategies

MAKE A PLAN

Formulate an outlook on the underlying based on specific metrics

Position management: monitor and re-evaluate the trade at specific points



Decide the best option strategy for the outlook you have analyzed








ETF Screener www.fidelity.com > News and Research > ETFs > Screener

Use the ETF Screener to find the specific objective you are interested in.

Choose between pre-built scans, or click 'Launch ETF Screener' to pick your own criteria

ETF Screener My Screens

Screen from over 2000+ commission free ETFs.

 Fidelity	 iShares	 Market Cap	 Sector
 Fixed Income	 Socially Responsible	 NEW Active Equity ETFs† <small>Limited to Fidelity ETFs and funds offered by firms that license Fidelity active ETF methodology</small>	

[Launch ETF Screener](#)

Demonstration...

Active Trader Pro® is used for this portion of the webinar

Visit: www.fidelity.com/ATP to download Active Trader Pro®

Key Takeaway's

ETF Options can be used to reduce some of the risks of single-stock option trading

ETF Options allow you to trade different asset classes otherwise more difficult to access

Essential to have an outlook on the index you are trading

ETF's may be a means to hedge your portfolio

Questions...

Disclosures

Options trading entails significant risk and is not appropriate for all investors. Certain complex options strategies carry additional risk. Before trading options, please read [Characteristics and Risks of Standardized Options](#). Supporting documentation for any claims, if applicable, will be furnished upon request.

Any screenshots, charts, or company trading symbols mentioned, are provided for illustrative purposes only and should not be considered an offer to sell, a solicitation of an offer to buy, or a recommendation for the security.

Investing involves risk, including risk of loss.

Exchange-traded products (ETPs) are subject to market volatility and the risks of their underlying securities, which may include the risks associated with investing in smaller companies, foreign securities, commodities, and fixed income investments. Foreign securities are subject to interest rate, currency exchange rate, economic, and political risks, all of which are magnified in emerging markets. ETPs that target a small universe of securities, such as a specific region or market sector, are generally subject to greater market volatility, as well as to the specific risks associated with that sector, region, or other focus. ETPs that use derivatives, leverage, or complex investment strategies are subject to additional risks. The return of an index ETP is usually different from that of the index it tracks because of fees, expenses, and tracking error. An ETP may trade at a premium or discount to its net asset value (NAV) (or indicative value in the case of exchange-traded notes). The degree of liquidity can vary significantly from one ETP to another and losses may be magnified if no liquid market exists for the ETP's shares when attempting to sell them. Each ETP has a unique risk profile, detailed in its prospectus, offering circular, or similar material, which should be considered carefully when making investment decisions.

There are additional costs associated with option strategies that call for multiple purchases and sales of options, such as spreads, straddles, and collars, as compared with a single option trade.

Disclosures

The Fidelity ETF Screener is a research tool, ETF Screeners are research tools provided to help self-directed investors evaluate these types of securities. The criteria and inputs entered are at the sole discretion of the user, and all screens or strategies with preselected criteria (including expert ones) are solely for the convenience of the user. Expert Screeners are provided by independent companies not affiliated with Fidelity. Information supplied or obtained from these Screeners is for informational purposes only and should not be considered investment advice or guidance, an offer of or a solicitation of an offer to buy or sell securities, or a recommendation or endorsement by Fidelity of any security or investment strategy. Fidelity does not endorse or adopt any particular investment strategy or approach to screening or evaluating stocks, preferred securities, exchange-traded products, or closed-end funds. Fidelity makes no guarantees that information supplied is accurate, complete, or timely, and does not provide any warranties regarding results obtained from its use. Determine which securities are right for you based on your investment objectives, risk tolerance, financial situation, and other individual factors, and reevaluate them on a periodic basis

Fidelity Brokerage Services, Member NYSE, SIPC, 900 Salem Street, Smithfield, RI
02917.
2021 FMR LLC. All rights reserved.
983264.1.0

