



**VettaFi Energy and Natural Resources Covered Call  
Index  
NDIVY**

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## Introduction

### Index Objective

The VettaFi Energy & Natural Resources Covered Call Index (the "Index") measures the performance of a covered call strategy applied to the VettaFi Energy & Natural Resources Dividend Income Index (the "Parent Index").

The Index consists of long positions in the equity constituents of the Parent Index and short positions in call options written against those equities.

### Highlights

Long Exposure: Inherits weights for equity holdings directly from the Parent Index.

Option Strategy: Monthly rolling short call positions selected via a Delta-driven, yield-targeting algorithm.

Target Premium: The strategy utilizes a dynamic coverage ratio optimization process to target a monthly premium income of 0.50% (6% annualized).

### Dates

Reference Dates: Same as Weight Date.

Reconstitution Dates: Indexes reconstitute after the close on the 3rd Friday each month.

Weight Date: After the close, two trading days prior to the Reconstitution Date.

Rebalance Dates: Indexes reconstitute after the close on the 3<sup>rd</sup> Friday each month.

### Supporting Documents

This methodology is meant to be read in conjunction with supporting documents providing greater detail with respect to the policies, procedures and calculations described herein.

The list of the main supplemental documents for this methodology can be found in the Methodologies and Governance tabs on the [Index Resources](#) page as follows:

Supporting Documents
Index Maintenance Policy
Index Governance
Index Policies
Methodology Policies
Glossary
Index Change and Consultation Policy
Option Index Calculation Methodology

## Index Construction

### Universe

The index universe consists of:

Long Component - The equity constituents or proforma constituents of the Parent Index.

Option Component - U.S. exchange-listed call options on the constituents of the Long Component.

### Constituent Selection

The Index is constructed by combining the Long Equity Component and the Short Option Component.

Long Equity Component -

The constituents of the parent index (pro-forma constituents if the parent index is rebalancing that month).

Option Component -

The Option Leg consists of call options on the underlying equity constituents. Call options are selected based on the constraints of the algorithm detailed in the Constituent Weightings & Constraints section.

### Constituent Weightings & Constraints

Long Equity Component weights:

Quarterly Parent Rebalance Months (Jan, Apr, Jul, Oct) - The Index utilizes the Pro-Forma weights of the Parent Index (the weights determined for the upcoming Parent Index rebalance).

Parent Non-Rebalance Months - The Index inherits the current weights of the Parent Index constituents as of the Weight Date.

Algorithm Parameters

Parameter	Value
Target Annual Premium	6% (.5% monthly)
Delta Filtering Range	.15 (lower bound) to .35 (upper bound)
Minimum Volume (Open Interest)	5 contracts
Minimum Bid	\$.01
Initial Coverage Interpolation Range	45% (lower bound) to 55% (upper bound)
Maximum Coverage Ratio	80%

## Algorithm Steps

### Step 1: Define Eligible Option Universe

For each constituent in the Long Component, the algorithm filters available call options based on the following criteria:

- Expiration: Must match the next Rebalance Date (next 3<sup>rd</sup> Friday expiration).
- Delta: Option Delta must fall between the lower and upper bounds of the Delta Filtering Range parameter.
- Liquidity: Must meet the Minimum Volume and Minimum Bid Price parameters.

### Step 2: Option Selection (Yield Targeting)

From the eligible universe identified in Step 1, a single call option is selected for each equity security:

1. Yield Calculation:  $\text{Yield} = \text{Option Bid Price} / \text{Equity Security Spot Price}$
2. Selection: The option with the highest yield is selected (on a per-equity security basis).

### Step 3: Initial Coverage Ratio Assignment

An initial coverage ratio (the percentage of the long position against which calls are written) is assigned to each selected option based on Out-of-the-Money (OTM) ranking.

1. Ranking: Selected options are ranked by OTM Percentage (highest OTM % to lowest OTM %).
2. Interpolation: Ratios are assigned linearly between the Interpolation Lower Bound and Interpolation Upper Bound.
  - Higher OTM % (larger upside for long equity) will initialize a coverage ratio near the Interpolation Upper Bound.

### Step 4: Optimization to Target Premium (The "K" Factor)

The algorithm adjusts the coverage ratios to achieve the Target Monthly Premium.

1. Calculate Initial Yield: Determine the "Current Premium Yield" generated by the Initial Coverage Ratios.
2. Calculate Multiplier (K):  $K = \text{Target Premium} / \text{"Current Portfolio Yield"}$
3. Apply K: The Initial Coverage Ratio for each option is multiplied by K to determine a potential final ratio.
4. Constrain: The coverage ratio of any single option cannot exceed the Maximum Coverage Ratio and is capped at this parameter.
5. Iterative Adjustment:

- If the resulting portfolio yield is below the Target Premium (due to options being capped at Maximum Coverage Ratio), the process repeats.
- Options already at the Maximum Coverage Ratio are locked.
- A new K is calculated to generate the remaining required yield from the non-locked options.
- This repeats until the Target Premium is met, or all options are capped at the Maximum Coverage Ratio.

## Index Maintenance

### Rebalancing and Reconstitution

The Indexes are rebalanced on the “Rebalance Date” and additionally reconstituted on the “Reconstitution Date”. Pricing used in share weights used for reconstitutions are as of the “Weight Date”. Share weights for the rebalanced Indexes are computed as of the “Weight Date”. Changes to the Indexes related to the rebalances are as of the “Rebalance Date”. Additions are only made on reconstitution dates.

### Corporate Actions

Corporate actions affecting the equity constituents are handled in accordance with the Parent Index methodology.

### Index Information

Index history availability, base dates and base values are shown in the table below.

Index	Price Index	Base Date	Base Value	Total Return Index	Base Date	Base Value
VettaFi Energy and Natural Resources Covered Call Index	NDIVYP	2022-10-21	1000	NDIVYT	2022-10-21	1000

### Methodology Updates and Changes

Date	Version	Previous	New
Jan 2026	1.0.0		Initial Version

## Index Calculation

Please refer to the Index Maintenance Policy and the Option Index Calculation Methodology document for information on index calculations.

## Index Governance

The index is governed and administered by a VettaFi Index Committee for the purpose of meeting the goals of the index. For more information, please refer to the Index Governance document.

## Index Policies

Please refer to the Index Policies document for information regarding Announcements, Holiday Schedules, Unexpected Exchange Closures, and Recalculation Policy.

## Contact Information

For any questions regarding an index, please contact: [index.production@vettafi.com](mailto:index.production@vettafi.com)

## Disclaimer

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