THREE HORIZONS CAPITAL · RESEARCH

Every Options Product Has a Cousin You Already Own.

Income, a smoother ride, a floor: investors are moving familiar jobs into options-based products, and the money shows it. Each options product does a job an equity strategy already does. The difference is that it writes the job into a contract, with a price, a cap and a date. We matched five options products to their equity cousins on one live option chain, and measured where US investors are putting new money.

97%

Option income ETFs took 97% as much new money as dividend ETFs over 12 months (+$58.6bn against +$60.5bn), from about a third of the assets

+$10.5bn

Into buffer ETFs over the same 12 months, while low-volatility and defensive-sector ETFs saw −$1.35bn

3.4 times

What protection 5% below the market cost, against what upside 5% above it sold for, on the same day and expiry

THE FINDING IN ONE LINE

Every options product does a job you already know; compare it with its equity cousin on three terms the contract sets: what it costs, what it gives up, and when it ends.

Three Horizons Capital, Portfolio Construction. US ETF flows to 31 Oct 2026; S&P 500 ETF option prices at the 6 Nov 2026 close, 4 Dec 2026 expiry. Research, not investment advice.

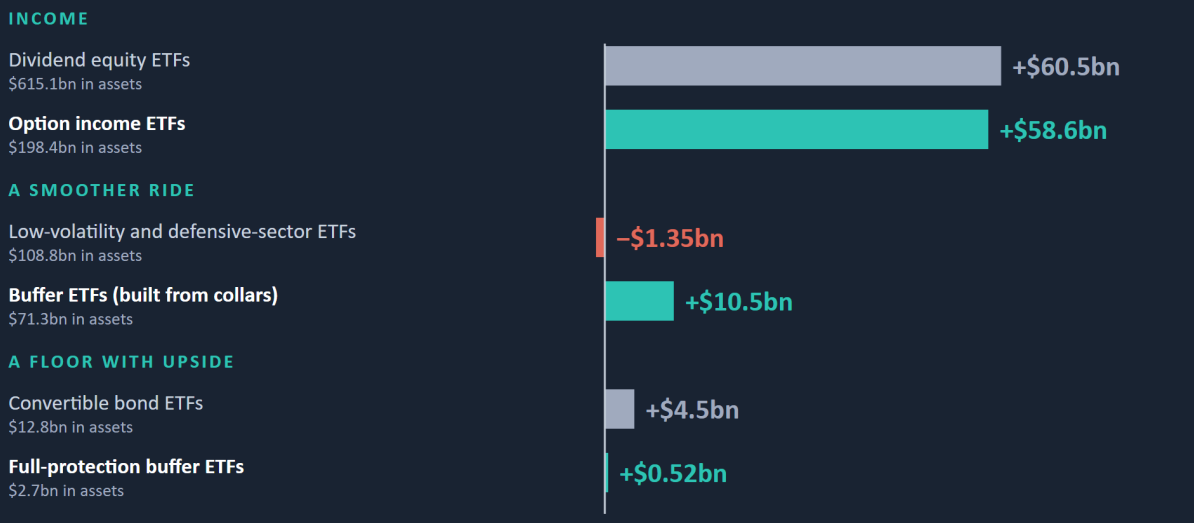
01 Investors are moving familiar jobs into options versions, and the money shows it

Over the 12 months to 31 October 2026, US option income ETFs took +$58.6bn of new money on $198.4bn of assets. Dividend equity ETFs, the income product most investors already know, took +$60.5bn on $615.1bn. The options version raised 97% as much new money from about a third of the asset base: growth from new money of 29.5% against 9.8%.

EXHIBIT 1 | THE DEMAND

Investors are moving familiar jobs into options versions: income, a smoother ride and a floor.

US ETFs, net new money in the 12 months to 31 Oct 2026, by the job the product does.
Grey: the equity version investors already know. Teal: the options version.



Net flow = new money in minus money out, 12 months to 31 Oct 2026. Buffer totals include full-protection buffers.
Source: 3HC analysis of US ETF daily flows and fund categories; option income and buffer totals as published in Piece 56.

The same pattern holds for a smoother ride. Low-volatility and defensive-sector ETFs (utilities and consumer staples) hold $108.8bn and saw net outflows of −$1.35bn. Buffer ETFs, which are built from collars, took +$10.5bn on $71.3bn. Convertible bond ETFs, the classic floor-with-upside product, grew too: +$4.5bn on $12.8bn.

The demand is real and it is growing in Europe as well: option income assets listed on Xetra rose from EUR 0.42bn to EUR 7.45bn in two years, as we showed in **Five ETFs. Five Different Jobs.** The question for an investor offered one of these products is simple to ask and harder to answer: what am I actually buying, compared with what I already own?

02 Every options product has an equity cousin: the job is the same, the contract is new

Five options products, five familiar jobs. Each one does a job an equity strategy already does.

EXHIBIT 2 | THE MAP

Every options product has a cousin you already own. The job is the same. The contract is new.

Left: the equity strategy. Right: the options version that does the same job.
Last column: what the options version writes into a contract.

	YOU ALREADY OWN	THE SAME JOB	THE OPTIONS VERSION	WHAT THE CONTRACT ADDS
1	Equity ETF	Ride the market up	→ Call spread	A smaller cost, a cap, a date
2	Dividend fund	Income	→ Covered call	Sold upside for a known premium
3	Low-volatility fund	A smoother ride	→ Put-write	A fixed premium for agreeing to buy lower
4	Defensive basket	Smaller losses	→ Collar	A written floor and cap, on what you hold
5	Convertible bond fund	A floor with upside	→ Stock plus a put	A visible, dated floor you renew

The five pairs follow one S&P 500 ETF option chain (6 Nov 2026, 28 days to expiry) in Exhibit 3.
Source: 3HC research.

The equity version does its job through what it owns: steadier companies, dividend payers, defensive sectors. Its outcome is statistical, so it usually works and can miss. The options version does the same job through a contract: a known premium, a written floor, a written cap, all with an end date. It is precise for a set period and has to be renewed when that period ends.

Six terms, defined once. A **call** is the right to buy at a set price (the **strike**) until a set date (the **expiry**). A **put** is the right to sell at the strike. The **premium** is the price paid for either. Selling an option collects the premium and takes on the obligation. An option is **out of the money** when its strike sits away from today's price, so it pays out at expiry if the market moves past the strike.

03 One option chain shows where each version agrees with the market, and where the contract takes over

We priced all five pairs on one chain: S&P 500 ETF options at the 6 November 2026 close, expiring 4 December 2026, 28 days later. Prices are the mid-point of the best bid and offer. The reference price is $735.82, the price implied by the options at the close. One contract covers 100 shares. All figures are before costs and taxes, and yearly figures are the 28-day figure scaled up, assuming it repeats.

EXHIBIT 3 | THE PAYOFFS

Where each options version agrees with the market, and where the contract takes over.

Profit or loss per share at expiry (4 Dec 2026) against the S&P 500 ETF price, one contract per 100 shares.
Grey: holding the S&P 500 ETF bought at the $735.82 reference price. Teal: the options version.



Mid prices of US listed S&P 500 ETF options at the 6 Nov 2026 close, 4 Dec 2026 expiry. Before costs and taxes.
Source: 3HC analysis of end-of-day US listed options prices.

1. Equity ETF and call spread: the same view, a smaller cost, a capped result. Buying the $739 call and selling the $773 call costs $1,362.50 per contract, 1.85% of the $73,582 the 100 shares would cost. It breaks even at $752.63 and pays at most $2,037.50 at $773 or above: 149.5% of the premium. The fair comparison uses the same money. One spread with the other $72,219.50 in Treasury bills (earning $222.71 over 28 days) ends between −1.55% and +3.07% of $73,582. The shares gain +5.05% if the market reaches $773, and fall with it below. Spending all $73,582 on spreads would buy 54 of them: a different and far larger bet.

2. Dividend fund and covered call: income from selling upside rather than from company payouts. Holding the shares and selling the $758 call, 3.0% above the reference price, collects $606.50 per contract: 0.82% for 28 days, about 10.7% a year if it repeats, before the path the market takes. In exchange, gains stop at $764.07, a maximum of

+3.84% for the period. A dividend fund's income depends on what companies decide to pay; the covered call's premium is set by the market on the day it is sold.

3. Low-volatility fund and put-write: paid to agree to buy lower. Selling the $700 put, 4.9% below, with $70,000 held in cash, collects $691: 0.99% of the cash, about 12.9% a year, plus 0.31% of Treasury bill interest on the cash for the period (1.30% in total). If the market finishes below $700, the investor buys at an effective $693.09, 5.81% below today. Put-writing finishes ahead of simply holding the shares at any price below $742.73 at expiry, and behind it above that, because its gain stops at the premium.

4. Defensive basket and collar: a written floor and cap on what you already hold. Buying the $715 put and selling the $758 call on the shares costs a net $347.50 per contract, 0.47%. For 28 days the loss is limited to 3.30% and the gain capped at 2.54%. A defensive basket narrows the range of outcomes on average; the collar sets the range in writing.

5. Convertible bond fund and stock plus a put: a floor you can see, priced by the day. Buying the $736 put costs $1,542 per contract, 2.10% of the shares' value, for 28 days. The floor is $720.58, −2.07% from today, and the position breaks even at $751.24. A convertible bond builds its floor from the bond and its issuer's credit over several years. The put sets the floor through an exchange-cleared contract, and the investor pays for it again at every expiry.

PAIR	EQUITY COUSIN	OPTIONS VERSION	WHAT THE CONTRACT SETS	ON THIS CHAIN
1	Equity ETF	Call spread	Cost and cap	1.85% cost; best +3.07% with cash
2	Dividend fund	Covered call	Income and cap	0.82% for 28 days; capped at +3.84%
3	Low-volatility fund	Put-write	Income and buy price	0.99% plus 0.31% interest; buys at 5.81% below
4	Defensive basket	Collar	Floor and cap	Loss limited to 3.30%; gain capped at 2.54%
5	Convertible bond fund	Stock plus a put	Floor	2.10% for 28 days; floor −2.07%

04 The price of protection decides what each product can offer

On the same day and expiry, the $700 put, 5% below the reference price, cost $6.91. The $773 call, 5% above, cost $2.015. Protection cost 3.4 times what upside sold for at the same distance. Measured as implied volatility, the yearly rate the market charges for an option, the put was priced at 26.0% and the call at 14.8%.

EXHIBIT 4 | THE PRICE OF PROTECTION

Protection 5% below the market cost 3.4 times what upside 5% above it sold for.

Implied volatility (the price of an option, as a yearly rate) by strike: puts below the reference price, calls above.
S&P 500 ETF options, 6 Nov 2026, 28 days to expiry.



Both options sit about 5% from the reference price and expire on 4 Dec 2026. 6.91 / 2.015 = 3.43.
Source: 3HC analysis of end-of-day US listed options prices.

That gap shapes every product built from these parts:

- **Selling puts pays more than selling calls.** Put-writing collects a richer premium because the market pays more for protection. That premium is the reward for buying in a fall.
- **A collar costs money unless the cap comes down.** With the $715 put at 23.6% and the $758 call at 16.7%, the collar above costs 0.47%. To make it cost nothing, the investor would sell the $750 call ($9.535 against the put's $9.54), and the cap falls to +1.93%.
- **A rolling floor is expensive.** Buying the at-the-money put every 28 days would cost about 27% a year. Buffer ETFs and convertible bonds exist partly to build the floor more cheaply, by selling upside or by using a bond.

05 Three questions turn an options product into something you can compare

An investor holding an options product term sheet can ask three questions, using the equity cousin as the yardstick.

- **Which cousin does it replace?** Name the equity strategy that does the same job. That is the benchmark for the product's cost, income and risk.
- **What does the contract give up, and at what price?** Find the cap, the floor and the premium. Compare the cap with what the cousin keeps, and the premium with the cousin's income or cost.
- **When does it end, and what does renewing it cost?** Every option has an expiry. Ask what the next period's terms would be at today's prices, and how the product behaves if it is bought partway through a period.

Then ask the issuer for the exact strikes, expiry and net premium, and run the comparison on their terms rather than on an illustrative chain.

06 For managers, the cousin is the product brief and the sales story

The same map works from the other side of the table. A manager building an options-based product can design it against the cousin investors already hold: what job it does better, what it gives up, and how the terms renew. A manager selling one can show the payoff against the cousin on live prices rather than describe the options mechanics. And the flows show where buyers are already moving: toward income and a smoother ride written into a contract.

07 What this paper does and does not show

- **One day, one expiry.** All payoffs use one option chain on 6 November 2026 with 28 days to expiry. They illustrate the mechanics and are not a forecast, a backtest or a recommendation.
- **Before costs.** Figures are before trading costs, the bid-offer spread, financing and taxes. Costs weigh more on the options side, which renews every period.
- **Yearly figures are simple.** They scale one 28-day period by 365/28 and assume it repeats on the same terms.
- **Cousins are categories.** The dividend, low-volatility, defensive and convertible comparators are categories, not named funds, and their payoffs are not drawn: the grey line in Exhibit 3 is the S&P 500 ETF itself.
- **Flows are US ETFs.** The demand figures cover US ETFs, classified by fund category and name. They match the option income and buffer totals published in Piece 56.

08 The data behind the exhibits

ITEM	DETAIL
Option prices	US listed S&P 500 ETF options, 6 Nov 2026 close, 4 Dec 2026 expiry; mid of best bid and offer
Legs used	$739 call 15.64; $758 call 6.065; $773 call 2.015; $700 put 6.91; $715 put 9.54; $736 put 15.42
Reference price	$735.82, implied by the options at the close; risk-free rate 4.02%
ETF flows	US ETF daily flows, 12 months to 31 Oct 2026; net flow = money in minus money out
Families	Option income and buffer as in Piece 56; dividend: US equity funds with dividend, income or yield in the name; low-volatility: low or minimum volatility and low beta; defensive: utilities and consumer staples categories; convertibles: convertible bond category

Option prices to 3 decimal places where the mid-point falls on a half cent. Fund counts: dividend 72, option income 114, low-volatility 17, defensive-sector 18, buffer 212 (of which full-protection 17), convertible 3.

More research

- **Five ETFs. Five Different Jobs.** maps option income and buffer ETFs across the US, Europe and the UK.
- **Where the Ladder Sits.** tests autocallable ETF ladders through three market falls.
- **How to Choose a Structured Product.** picks the shape first, then the wrapper.

If you are weighing an options-based product against what you already hold, or building one, we are happy to run the comparison on its live terms with you on a call in the coming weeks.

Three Horizons Capital. Research, not investment advice. Figures before costs and taxes.