



## Hold Bitcoin With a 15.9% Dividend Yield!

### Description

Before I dive in, let me just say that this strategy is actually a conventional financial maneuver and not some bleeding-edge Decentralized Finance (DeFi) gimmick. There is a catch, and I'll mention it clearly at the end of the article. But meanwhile, bear with me as we take a closer look at this intriguing opportunity.

### Bitcoin dividends

A few months ago, Purpose Investments launched a new **Bitcoin** ([CRYPTO:BTC](#)) exchange-traded fund (ETF) called **Purpose Bitcoin Yield Fund** ([TSX:BTCY.B](#)). As the name suggests, the ETF offers a dividend yield on Bitcoin held in reserves.

This yield is generated by a relatively simple strategy: writing call options on BTC holdings. Let me explain. The fund holds a certain number of BTC per unit of the ETF. Managers write short-term covered-call options on a small portion of this BTC reserve. The premiums collected from traders on these short-term options are paid directly to ETF shareholders in the form of [a dividend](#).

Since short-term trading in Bitcoin options is so popular right now, premiums are higher than usual. The fact that very few companies offer Bitcoin options, and the underlying asset is so volatile makes these premiums even more expensive. That's why the ETF's dividend yield is so high right now.

At the time of writing, BTCY.B, which is the version that's not hedged against foreign currency fluctuations, offers a mind-boggling 15.95% dividend yield.

### How risky is this?

The covered-call option isn't as risky as it seems. Call options tend to get exercised when the price of the underlying asset rises. So, if Bitcoin's price surges, traders who bought the call from Purpose will exercise their right. In this case, Purpose must deliver some BTC to the traders *at the higher price*. From Purpose's perspective, some BTC is simply being converted to cash at a profit in this scenario.

If BTC drops, the trader simply never exercises the option, and Purpose gets to keep all the BTC it had originally.

In both scenarios, Purpose enjoys a fixed fee — or premium — collected from the trader when the call option was sold. This hefty fee reduces Purpose's risk and potential losses in both scenarios. The fact that the premiums are shared with retail investors who hold the ETF is icing on the cake.

## What's the catch?

As you can imagine, this complex strategy does have some drawbacks. The biggest one, in my opinion, is that the dividend yield isn't predictable. It's tied to the option trading activity for Bitcoin. Right now, the yield is extremely high, because Bitcoin trading is popular. If traders lose their enthusiasm and the market cools, the premiums might drop, and the dividend yield will ultimately decline.

Another drawback is that the ETF is expensive. The management fee is 1.1% right now, which means your actual net returns may be lower than the headline figure.

### CATEGORY

1. Cryptocurrency
2. Investing

### POST TAG

1. Editor's Choice

### TICKERS GLOBAL

1. TSX:BTCY.B (Purpose Bitcoin Yield ETF)

### PARTNER-FEEDS

1. Business Insider
2. Koyfin
3. Msn
4. Newscred
5. Quote Media
6. Sharewise
7. Smart News
8. Yahoo CA

### PP NOTIFY USER

1. kduncombe
2. vraisinghani

### Category

1. Cryptocurrency
2. Investing

### Tags

1. Editor's Choice

### Date

2025/10/02

### Date Created

2022/01/14

### Author

vraisinghani

default watermark

default watermark