Van Hulzen Asset Management

Downloaded Capture Analysis

For Financial Professional Use Only

VAN HULZEN COVERED CALL STRATEGY

STRATEGY OBJECTIVE

The Strategy's investment objective is to seek total return with less volatility than equity markets in general.

REASONS TO INVEST

Large Cap Blend/Value

Targets Low Volatility

Option and Dividend Income

INVESTMENT STRATEGY

- Investing primarily in dividend-paying common stocks.
- Fundamental process for selecting stocks driven by a return-on-capital framework that provides for quality comparisons of companies across industries, sectors and geography.
- Generate a portfolio income of 6-8% through dividends and option income.
- Risk management: Tolerable-risk models, values-at risk models and stop loss procedures to manage portfolio risk.

HOW TO INVEST

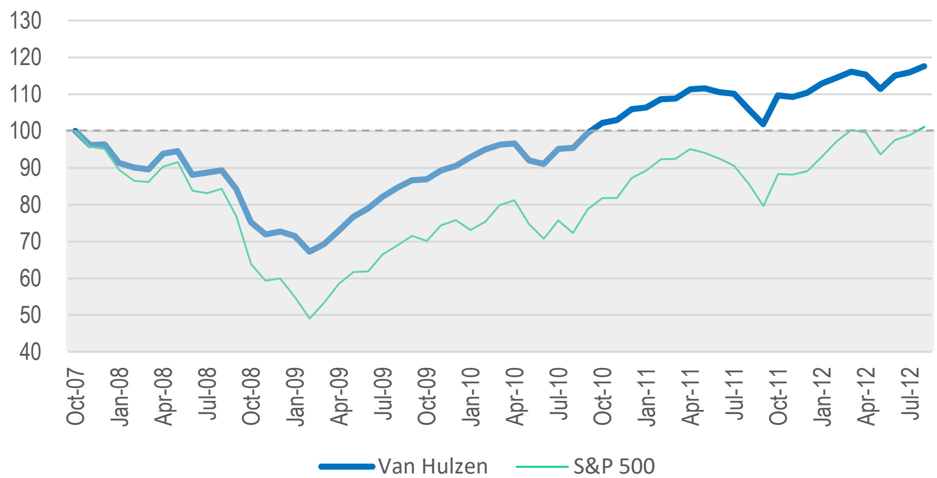
Van Hulzen Asset Management LLC
4370 Town Center Blvd, Suite 220
El Dorado Hills, CA 95762
(916) 608-4284

PORTFOLIO MANAGERS

Craig Van Hulzen
John Pearce
Stefan ten Brink (stefan@vaminvest.com)

How Did the Strategy Perform in 2008-2009?

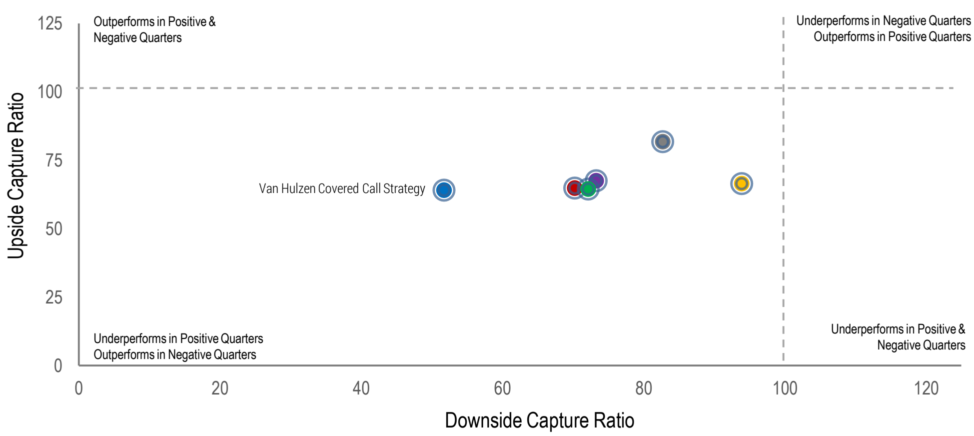
It took **37 months for the S&P 500** index to make up its losses from the 2008-09 stock market crash. The Van Hulzen Covered Call Strategy reached **break-even after 19 months.**



Note: Van Hulzen Returns are gross of fees

Downside Capture Analysis

Most covered call managers have an upside capture ratio of 65-70%. However, downside capture ratios vary more widely. The Van Hulzen Covered Call Strategy has a strong downside capture ratio compared to other SMA managers.



	Upside Capture Ratio	Downside Capture Ratio
Van Hulzen Covered Call Strategy	64.04	51.76
Cullinan Associates DW	67.55	73.30
Connors Investor Covered Call	81.72	82.71
Griffin Asset GAM Covered Call Strategy	64.88	70.23
Willingdon W. M. Covered Call	66.50	93.87
Ziegler Capital FAMCO Covered Call	64.51	72.15

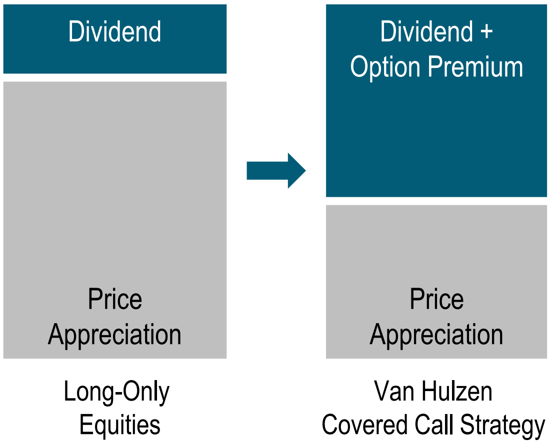
Risk benchmark used for this analysis: Russell 1000
Source: PSN Market Capture Analysis (7 years ending 6/30/2016)

The Essentials of Covered Calls

A Brief Overview of Covered Calls

- A Covered Call Strategy invests in a long portfolio of stocks and covers its positions by selling call options. The net long position of a covered call strategy will by definition be smaller than that of the stock portfolio itself.
- By using a Covered Call Strategy, the goal is to exchange the uncertain upside potential of a stock price (beyond a certain pre-determined target price) for a certain amount of current period income.
- The Covered Call Strategy's goal in using covered calls is to outperform the market over the course of a business cycle. These strategies generally perform best in sideways or downward moving markets but may underperform when markets move dramatically higher.

Re-Shaping Total Return



But Aren't Options Risky?

- Options have the potential to be risky. The option contracts that can get in the most trouble in a downturn (and therefore get the most press) are "naked puts." These are uncovered contracts that may require the seller to buy stocks at higher than market prices after a significant market drop. These positions can also run into liquidity issues, as option prices widen out during times of extreme volatility and can become more illiquid.
- Covered call strategies do not trade put contracts and therefore do not carry liquidity risk. In fact, call options are directionally short and will profit from a market decline, so there is no action necessary unless the manager decides to sell the stock and to close the calls out as well.

Van Hulzen Asset Management, LLC | 4370 Town Center Blvd, Suite 220 | El Dorado Hills, CA 95762
Website: vaminstitutional.com
Head Quarters: (916) 608-4284