Covered Call Commentary

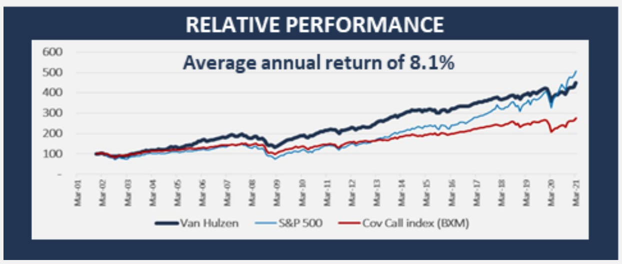
May| 2021

Time To Think Outside The Box

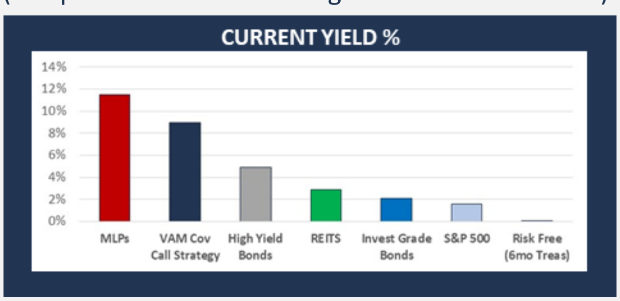
Large Cap Equities With 40% Less Risk & 8%+ Yield Potential

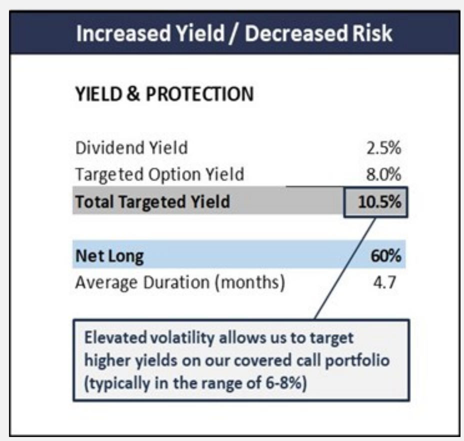
Markets have rarely been more challenging. Equity valuations are stretched, dividends are at all-time lows and bonds face significant headwinds as rates begin to rise after declining for nearly 40 years. It is time to think outside the box, to re-shape your future total returns by adding yield and protection. Covered calls are an extremely versatile strategy that can serve your portfolio's needs in a number of ways:

1. **Total Return Vehicle With Long Term Alpha.**
Over 19+ years, our strategy has nearly matched the return of the S&P 500, at ~40% less risk (Alpha of 2.5% vs SPX) and has out-performed the covered call index (BXM) at much lower risk (Alpha of 3.5% vs BXM).



2. **Source of High Yield In An Income Starved Market.**
Covered calls are one of the few strategies available that can provide an attractive yield without moving out the risk curve (risk profile in line with hedge funds and HY bonds).





3. **Attractive Alternative To Bonds In A Rising Rate Environment.**
Our strategy has the same standard deviation as the high yield bond index (9.3%) but a higher yield and total return (8.1% versus 5.9%). And very low interest rate risk relative to bonds.

	VAM Cov Call	High Yield Bonds
Return	8.1%	5.9%
Std Dev	9.3%	9.3%
Avg Rating	Single A	Single B
Int Rate Risk	Low	High

Key Takeaway

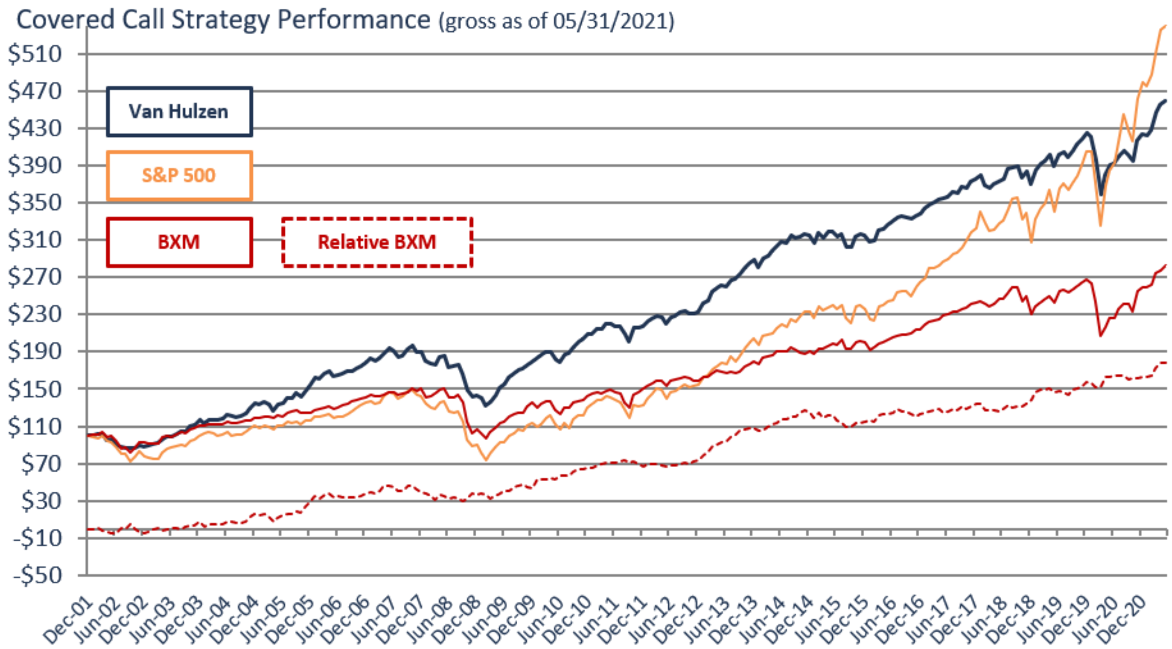
Covered call strategies can be extremely versatile, satisfying varying investment objectives by delivering strong total returns and alpha, valuable downside protection, and attractive yields without the interest rate risk and credit risk of high yield bonds.

There's no question that bonds are going to struggle as interest rates rise. But dividend yields are at all-time lows (approximately 1.2% for the S&P 500 as of this writing). And according to Aswath Damodaran, the NYU professor who is widely known as the "Dean of Valuation," equities are currently priced to deliver returns of 5.8% going forward, the lowest in 60 years (Real Vision interview, June 7, 2021). This is a tough environment, no matter where you look.

But our covered call strategy is currently getting 10%+ yields and carries about 40% less risk than the S&P 500. We believe now is the time to think outside the box.

Van Hulzen Covered Call Strategy

The Van Hulzen Covered Call strategy invests in US companies that we consider to have high shareholder yield (dividends and share repurchases) and uses call options with the goal of reducing portfolio volatility and creating incremental income. The goal is a portfolio that has equity exposure while seeking higher than average annual income (target of 6-8% annual), although there is no guarantee that the strategy will achieve its objective, generate profits or avoid losses. Below you will find the graph of the Van Hulzen Covered Call Strategy and the Covered Call Index BXM.



Returns (annualized)*	May 2021	3M	6M	YTD	1 Year	3 Years	5 Years	7 Years	10 Years	Inception
Van Hulzen (Gross)	1.2%	7.6%	10.4%	8.6%	17.9%	7.3%	7.1%	6.1%	7.7%	8.2%
Van Hulzen (Net)	1.1%	7.5%	10.1%	8.4%	17.4%	6.7%	6.5%	5.5%	6.9%	7.3%
BXM	1.9%	7.4%	10.6%	8.7%	24.3%	4.6%	6.8%	5.8%	6.6%	5.5%
Difference (Gross-BXM)	-0.8%	0.1%	-0.2%	0.0%	-6.4%	2.7%	0.3%	0.3%	1.1%	2.7%

*Inception date : 12/31/2001. Figures greater than one year are annualized. Van Hulzen returns represent actual returns from composite of accounts

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