

Silver Linings in Volatility: Option Premiums Have Surged!

Option premiums increase as volatility increases. That makes today a great time to invest in a covered call strategy. And while there are many new market entrants in the space, the Van Hulzen team has managed a high quality covered call strategy for over 23 years, with an annual alpha of more than 3%.

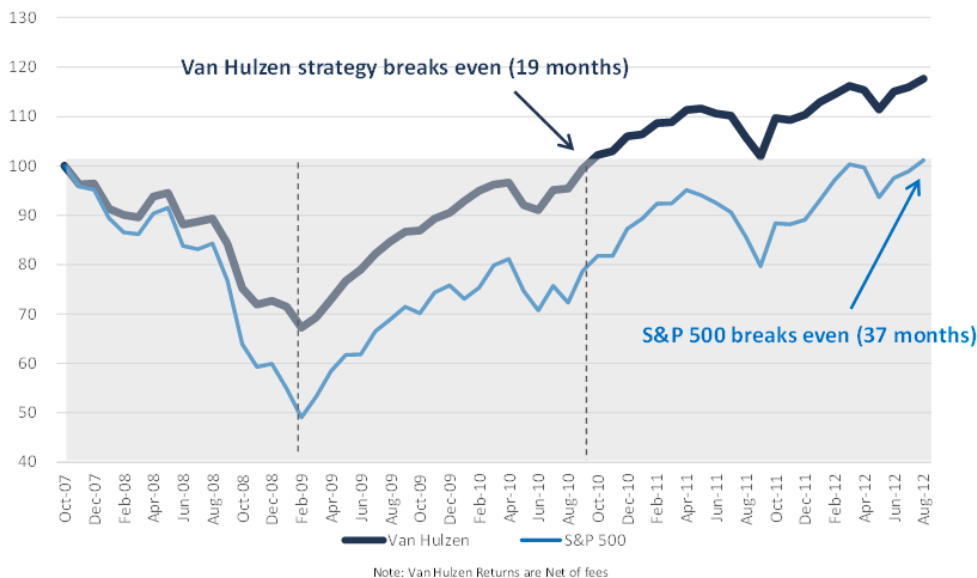
Covered calls are well known for their downside protection, but they can also help investors *get back to all-time highs faster*. Van Hulzen should know...its covered call strategy has snapped back to all-time highs faster than the S&P 500 in 5 of the last 6 selloffs – the lone exception being the post-COVID surge that was fueled by the Fed’s “Unlimited QE” announcement in March 2020.

The table below shows the impact of elevated volatility on option premiums. This analysis, calculated using Bloomberg’s sensitivity tools, shows the premium on January 2026 at-the-money calls on the S&P 500 as of April 7, 2025, at various levels of market volatility (VIX).

VIX	9 month Option Premium
15	5.8%
25	9.3%
30	11.0%
35	12.8%

The Bottom line. A covered call position that yielded just 5.8% in early December, when VIX was at 15, now yields well over 12%.

This is exactly what allowed Van Hulzen to achieve new all-time highs in roughly half the time it took the S&P 500 index after the 2008-09 market sell-off. See below.



Van Hulzen: Your Options Specialists

Options strategies are more relevant than ever—but few RIAs have in-house expertise. That’s where Van Hulzen comes in. We aim to be an extension of your investment team, offering deep options knowledge and hands-on portfolio solutions. Your options specialists.

Our Options Strategies

We manage a wide variety of options solutions for our clients:

1. Covered call strategy

- Capitalize on volatility through enhanced yields and downside protection.
- 23+ year track record with 2.2% annual outperformance vs. benchmark.
- Targets 6-8% yield with ~40% less risk than the S&P 500.

2. Concentrated stock hedging

- Protect large, single-stock positions from company-specific risks.
- Use equity or index options for tailored downside hedging.

3. Index overlay hedge

- Designed for taxable accounts with long-only portfolios.
- Adds yield and hedging benefits without disrupting core positions.

4. Cash-secured put strategy

- Generate yield (6-8%) while waiting to buy quality stocks on dips.
- Sell deep-discount puts on desirable names; cash is reserved for potential assignments.
- Ideal for investors with cash and a cautious outlook.

Let us know how we can support your investment objectives with our customized options strategies.

Q1 Review

The Van Hulzen covered call strategy returned +0.2% in Q1, outperforming both the BXM (-3.1%) and the S&P 500 (-4.2%). The shift away from the Mag 7 into diversified, quality names played to our strengths, with high cash flow ROIs and conservative leverage guiding stock selection.

So far in Q2, performance remains strong. As of early April, the strategy is 430 basis points ahead of BXM and 660 points ahead of the S&P 500.

Defensive names led the way—Exelon, JNJ, Abbvie, Mondelez (all +15%+), and AJ Gallagher. Insurance brokers like AJG continued to outpace underwriters. Tech and consumer discretionary names underperformed.

As always, we have categorized performance into four quadrants based on market environment. The top performers gained 12.7% on average, while the weakest names lost 9.6%. Coincidentally, both categories saw a move of 18.7% in Q1 before factoring in options performance (1.0x upside/downside ratio). Net of options, this ratio improves to 1.3x (12.7/9.6). This is consistent with our long-term edge.

Sideways Moving			
Name	Stock	Options	Net
ADP	4.9%	-1.0%	3.9%
TJX	1.1%	0.4%	1.5%
NDAQ	-1.6%	2.5%	0.9%
LULU	-8.5%	9.3%	0.9%
Median	-0.2%	1.4%	1.2%

Covered Call Better

Declining			
Name	Stock	Options	Net
AVGO	-27.5%	12.9%	-14.6%
NVDA	-19.3%	7.5%	-11.8%
GOOGL	-18.1%	10.7%	-7.4%
ETN	-17.9%	4.1%	-13.8%
Median	-18.7%	9.1%	-9.6%

Covered Call Better

Rising			
Name	Stock	Options	Net
MDLZ	14.4%	-1.3%	13.1%
SLB	9.7%	1.9%	11.6%
MCD	8.4%	-0.6%	7.8%
CSCO	4.9%	-1.9%	3.0%
Median	9.1%	-0.9%	8.1%

Long-Only Slightly Better

Exploding			
Name	Stock	Options	Net
EXC	23.5%	-6.1%	17.4%
AJG	21.9%	-7.7%	14.1%
JNJ	15.5%	-4.9%	10.6%
ABBV	15.2%	-5.9%	9.3%
Median	18.7%	-6.0%	12.7%

Long-Only Better

Stocks vs Options

Dividends	0.4%
Stock price	-0.4%
Options	0.5%
Cov Call Return	0.5%

S&P 500	-4.3%
Cov Call Index (BXM)	-3.1%

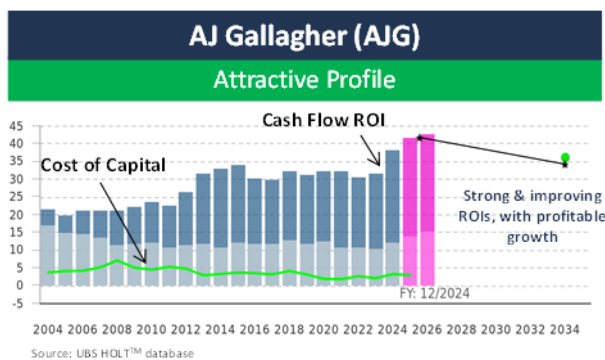
Example Holdings

The team wants to highlight two example holdings this quarter to give clients a sense for the stock selection process. These holdings are presented below and compared to less attractive competitors in the same industry.

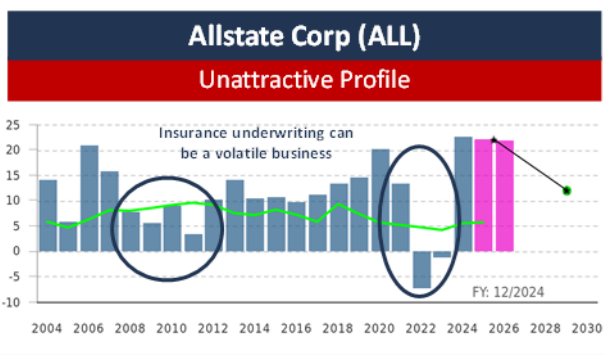
AJ Gallagher

AJ Gallagher (AJG) is an insurance broker that has consistently improved its ROI while growing the business profitably, both organically and through acquisition. This combination has allowed AJG to outperform the S&P 500 by 5x over the last 20 years. By comparison, Allstate (ALL) has been an inconsistent performer that has had to restructure several times over the past 20 years and has not outperformed the index.

INSURANCE EXAMPLE



AJG has *outperformed* the market by 5x over the past 20 years

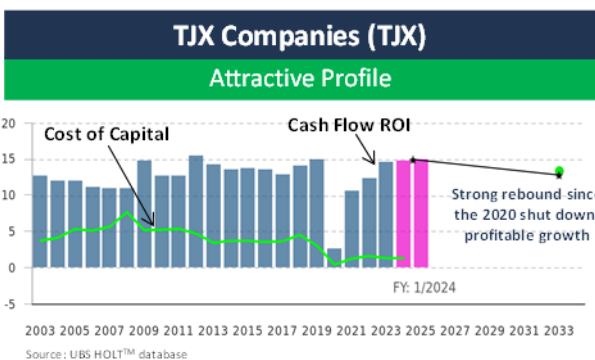


ALL has been a market performer over the past 20 years

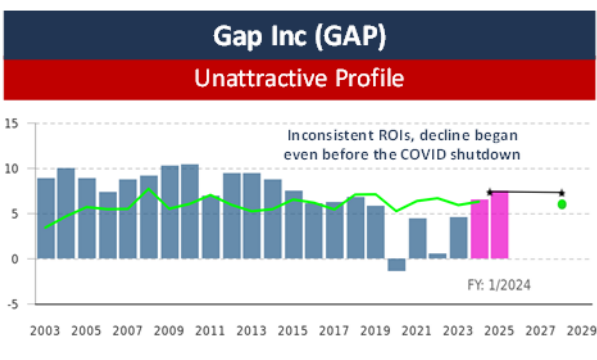
TJX Companies

TJX is an off-price retailer with a strong and consistent ROI and track record of profitable growth. TJX made an impressive rebound from the COVID shutdown and is back to all-time high ROIs. By comparison, GAP was beginning to falter even before COVID and has struggled to recover. TJX has outperformed the S&P 500 by 4x over the past 20 years, while GAP has delivered just 40 cents on the dollar.

RETAIL EXAMPLE



TJX has *outperformed* the market by 4x over the past 20 years

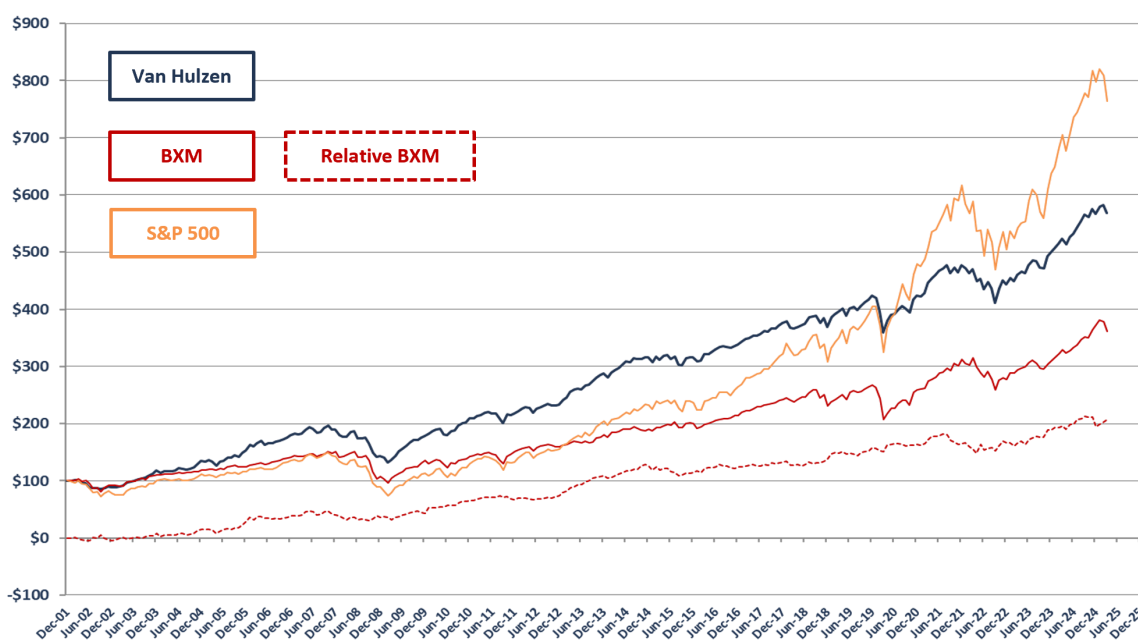


GAP has delivered 40 cents on the dollar over the past 20 years

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.

Covered Call Strategy Performance (gross as of 03/31/2025)



Returns (annualized)*	Mar 2025	3M	6M	YTD	1 Year	3 Years	5 Years	7 Years	10 Years	Inception
Van Hulzen (Gross)	-2.4%	0.2%	0.5%	0.2%	8.4%	6.5%	9.6%	6.5%	6.2%	7.8%
Van Hulzen (Net)	-2.4%	0.1%	0.2%	0.1%	7.8%	5.9%	9.0%	5.9%	5.6%	6.9%
BXM	-4.6%	-3.1%	2.5%	-3.1%	9.8%	4.6%	11.7%	6.1%	6.4%	5.7%
Difference (Gross-BXM)	2.3%	3.3%	-2.0%	3.3%	-1.4%	1.9%	-2.1%	0.4%	-0.3%	2.1%
S&P 500	-5.6%	-4.3%	-2.0%	-4.3%	8.3%	9.1%	18.6%	13.2%	12.5%	9.1%

*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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