Covered Call Commentary

June | 2025

Continued Outperformance In An Uncertain Macro Environment

Overview

U.S. equities posted strong gains in the second quarter of 2025, marked by a swift rebound from early-April tariff-driven declines, renewed enthusiasm for mega-cap technology stocks, and rising expectations of Federal Reserve rate cuts. The index reached new all-time highs in June, signaling resilient investor optimism amid a still-evolving macroeconomic backdrop.

Van Hulzen's covered call strategy has performed extremely well in 2025, outperforming its benchmark by a whopping 4.1% in Q2 and 7.5% year to date.

Market Drivers

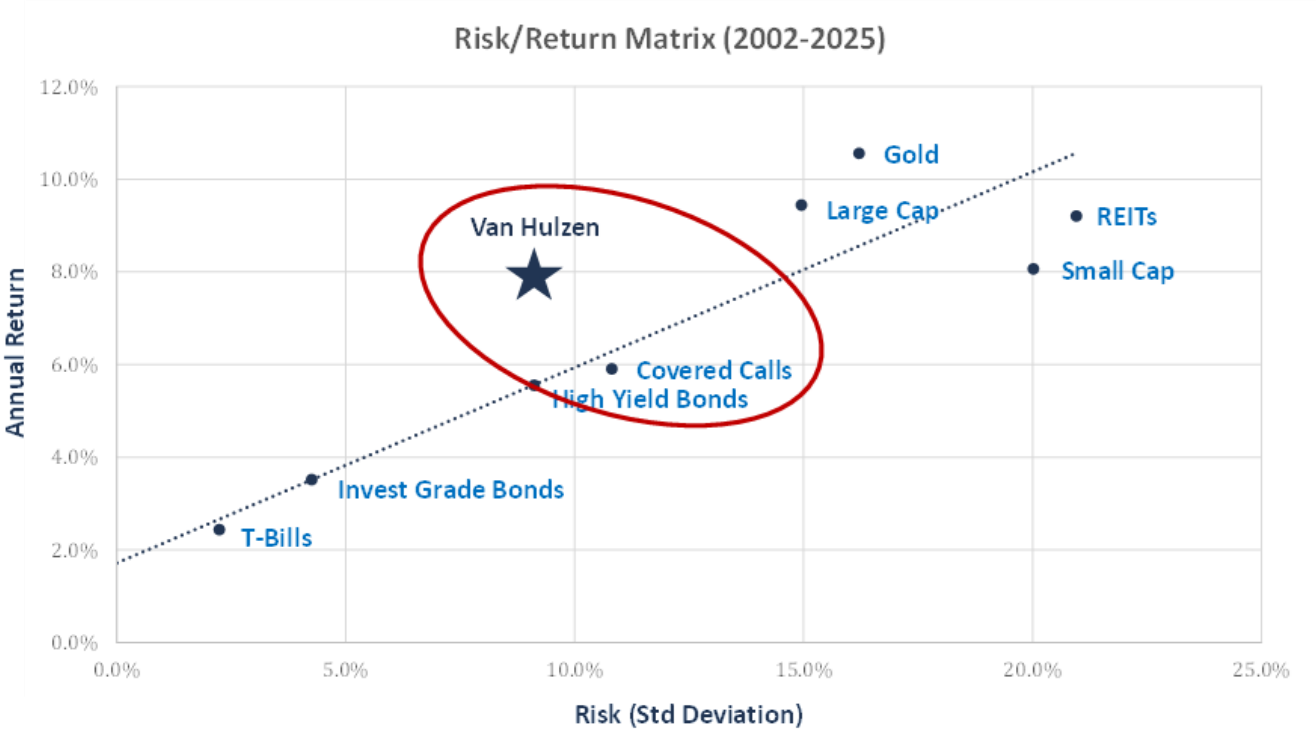
Monetary Policy Recalibration: The Federal Reserve left interest rates unchanged during the quarter but signaled a more dovish stance for the second half of the year. Recent data showing slower wage growth and a softening labor market reinforced expectations for one or two rate cuts before year-end. This pivot provided support to both equity valuations and investor sentiment.

Earnings Season: Second-quarter earnings reports were mixed but better than feared. Mega-cap technology stocks continued to lead with robust profit growth, especially in AI infrastructure and cloud services. Conversely, more cyclical sectors such as materials and energy lagged, reflecting global demand uncertainty and commodity price softness.

Leadership Narrowing Again: While broader market participation improved slightly in April and May, performance remained top-heavy. The "Magnificent Seven" tech giants continued to drive a disproportionate share of index gains. Notably, Broadcom, Nvidia and Microsoft were standout performers, while Tesla and Apple saw more muted results.

Leverage A Major Factor Over The Long Run

Our team places significant emphasis on leverage risk in our stock selection process—and with good reason. In a recent study of the S&P 500, we sorted the index into quintiles based on leverage and analyzed total shareholder returns (TSRs) over various periods. The results were compelling: with the exception of the most recent 6-month stretch—which featured a short-lived "junk rally"—the most highly levered companies (the bottom two quintiles) have consistently underperformed. We intentionally avoid these over-leveraged names. We believe that our disciplined focus on leverage has been a key contributor to our alpha generation over time, enabling us to deliver stronger returns with lower risk relative to our covered call benchmark (see below Risk/Return analysis, since inception).



Data source: Portfoliovisualizer.com (T-Bills: Vanguard Short Term Treasury Fund (VFISX); Invest Grade Bonds: iShares Investment Grade Corporate Bond ETF (LQD); High Yield Bonds: Vanguard High Yield Corporate Fund (VWEHX); Gold: SPDR Gold Shares (GLD); Large cap: Vanguard 500 Index Fund (VFINX); Small Cap: Vanguard Small Cap Index Fund (NAESX); Vanguard REIT Index Fund (VGSIX

YTD Performance Review

We posted a strong second quarter, generating a return of 6.0%, compared to just 1.9% for the CBOE S&P 500 BuyWrite Index (BXM) and 3.7% for the High Yield Bond Index (IBOXHY). Year to date, our strategy is up 6.2%, versus -1.3% for the BXM and +4.9% for High Yield Index. We are very pleased with these results.

Performance was broad-based across the portfolio. Among the top contributors were value names like IBM and Mondelez (MDLZ), as well as growth leaders like Broadcom (AVGO) and Nvidia (NVDA). Notably, the portfolio's "Exploding" stocks captured over 90% of the underlying upside, while "Rising" stocks delivered slightly more than 100% upside participation compared to their long-only counterparts. Clearly, this year's market volatility has worked to the strategy's advantage.

Sideways Moving

Name	Stock	Options	Net
KMI	3.4%	0.1%	3.5%
AMZN	1.8%	2.4%	4.2%
ITW	0.1%	0.2%	0.3%
PG	-2.8%	0.6%	-2.2%
Median	**0.9%**	**0.4%**	**1.9%**

Covered Call Better

Declining

Name	Stock	Options	Net
BDX	-28.9%	1.9%	-27.0%
TSLA	-19.6%	8.4%	-11.3%
DHR	-10.1%	2.5%	-7.6%
LULU	-8.5%	9.3%	0.9%
Median	**-14.9%**	**5.4%**	**-9.5%**

Covered Call Better

Rising

Name	Stock	Options	Net
ADP	7.2%	0.3%	7.5%
LRCX	6.9%	-3.1%	3.9%
XOM	6.1%	0.0%	6.1%
CB	3.7%	1.3%	5.0%
Median	**6.5%**	**0.2%**	**6.7%**

Covered Call Better

Exploding

Name	Stock	Options	Net
IBM	38.9%	-17.3%	21.6%
AVGO	29.6%	-5.1%	24.5%
MDLZ	20.1%	0.5%	20.6%
NVDA	18.7%	4.7%	23.3%
Median	**24.9%**	**-2.3%**	**22.6%**

Long-Only Slightly Better

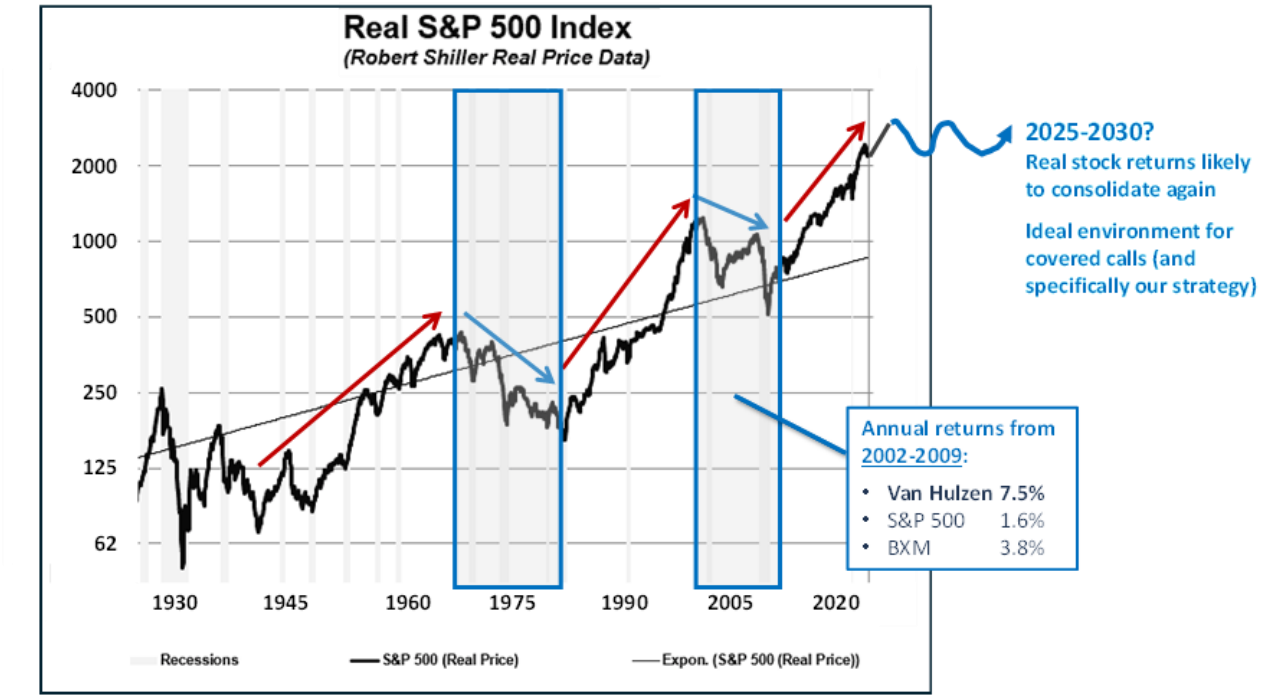
Looking Ahead

The second half of 2025 presents a complex backdrop: slowing economic growth, potential Fed easing, and continued uncertainties around trade policy. While valuations remain elevated in parts of the market, particularly among mega-cap tech, fundamentals for large-cap companies overall appear resilient. Key risks include earnings disappointments, geopolitical instability, and a reacceleration of inflation.

We continue to favor high-quality, cash-flow-generative businesses with pricing power and strong balance sheets. And below average leverage! Portfolio positioning remains balanced, with selective exposure to growth and value, and an emphasis on risk management as volatility could pick up into year-end after a strong first half.

Turn To Covered Calls During Periods of Consolidation

Markets move in cycles. Extended bull markets are often followed by multi-year periods of consolidation. After the strong gains of the 1950s and ’60s, markets traded sideways through the 1970s and early ’80s. The same pattern repeated in the 2000s following the 1990s bull market (see chart below). There’s a strong chance we’re in another consolidation phase—potentially lasting five years or more. In fact, one could argue it began in late 2021.

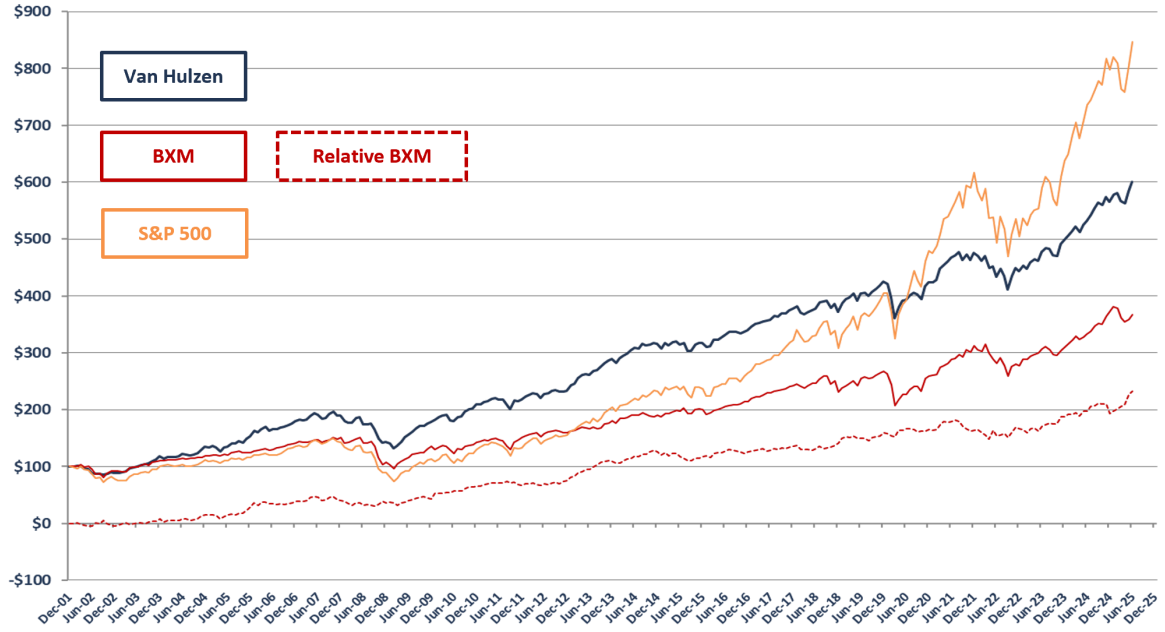


Our strategy, launched in 2001, didn't participate in the 1970s cycle, but it thrived during the 2000s. Over that decade, we delivered a 7.5% annualized return—outpacing the S&P 500 (1.6%) and the covered call index (BXM, 3.8%). With the Fed likely to continue printing money, traditional assets like bonds and real estate may continue to struggle—as they did in the 1970s. Covered calls, however, offer a compelling alternative: steady income, market participation, and downside protection.

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 06/30/2025)



Returns (annualized)*	Jun 2025	3M	6M	YTD	1 Year	3 Years	5 Years	7 Years	10 Years	Inception
Van Hulzen (Gross)	2.8%	6.0%	6.2%	6.2%	13.0%	11.4%	8.9%	6.9%	6.7%	7.9%
Van Hulzen (Net)	2.8%	5.8%	5.9%	5.9%	12.3%	10.6%	8.1%	6.1%	6.0%	7.0%
BXM	2.7%	1.9%	-1.3%	-1.3%	10.2%	9.4%	10.2%	5.9%	6.4%	5.7%
Difference (Gross-BXM)	0.1%	4.1%	7.5%	7.5%	2.8%	2.0%	-1.3%	1.0%	0.3%	2.2%
S&P 500	5.1%	10.9%	6.2%	6.2%	15.2%	19.7%	16.6%	14.4%	13.6%	9.5%

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