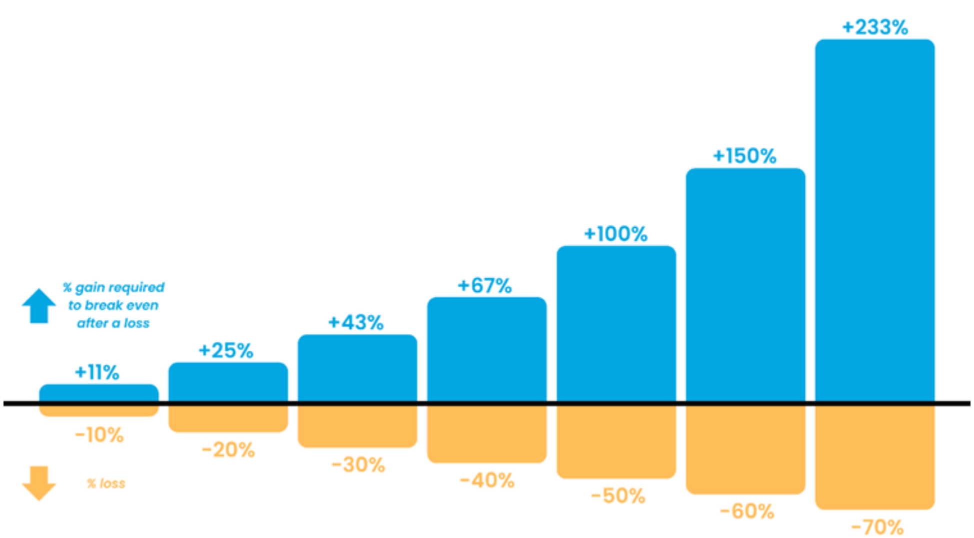
Bulletin: Read Before the Next Market Pullback

Digging Out of Holes Is Stressful – And Difficult

We all remember the turmoil of Tarriff Day this past April. And the sell-off of 2022. And, of course, 2008-2009. It is stressful to see your investments drop in value. Magnifying that pain is the reality of the future returns required to make those losses back.

We often overlook this until it's too late, but the arithmetic is simple:

- A 20% decline requires a 25% gain just to get back to even.
- A 50% loss (like we saw in 2008–2009) requires a 100% gain—a full double—to recover. That took over three years.
- A 70% drop, like the Nasdaq experienced in 2000–2002, demands a 233% gain (!!) to break even. That recovery took more than 12 years.



Source: trading212.com

Now, we're not suggesting that a decline of that magnitude is on the near-term horizon. Regulatory institutions have shown a clear tendency to react quickly when markets start falling sharply. But... the math is the math—and only *you* can decide how much pain you're willing to tolerate if/when things take a turn.

Limiting Declines and Halving the Time to New Highs

The good news? It is possible to reduce downside pain by more than 40% and cut recovery time in half. Van Hulzen's covered call strategy has delivered 82% of the S&P 500's return since inception (7.9% annually versus 9.6%) while significantly limiting downside risk.

Since the strategy launched in 2001—over 24 years—there have been seven S&P 500 declines of more than 10%. The average S&P decline across those periods was -22.0%, while the Van Hulzen covered call strategy averaged only -12.7%. That's 42% downside protection. See table below.

	ABSOLUTE RETURN				DOWNSIDE CAPTURE		
Time Period	S&P 500	BXM	HYG	VAM	BXM	HYG	VAM
A) October 2007 - February 2009	-50.9%	-35.8%	-23.7%	-33.7%	70%	47%	66%
B) April 2010 - August 2010	-10.9%	-4.3%	-2.2%	-1.8%	39%	21%	16%
C) April 2011 - September 2011	-16.3%	-12.2%	-7.2%	-8.7%	75%	44%	54%
D) September 2018 - December 2018	-13.5%	-10.8%	-4.2%	-5.1%	80%	31%	38%
E) February 2020 - March 2020	-19.6%	-21.3%	-12.0%	-14.6%	109%	61%	74%
F) January 2022 - September 2022	-23.9%	-17.0%	-14.4%	-13.7%	71%	60%	57%
G) February 2025 - April 2025 (daily)	-18.7%	-15.5%	-3.2%	-11.4%	83%	17%	61%
AVERAGE	**-22.0%**	**-16.7%**	**-9.6%**	**-12.7%**	**75.4%**	**40.2%**	**52.4%**

Source: Van Hulzen Asset Management

Reducing downside means recovering to new highs faster. On average, Van Hulzen has reached new highs in half the time it took the broader market:

- After the 2008–2009 crash, Van Hulzen recovered in 19 months, versus 37 months for the S&P
- After this April's decline, our recovery took just 38 days, compared to 79 days for the S&P

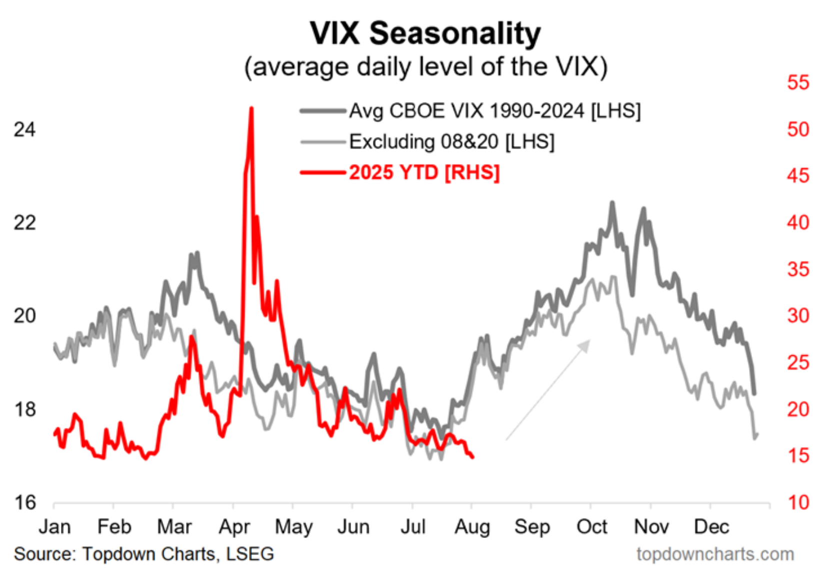
Near Term Outlook

The record rally since the April low has pushed markets back to all-time highs, while the volatility index (VIX) has collapsed from 60 to 17 (see below).

Soure: Yahoo Finance

This alone is not necessarily a warning sign, however, as strong momentum can lead to extended periods of calm. However, seasonality suggests we may be due for some turbulence.

As shown in the chart below, VIX compression like we've seen in Q2 is typical—and it's often followed by a 2–3 month stretch of elevated volatility before calming again in Q4. There's no guarantee this year will follow the script, but it's a pattern worth keeping in mind.



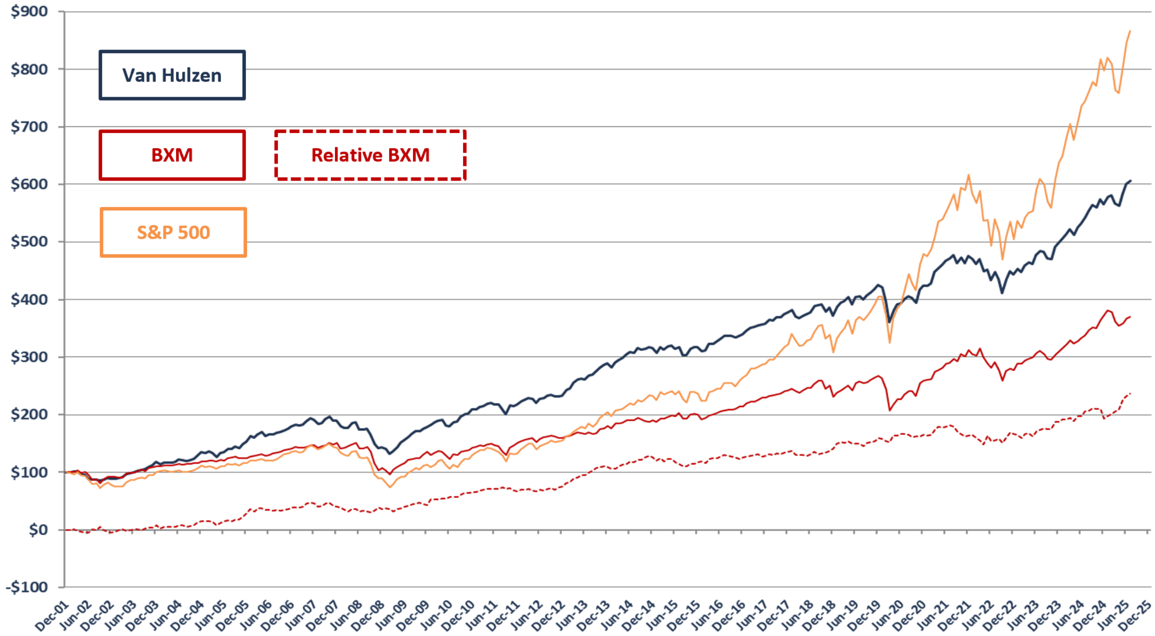
So, what's the best move?

Stay alert. Stay flexible. Or shift to our covered call strategy — and focus on living life, not watching every market tick.

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 07/31/2025)



Returns (annualized)*	Jul 2025	3M	6M	YTD	1 Year	3 Years	5 Years	7 Years	10 Years	Inception
Van Hulzen (Gross)	1.0%	7.8%	5.0%	7.3%	11.8%	10.7%	8.6%	6.6%	6.7%	7.9%
Van Hulzen (Net)	0.9%	7.6%	4.6%	6.9%	11.0%	9.9%	7.9%	5.8%	5.9%	7.1%
BXM	0.7%	4.3%	-2.7%	-0.5%	9.8%	8.3%	9.5%	5.5%	6.2%	5.7%
Difference (Gross-BXM)	0.3%	3.4%	7.6%	7.8%	2.0%	2.4%	-0.9%	1.0%	0.5%	2.2%
S&P 500	2.2%	14.2%	5.6%	8.6%	16.3%	17.1%	15.9%	14.2%	13.7%	9.6%

*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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