

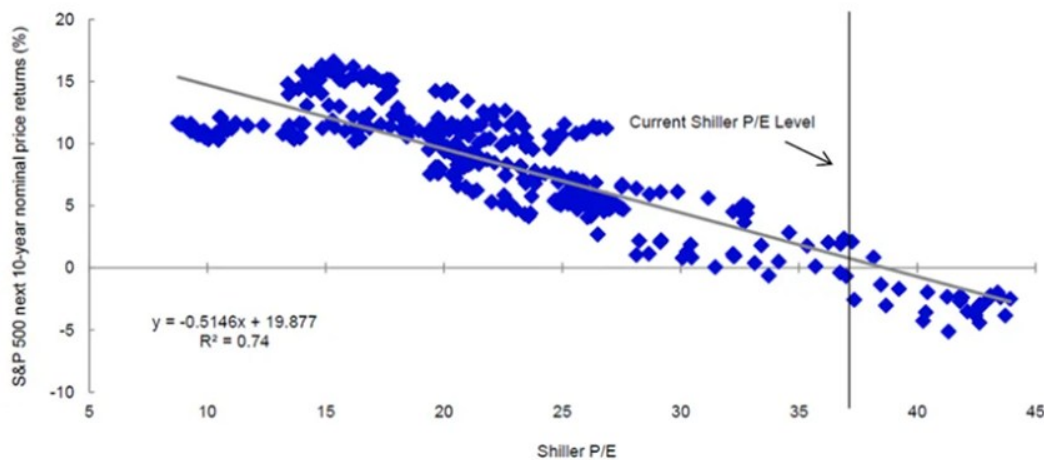
Covered Call Strategies Continue to Gain Popularity

P/E Multiples Back To 2021 Levels

Q3 2025 closed with a fresh leg higher in U.S. stocks, led by AI/technology and a late-quarter bounce as rate-cut expectations firmed. The S&P 500 and Nasdaq posted strong September gains – one of the best Septembers in recent years. Corporate fundamentals were healthy: analysts' consensus showed modest EPS growth for Q3 and many companies beat estimates, which supported risk assets.

The strong index returns drove P/E multiples back to 2021 levels – a 25 year high. According to the Shiller P/E model (below), which has a strong (74%) correlation with future returns, the expected annualized return for the next 10 years is now just 0.5%!

Figure 4 – Shiller P/E and S&P 500 10-year annualised forward returns since 1983



Notes: Data as of 28 February 2025. **Past performance is no guarantee of future results.** We use monthly data from January 1983. See appendix for the definition of the Shiller P/E. Future returns are calculated using monthly average values for the S&P 500 index.

Source: LSEG Datastream, Robert Shiller, Invesco Global Market Strategy Office

Clients Are Looking to Protect Their Long-Term Gains

Laura Matthews of *Reuters* recently wrote:

“For investors with portfolios of individual company stocks, Wall Street's record-breaking rise is boosting the attractiveness of an options strategy that helps them hedge single stock risks while earning some income as they diversify their portfolios.

While the use of covered calls is not new, portfolio managers said they are finding growing adoption of the strategy among individual investors with large positions in big tech stocks, baby boomers and corporate executives with legacy holdings gained from being paid in company shares.

One way advisors and managers are approaching the growth of their clients' single stock exposure is by using customized covered calls that let investors slowly sell out of stocks and diversify their holdings, as well as manage taxes.”

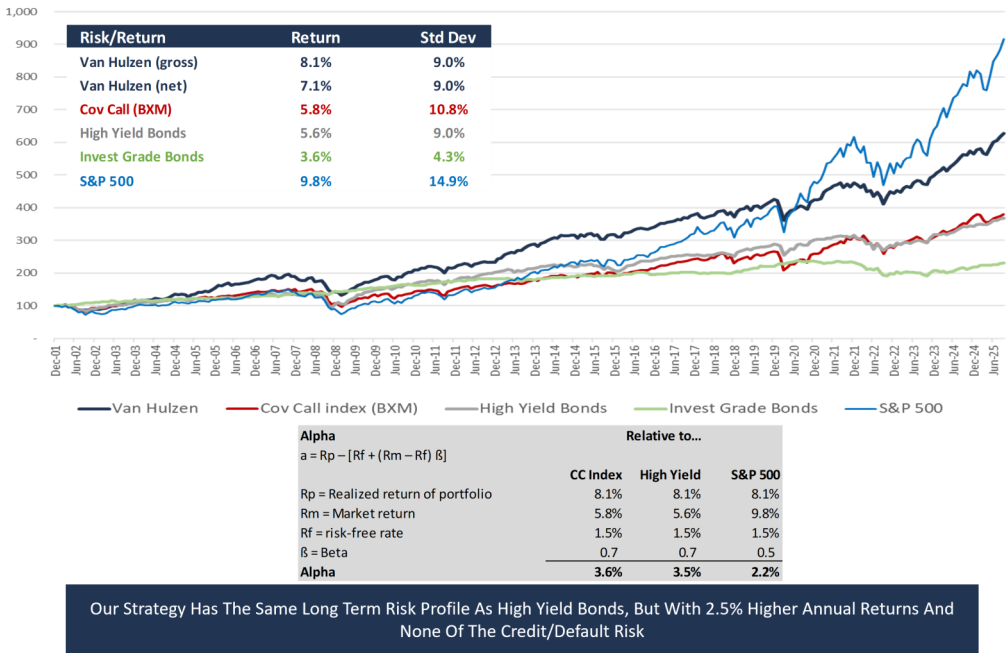
Van Hulzen’s Approach

Whether you are looking to add downside protection to a large, concentrated position or incorporate a covered call approach in a diversified portfolio, Van Hulzen is here to help.

While there are a growing number of new entrants in the space, we are seasoned veterans with a **23+ year GIPS-verified track record with a 3.6% alpha** relative to our primary covered call benchmark (BXM) and a 2.2% alpha relative to the S&P 500. See below. Contact the team for a copy of the full presentation.

Van Hulzen Covered Call Strategy

Long Term Track Record (Through September 30, 2025)



How Covered calls behave in different market environments

It is, of course, important to understand that covered calls do not *always* out-perform. The illustration below, which we call the “Four Quadrants,” shows how covered calls behave relative to their underlying long-only securities in different market environments.

These examples are drawn from actual client holdings during Q3 2025. As you can see, covered calls typically do better than long-only equities in 3 of the 4 quadrants. The exception is the “Exploding” quadrant, where stocks have rallied sharply and options will drag on performance. Most clients see this as a reasonable trade-off, however, given the downside protection and relative strength covered calls provide in the other three environments.

Sideways Moving

Name	Stock	Options	Net
CSCO	-0.8%	2.5%	1.7%
META	-0.4%	2.5%	2.1%
AMZN	0.1%	2.4%	2.5%
DHR	0.5%	0.8%	1.4%
Median	-0.2%	2.4%	1.9%

Covered Call Better

Declining

Name	Stock	Options	Net
ROP	-11.9%	1.0%	-10.9%
DIS	-7.3%	5.3%	-1.9%
SYK	-6.3%	2.9%	-3.4%
KO	-5.5%	2.6%	-3.0%
Median	-6.8%	2.7%	-4.1%

Covered Call Better

Rising

Name	Stock	Options	Net
ETN	5.1%	-2.6%	2.4%
EXC	4.6%	0.5%	5.1%
MCD	4.6%	0.4%	5.0%
MSFT	4.3%	0.4%	4.7%
Median	4.6%	0.4%	5.0%

Covered Call Better

Exploding

Name	Stock	Options	Net
TSLA	40.0%	-7.7%	32.3%
GOOGL	38.1%	-20.2%	17.9%
JNJ	22.2%	-5.0%	17.3%
AVGO	19.9%	-8.2%	11.7%
Median	30.2%	-7.9%	22.2%

Long-Only Better

Investment Outlook

Short term (next 3–6 months)

If the Fed continues cutting or signals easier policy, equity volatility may compress and markets can trend higher — an environment in which covered calls often lag. But if the cuts are followed by macro surprises (growth weakening, geopolitical shocks, or inflation blips) that re-inflate volatility, covered calls and option overlays will look more attractive as defensive, income-generating approaches.

Medium term (1–2 years)

Structural drivers are likely to favor continued interest in hedged equity products, particularly covered calls. Active management is likely to be critical, with manager experience and track record becoming increasingly important as investor enthusiasm for passive growth strategies wanes.

Longer term (3-5 years)

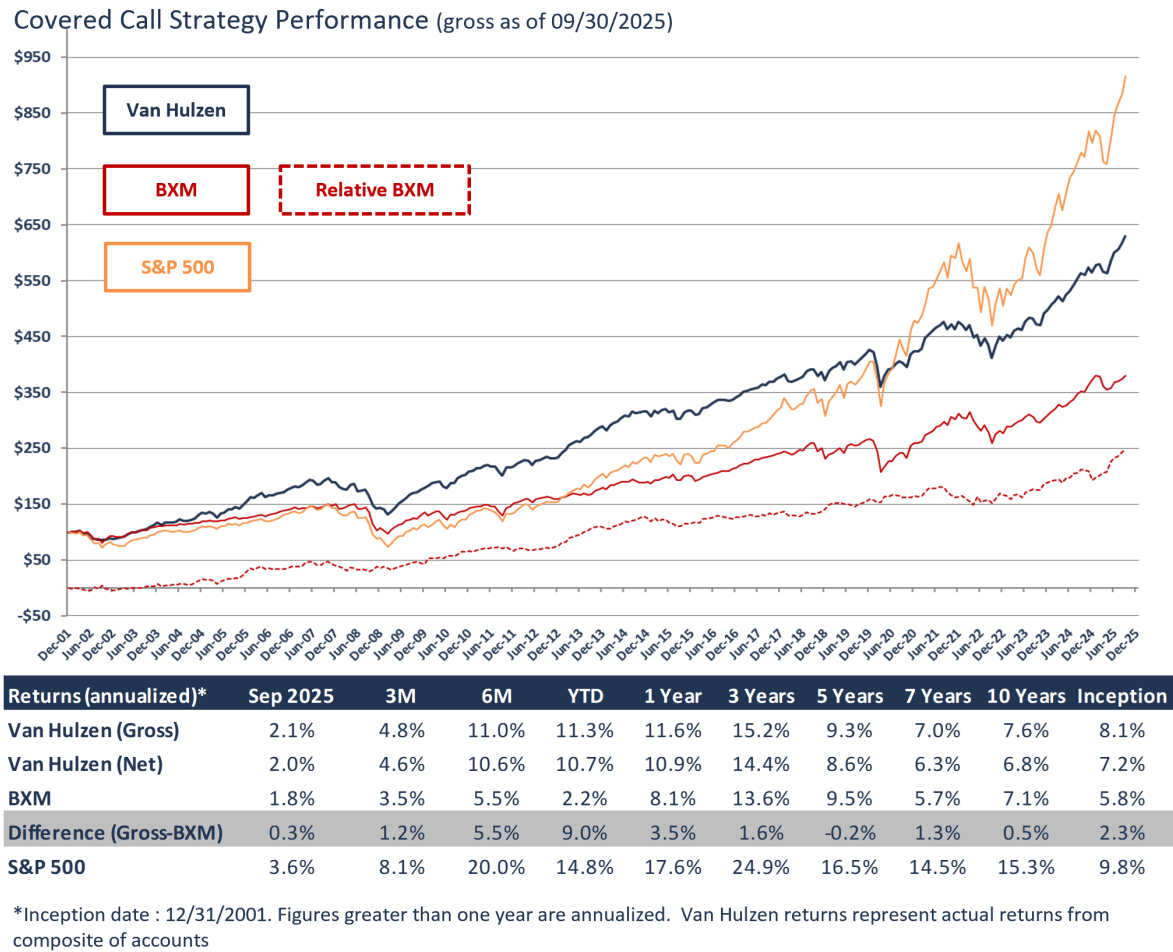
At today's elevated valuations, some degree of market consolidation over the next 3–5 years seems inevitable. In a sideways consolidation, covered calls are well-positioned to outperform. And in periods of market weakness, option strategies can be among the few parts of a portfolio generating positive returns.

Bottom Line

- The macro environment is changing rapidly.
- AI has driven major indices to historically rare valuation levels—while this trend may persist near-term, consolidation is ultimately inevitable.
- More investors are turning to the options market, particularly covered calls, for incremental income and downside protection.
- With many new entrants in the industry, selecting an experienced manager with a long, successful track record is critical.
- Whether you need to hedge a concentrated position or seek a diversified, income-oriented strategy with industry-leading risk-adjusted returns, Van Hulzen stands ready to help.

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.



The foregoing content reflects the opinions of Van Hulzen Asset Management and is subject to change at any time without notice. Content provided herein is for informational purposes only and should not be used or construed as investment advice or a recommendation regarding the purchase or sale of any security. There is no guarantee that these statements, opinions or forecasts provided herein will prove to be correct. Past performance is not a guarantee of future results. Indices are not available for direct investment. Any investor who attempts to mimic the performance of an index would incur fees and expenses which would reduce returns. All investing involves risk including the potential for loss of principal. There is no guarantee that any strategy will be successful. The CBOE S&P 500 BuyWrite Index (BXM) is a benchmark index designed to track the performance of a hypothetical buy-write strategy on the S&P 500 Index. The BXM is a passive total return index based on (1) buying an S&P 500 stock index portfolio, and (2) "writing" (or selling) the near-term S&P 500 Index (SPXSM) "covered" call option, generally on the third Friday of each month. The S&P 500 Index consists of 500 stocks chosen for market size, liquidity, and industry group representation. It is a market-value weighted index (stock price times number of shares outstanding), with each stock's weight in the Index proportionate to its market value. It is widely used as a benchmark of U.S. equity performance. It is not possible to invest directly in an index.