Covered Call Commentary

December | 2025

Strong Year In The Books

2025 was a strong year for equity markets, marked by resilient economic growth, easing inflation pressures, and continued enthusiasm around productivity-enhancing technologies. U.S. equities delivered solid gains, supported by expanding earnings, improving financial conditions, and investor confidence that the economy could slow without stalling. While leadership narrowed at times, markets broadly rewarded risk-taking as fears of recession repeatedly failed to materialize.

Our covered call strategy had a good year, returning 13.2% versus 8.9% and 8.8%, respectively, for its two primary benchmarks (the CBOE covered call index and the high yield bond index). The S&P 500 delivered a 17.8% return but at a 60% higher standard deviation than our strategy.

Several of our key themes played out during 2025. Tarriff fears proved short-lived. Economic growth was more durable than expected, even as monetary policy remained restrictive. Corporate balance sheets stayed healthy, labor markets cooled without breaking, and earnings growth re-accelerated after a soft patch. At the same time, valuations remain elevated, rates are at 15year highs, and geopolitical risks are expanding seemingly by the day.

This balance between opportunity and caution could define 2026. One bullish factor that could tip the scales: the Fed has to expand its balance sheet in order to fund its interest payments. And while the idea of QE has negative connotations, some economists are calling for a “gradual print” whereby the Fed buys up a percentage of each treasury bond offering. This, combined with deregulation to allow banks to increase lending capacity, could provide the liquidity the market needs to continue higher, albeit at a slower pace.

Notable Highlights for 2025

As always, we present portfolio performance by grouping holdings into four distinct categories, or quadrants, to illustrate how covered call strategies perform across different market environments: sideways, declining, moderately rising, and sharply rising markets (see table below).

Holdings in the sideways category generated little to no price appreciation in 2025, but benefited from a net options yield of 3.2%, resulting in positive total returns. The weakest performers experienced price declines of 14.8%; however, option premiums helped offset approximately one third of those losses. At the other end of the spectrum, the strongest performers delivered annual returns exceeding 57%. While a hedged strategy like ours will not capture the full extent of such upside, we were able to participate in a meaningful portion of those gains.

The most important category, and where disciplined execution matters most, consists of stocks with moderate price appreciation. In these cases, our objective is to structure options in a way that does not impede equity gains. On average, we achieved this outcome. The category posted an average price gain of 8.4%, with call options generally accretive to total returns, contributing more gains than losses.

Sideways Moving			
Name	Stock	Options	Net
DHR	2.3%	5.2%	7.5%
KMI	2.2%	3.3%	5.5%
ETN	-3.1%	0.4%	-2.7%
ITW	-3.5%	3.0%	-0.5%
Median	**-0.4%**	**3.2%**	**2.7%**

Covered Call Better

Declining			
Name	Stock	Options	Net
NKE	-19.7%	7.3%	-12.4%
NFLX	-15.8%	3.1%	-12.6%
ROP	-13.8%	3.9%	-9.9%
ADP	-10.3%	5.6%	-4.7%
Median	**-14.8%**	**4.8%**	**-10.0%**

Covered Call Better

Rising			
Name	Stock	Options	Net
V (Visa)	11.4%	-1.4%	10.0%
AAPL	9.0%	-1.7%	7.2%
AMZN	5.2%	8.0%	13.2%
MCD	7.9%	4.1%	12.0%
Median	**8.4%**	**1.3%**	**9.8%**

Covered Call Better

Exploding			
Name	Stock	Options	Net
LRCX	71.9%	-54.6%	17.4%
GOOGL	66.4%	-38.2%	28.2%
JNJ	47.4%	-15.9%	31.5%
AVGO	49.1%	-13.0%	36.0%
Median	**57.7%**	**-27.1%**	**30.7%**

Long-Only Better

Source: Bloomberg , Tamarac

Overall, it was a strong year for the strategy. The blended attribution for the portfolio was as follows. We achieved 75% of the S&P 500's return at 40% less risk.

COVERED CALL STRATEGY
Attribution: Full Year 2025

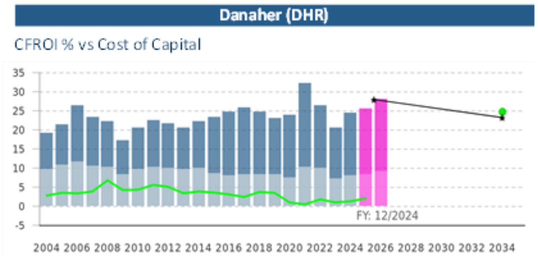
Dividends	1.5%
Stock price	14.9%
Options	-3.2%
Cov Call Return	13.2%
Cov Call Index (BXM)	8.9%
S&P 500	17.8%

Source: Bloomberg , Tamarac

Specific Examples for each Quadrant

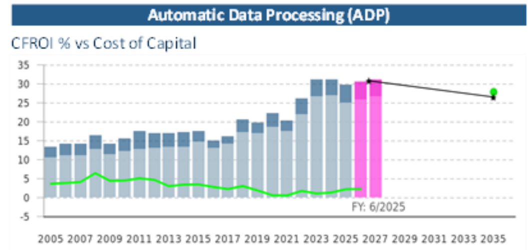
We thought we'd profile an example from each of these quadrants, showing its Cash Flow ROI chart and total return attribution. See below.

Sideways Moving



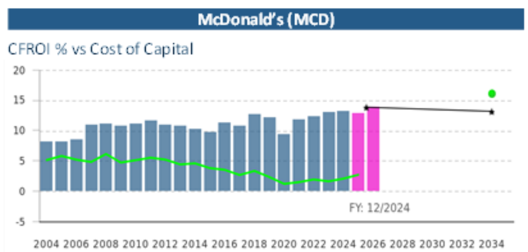
DHR	
Stock price	2.3%
Options	5.2%
Total Return	7.5%

Declining



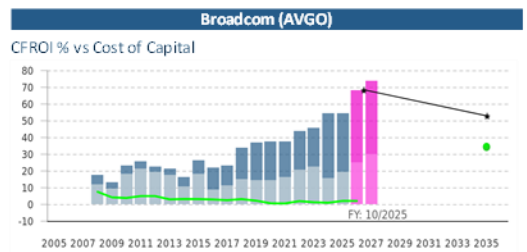
ADP	
Stock price	-10.3%
Options	5.6%
Total Return	-4.7%

Rising



MCD	
Stock price	7.9%
Options	4.1%
Total Return	12.0%

Exploding



AVGO	
Stock price	49.1%
Options	-13.0%
Total Return	36.0%

Source: Bloomberg , Tamarac, UBS Holt

All of these charts have one thing in common: they all show strong and improving Cash Flow ROIs, well above the cost of capital. These are among the most profitable companies in the world. Our holdings can find themselves in each of the four quadrants at various times, but they are all long term winners. This is our trademark.

2026 Outlook: Choppy Road Ahead, Stay Invested but Hedge Your Bets

Looking ahead, we enter the coming year with cautious optimism. The backdrop remains constructive: inflation has moderated meaningfully from its peak, central banks are closer to the end of their tightening cycles, and earnings growth expectations remain positive. However, after several years of strong equity performance, markets are less forgiving. Valuations in parts of the market are full, policy uncertainty remains elevated, and returns are likely to be more uneven than what investors experienced during the most recent rally.

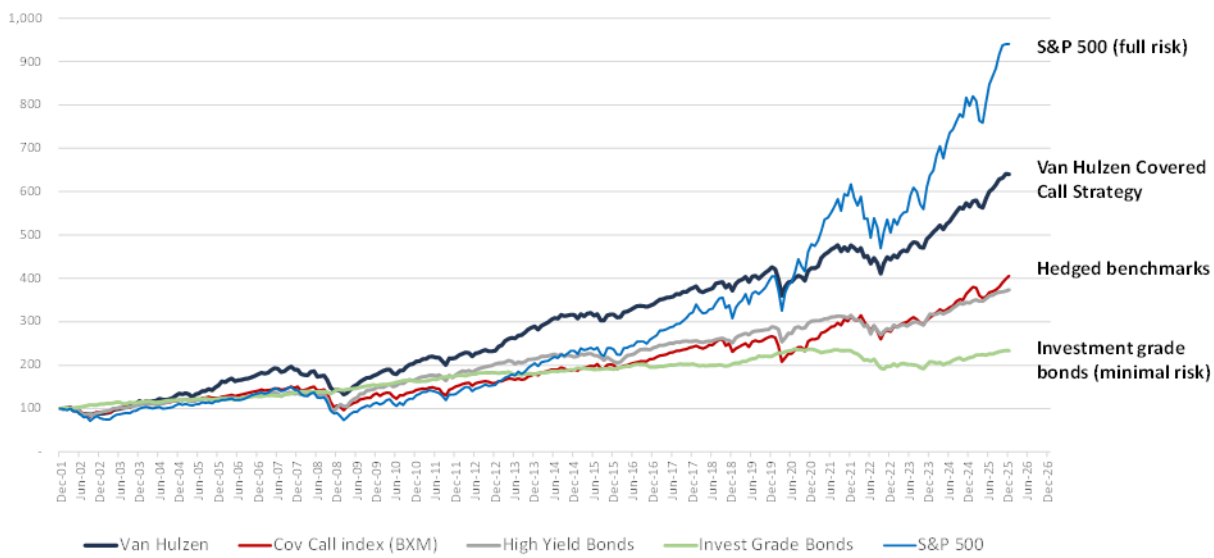
In this environment, risk management becomes increasingly important. Quality, diversification, income, and downside resilience are as important as ever as markets transition from recovery-driven gains to more normalized returns. Rather than relying solely on multiple expansion, future equity returns are likely to depend more heavily on earnings growth and capital discipline.

Against that backdrop, hedged equity strategies appear particularly well-positioned for the next several years. After three consecutive years of strong equity markets, the asymmetry between upside potential and downside risk has shifted. Hedged equity offers a way to remain invested in stocks while dampening volatility, managing drawdowns, and potentially smoothing returns through different market regimes. Historically, these strategies tend to shine when markets move sideways, experience higher volatility, or deliver more modest gains than the post-crisis or post-pandemic surges.

In summary, the outlook remains constructive but more nuanced. Equities can continue to work, but the path forward is likely to be choppier and more selective. A disciplined approach that balances participation with protection, particularly through allocations such as hedged equity, may be well suited for this next phase of the cycle.

Long Term Track Record: A Leader In Hedged Equities

There is a time and place for taking full market risk. But after the market has just averaged 23% over the past three years (vs its 10% long-term average) is **not** that time. Van Hulzen offers a risk-managed, hedged alternative that over 24 years has delivered 82% of the market's upside at 40% less risk. We call it the "don't be greedy" strategy.

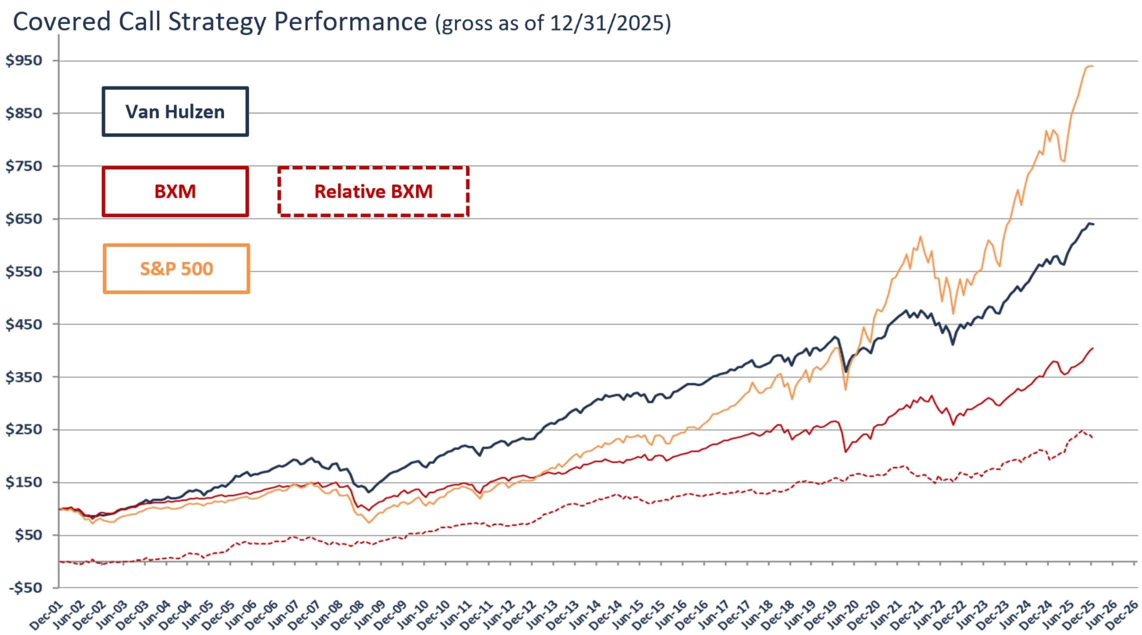


Alpha	Relative to...		
a = Rp – [Rf + (Rm – Rf) ß]			
	CC Index	High Yield	S&P 500
Rp = Realized return of portfolio	8.0%	8.0%	8.0%
Rm = Market return	6.0%	5.6%	9.8%
Rf = risk-free rate	1.5%	1.5%	1.5%
ß = Beta	0.7	0.7	0.5
Alpha	**3.4%**	**3.5%**	**2.2%**

Source: Bloomberg , Tamarac

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)*	Dec 2025	3M	6M	YTD	1 Year	3 Years	5 Years	7 Years	10 Years	Inception
Van Hulzen (Gross)	-0.1%	1.8%	6.6%	13.2%	13.2%	13.0%	8.6%	8.1%	7.3%	8.0%
Van Hulzen (Net)	-0.2%	1.6%	6.2%	12.5%	12.5%	12.3%	7.8%	7.3%	6.5%	7.2%
BXM	1.6%	6.5%	10.3%	8.9%	8.9%	13.5%	9.3%	8.4%	7.3%	6.0%
Difference (Gross-BXM)	-1.8%	-4.8%	-3.7%	4.3%	4.3%	-0.5%	-0.7%	-0.3%	0.0%	2.0%
S&P 500	0.1%	2.7%	11.0%	17.9%	17.9%	23.0%	14.4%	17.3%	14.8%	9.8%

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