

A Blue Collar Market

Executive Summary: In 2026, market leadership has shifted decisively toward the tangible economy. Energy, materials, and industrial stocks have delivered double-digit gains year-to-date, while technology and financials have lagged, reversing the growth-led pattern of recent years. The result is a market powered less by code and capital markets and more by commodities, cash flow, and cyclical momentum — a distinctly blue collar turn in leadership.



Lunch atop a Skyscraper. September 20, 1932. Eleven ironworkers sitting on a steel beam of the RCA Building, 850 feet (260 meters) above the ground during the construction of Rockefeller Center in Manhattan, New York City.

Real-Economy Stocks Lead While Tech and Financials Lag

As we move through the first quarter of 2026, the leadership profile in U.S. equities has shifted noticeably. The traditional *growth engines* of the past decade — high-flying technology and financial stocks — have failed to drive performance. Instead, sectors tied to the tangible economy — energy, materials, and industrials — have captured investors' attention and delivered outsized gains.

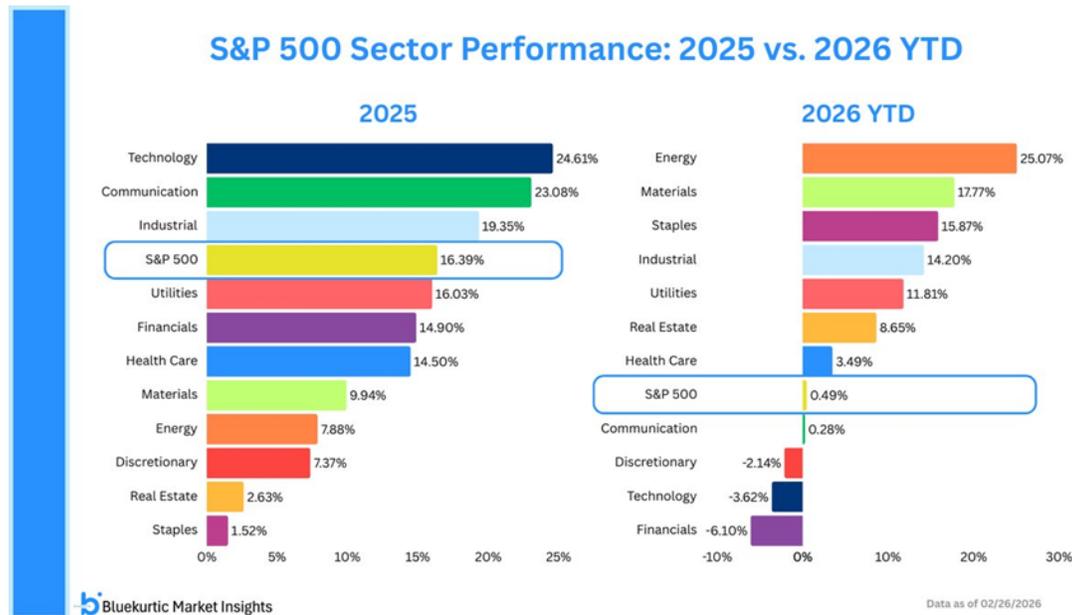
The data tells a clear story:

- The Energy sector is up roughly +25% year-to-date, making it one of the strongest performers across the S&P 500.
- Materials have gained nearly +18% YTD, reflecting renewed strength in commodities and industrial inputs.
- Industrials are up approximately +14% YTD, buoyed by durable goods demand and broader cyclical rotation.

In contrast:

- The Information Technology sector has *underperformed*, with total returns *down about -3.6% YTD* as mega-cap growth stocks face valuation pressure.
- The financials sector has also lagged (-6.1% YTD).

These performance gaps are stark and meaningful: the sectors most deeply connected to physical output and commodity cycles have outpaced those tied to digital abstractions, financial leverage, and white-collar growth narratives.



Beneath the Surface: A Rotation Away from “White Collar” Drivers

It’s not just semantics — *the market internals are signaling a deeper shift:*

- **Equal Weight Outperforms Cap-Weighted**

The *equal-weight S&P 500* — which treats every company equally rather than letting mega-cap tech dominate — has outperformed its cap-weighted counterpart by nearly 6% (!) YTD. This suggests the breadth of leadership is expanding into sectors outside the traditional tech cohort.

- **Small-Cap Strength Supports Real Economy Momentum**

Small-cap performance, as reflected in indexes like the *Russell 2000*, has also been solid this year — outperforming large caps and hinting that domestic economic drivers (supply chains, manufacturing, energy production) are resonating with investors.

- **Tech Volatility and Profit Taking**

The technology sector’s underperformance is not merely a headline fluctuation; it is tied to persistent valuation adjustments and profit-taking in high-flying software and AI stocks. As the broader index finds less support from its once-dominant connectivity to Big Tech, *real-economy sectors are providing the market’s engine.*

Why This Matters — Beyond Statistics

We can see a theme forming that extends past simple return numbers:

- Energy — Benefiting from higher commodity prices and geopolitical supply dynamics — appears to be the *work-horse sector* this year.
- Materials — Linked to construction, manufacturing inputs, and resource extraction — reflects global cyclical strength.
- Industrials — Representing heavy machinery, infrastructure, and real-world services, they speak to economic activity that isn't abstract or digitally native.

Key Takeaways

2023-2025 was dominated by *idea stocks* and megacap growth narratives, but 2026 feels decidedly different. The strong performance of energy, materials, and industrial sectors has reshaped the leadership landscape — perhaps a structural recalibration of what constitutes leadership in an inflation-aware, growth-moderating environment. As a result, this market feels more *blue collar* than many have experienced in recent years.

Positioning

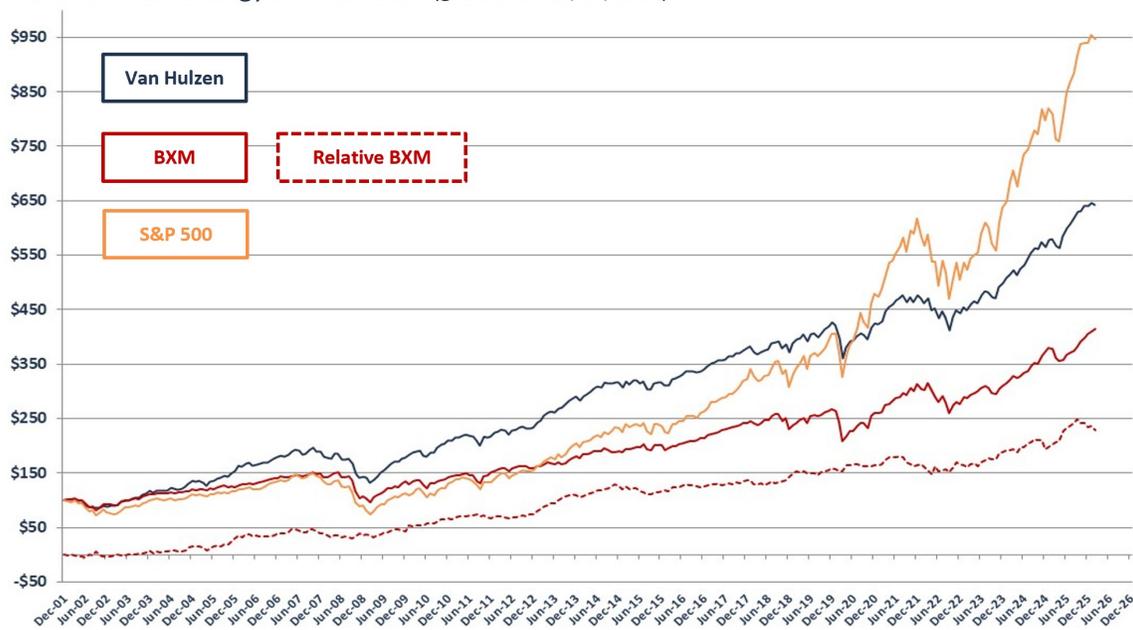
Van Hulzen's covered call strategy has had a strong start in 2026, up +0.4% versus +0.6% for the full risk S&P 500. The strategy is structured to benefit from the trends in energy and industrials, as well as the volatility that occurs during the transition. The team added Johnson Controls (JCI) and Trane Technologies (TT) to its long-term industrial winners, Eaton (ETN) and Illinois Tool Works (ITW). And Schumberger (SLB) was added in the energy sector, alongside long-term holdings Exxon (XOM) and Kinder Morgan (KMI).

But we want to emphasize that no matter what the current sector trends are, we emphasize the same factors: **strong cash flow returns, meaningful competitive advantages, and quality balance sheets**. And we use call options to add incremental income and protection to the portfolio. These characteristics should come in handy in a climate which most economists expect will be volatile and likely result in just mid-single digit returns. Our strategy targets yields of 7-8%, which means we don't rely quite so much on price appreciation for our total return.

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 02/28/2026)



Returns (annualized)*	Feb 2026	3M	6M	YTD	1 Year	3 Years	5 Years	7 Years	10 Years	Inception
Van Hulzen (Gross)	-0.4%	0.3%	4.3%	0.4%	10.7%	12.8%	8.5%	7.2%	7.5%	8.0%
Van Hulzen (Net)	-0.4%	0.2%	4.1%	0.4%	10.1%	12.0%	7.7%	6.5%	6.8%	7.1%
BXM	0.9%	3.8%	10.7%	2.1%	9.4%	12.8%	9.5%	8.0%	7.8%	6.1%
Difference (Gross-BXM)	-1.4%	-3.5%	-6.4%	-1.7%	1.3%	0.0%	-1.1%	-0.7%	-0.3%	1.9%
S&P 500	-0.8%	0.7%	7.1%	0.7%	17.0%	21.8%	14.2%	15.6%	15.5%	9.7%

*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

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