

Risk-On! (For Now)

Executive Summary: The market's most striking development since the 2025 tariff-driven selloff has been the dramatic resurgence of high-beta stocks. Since the tariff turmoil, high-beta stocks have outperformed low-volatility stocks by an extraordinary margin, including a particularly strong advance so far in 2026. While the move reflects improving fundamentals and confidence, history suggests that extreme factor leadership rarely lasts indefinitely, as markets ultimately tend to normalize through valuation adjustments and mean reversion.

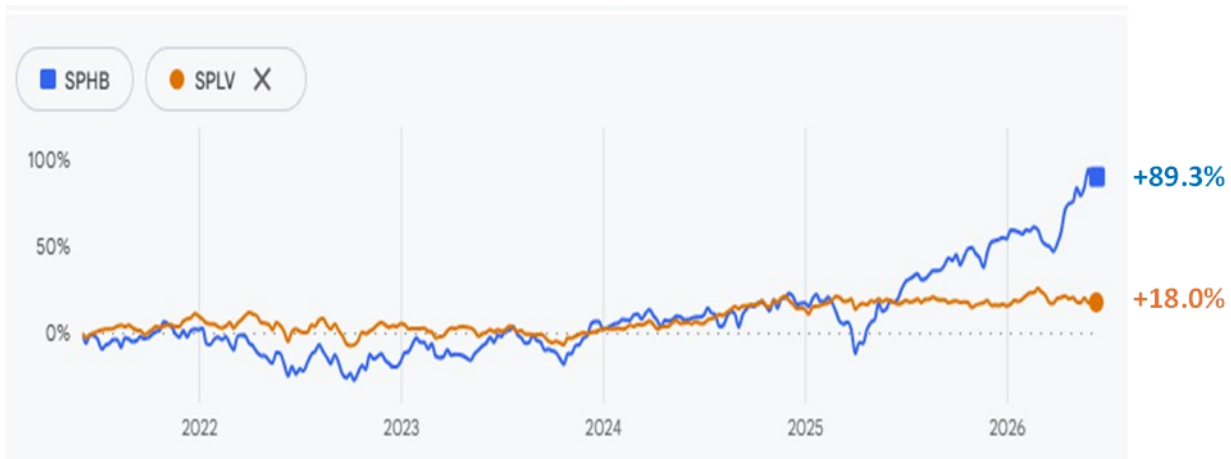
The Great High-Beta Rebound

Following the tariff-driven panic and growth scare of 2025, investors aggressively abandoned economically sensitive and higher-volatility companies in favor of defensive, low-volatility businesses. For a brief period, safety became the only trade that mattered.

That environment has reversed with stunning force.

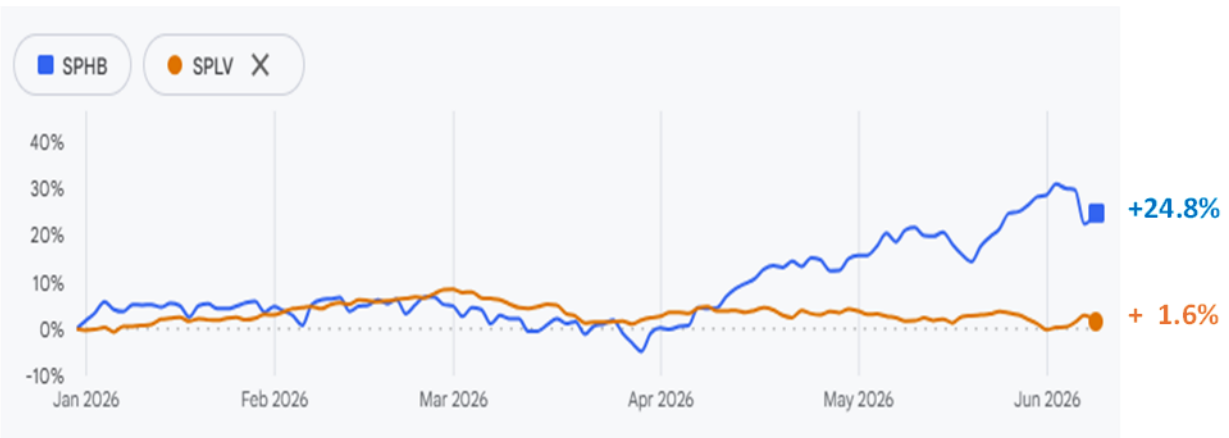
As the following charts illustrate, the S&P High Beta ETF (SPHB) has dramatically outperformed the S&P Low Volatility ETF (SPLV) since the 2025 tariff turmoil. Over the past 5-years, high beta stocks have generated roughly 89% cumulative returns versus just 18% for low-volatility stocks. More remarkably, in 2026 alone, high-beta stocks have gained approximately 25% compared to less than 2% for low-volatility stocks.

S&P High Beta (blue) vs S&P Low Beta (orange): 5 Years



Source: Google Finance

S&P High Beta (blue) vs S&P Low Beta (orange): 2026 YTD



Source: Google Finance

This is not merely leadership. It is factor **dominance**.

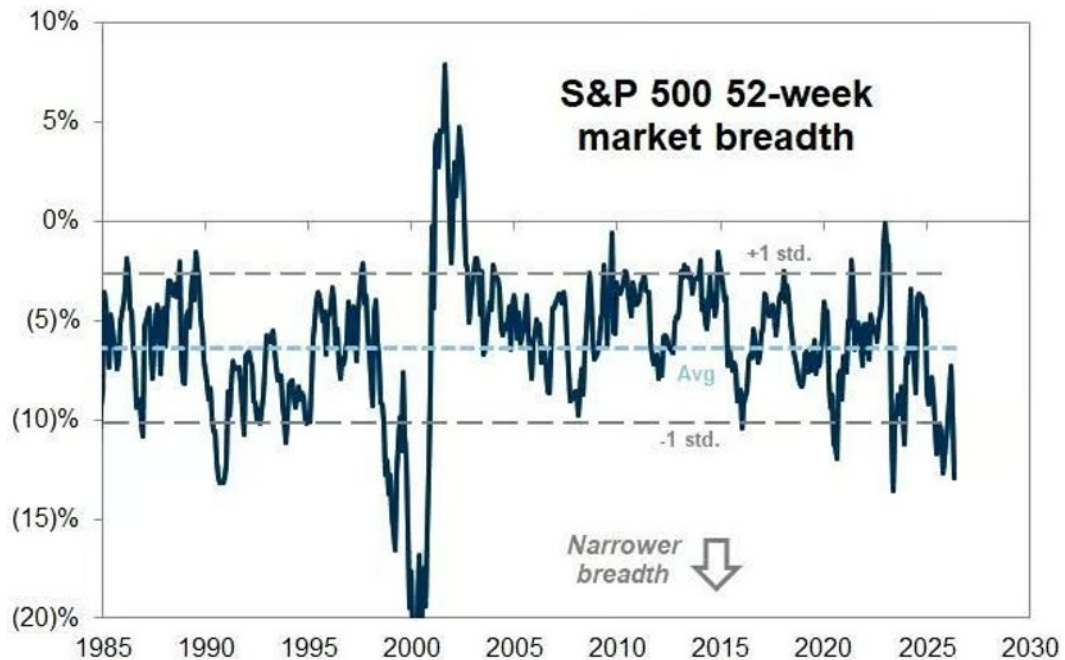
Historically, high-beta stocks tend to outperform during periods when investors become increasingly confident about economic growth, earnings acceleration, and liquidity conditions. Once fears surrounding tariffs, trade disruptions, and recession risks began to subside, capital rotated rapidly out of defensive sectors and back into the market's most economically sensitive areas. Recent factor research has identified 2026 as a pronounced "risk-on" environment, with higher-volatility stocks leading across most industries.

Yet history also teaches an important lesson: **factor leadership rarely persists indefinitely**. Just ask Warren Buffett. He was considered "washed up" several times during his long career, most famously in the late 1990s (peak of the tech bubble). But over 30 years, Berkshire Hathaway has outperformed the S&P 500 handily. See below – BRK is the white line, SPX is the red.



None of this means high beta rallies are always irrational. The rebound in high-beta stocks reflects a legitimate improvement in investor sentiment and a reduction in perceived economic risks. But the **magnitude** of the move should remind investors that markets often swing from one extreme to another before eventually finding equilibrium. The precise timing is unknowable. The pattern, however, is familiar.

Market BreadthMarket breadth remains positive when defined as the percentage of stocks above their 50-day moving average (currently 54%). But very few stocks are making new 52-week highs, with this leadership concentrated in the AI beneficiaries, particularly semiconductors, hyperscale infrastructure, and related technology companies. The out-sized contribution from AI-linked companies indicates that index performance remains more dependent on a relatively narrow leadership group than would typically be observed during a fully mature, broad-based bull market. Such concentration often precedes market corrections.



Source: Bloomberg

Mid-Term Election Year

The market's technical backdrop also deserves attention. The below chart shows the average S&P 500 path during mid-term election years. Historically, midterm years can be choppy, with weakness often appearing during the summer before markets recover later in the year. History never repeats itself perfectly, but this data does suggest the next few months could be more volatile — especially with valuations elevated, breadth uneven, inflation concerns rising, and political uncertainty building.

Why Covered Calls?

Covered calls are a great way to stay invested in stocks but reduce risk. We do this by increasing the income component of your total return (meaning you rely less on price appreciation) and adding valuable downside protection (hedge) to the portfolio. For investors who expect future returns to be more muted than the recent past, covered calls make a lot of sense.

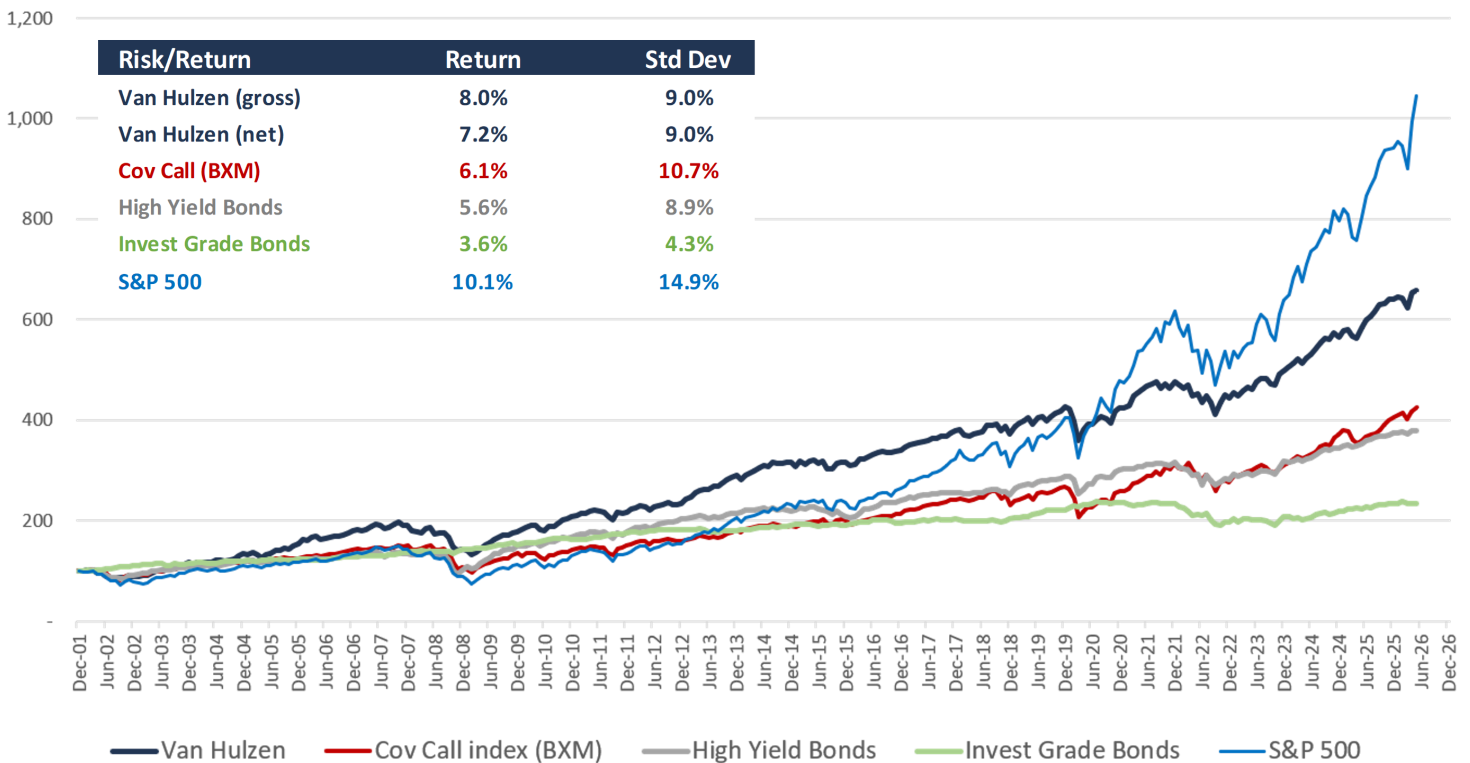
Average S&P500 level (indexed at 100 in Jan) for midterm and non-election years. Sample starts in 1946



Source: J.P. Morgan

Track Record: 81% of the market's gain / 60% of the risk

Van Hulzen's covered call strategy has a 25+ year track record with 8.0% average annual returns, at 40% lower risk than the S&P 500. Since inception, the strategy has delivered strong alpha versus its benchmarks.

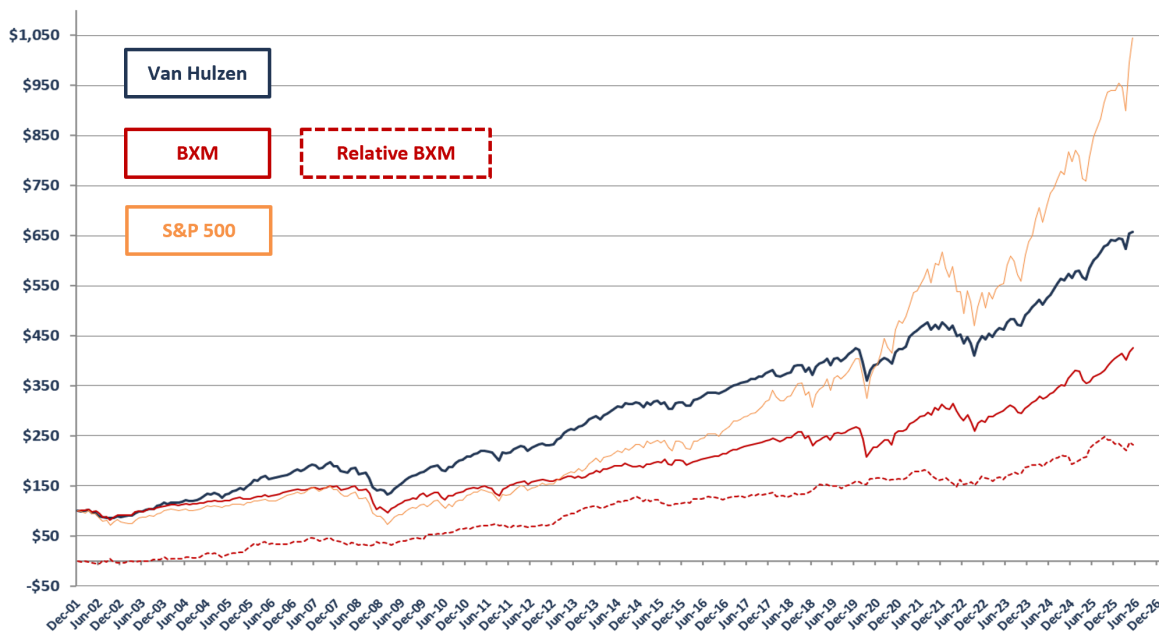


Alpha	Relative to...		
$a = R_p - [R_f + (R_m - R_f) \beta]$			
R_p = Realized return of portfolio	8.0%	8.0%	8.0%
R_m = Market return	6.1%	5.6%	10.1%
R_f = risk-free rate	1.5%	1.5%	1.5%
β = Beta	0.7	0.7	0.5
Alpha	3.3%	3.5%	2.0%

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 05/31/2026)



Returns (annualized)*	May 2026	3M	6M	YTD	1 Year	3 Years	5 Years	7 Years	10 Years	Inception
Van Hulzen (Gross)	0.4%	2.3%	2.6%	2.7%	12.5%	12.5%	7.4%	7.7%	7.2%	8.0%
Van Hulzen (Net)	0.4%	2.2%	2.4%	2.5%	11.9%	11.8%	6.7%	6.9%	6.5%	7.2%
BXM	2.1%	2.9%	6.7%	5.0%	18.9%	12.4%	8.6%	8.4%	7.7%	6.1%
Difference (Gross-BXM)	-1.7%	-0.6%	-4.2%	-2.3%	-6.4%	0.1%	-1.2%	-0.7%	-0.5%	1.9%
S&P 500	5.3%	10.5%	11.3%	11.3%	29.8%	23.6%	14.1%	17.4%	15.6%	10.1%

*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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