Covered Call Commentary

June | 2026

The Great AI Build-Out

Executive Summary: *Artificial intelligence continues to drive the market, but leadership has become increasingly concentrated in the companies building the infrastructure behind the AI revolution. This quarter we examine how the AI investment cycle has evolved, why a small group of stocks has generated most of the market's gains, and what history suggests about maintaining discipline as transformational technologies mature.*

Artificial intelligence has been the dominant investment theme for nearly four years. But the leadership has not been static.

The market has progressed through distinct phases. Nvidia and a handful of semiconductor companies dominated the early stages. Attention then shifted to the hyperscale technology platforms expected to monetize AI. More recently, investors have rewarded the companies supplying the infrastructure required to support unprecedented AI capital spending.

As capital became increasingly concentrated in a relatively small group of AI-related companies, the rest of the market continued to participate—but at a much slower pace. See below…

Estimated Average Returns by Market Segment

Group	2024	2025	1H 2026
AI Platforms (MSFT, GOOGL, AMZN, META)	53%	25%	16%
AI Infrastructure (Top 20 2026 performers)	32%	95%	199%
Rest of the S&P 500 *(estimated)*	18%	14%	2%
S&P 500	23%	24%	10%

Said another way, it seems the market has gone through three distinct phases:

2024 – AI Leaders

- AI platforms dramatically outperformed (+53%)
- Nvidia was the dominant beneficiary, rising 170%
- Infrastructure companies participated, but the broader market also generated solid gains

2025 – Infrastructure Spending Accelerates

- AI infrastructure became the market's strongest theme (+95%)
- Platforms continued advancing (+25%)
- The average S&P stock increasingly lagged

2026 – The Picks-and-Shovels Rally

- Infrastructure companies surged another 199%
- Platform gains moderated
- Most S&P stocks were barely positive

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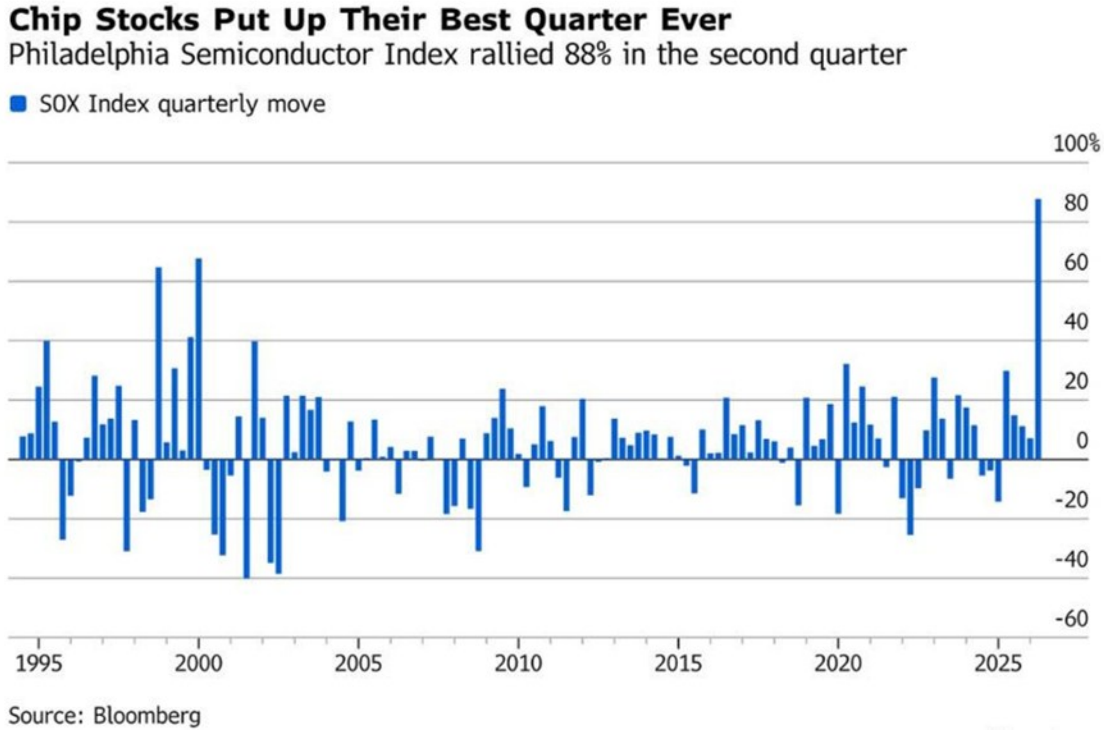
The magnitude of this year's infrastructure rally (+199% in 6 months) has been extraordinary. **Stocks representing just 3.3% of the S&P 500 at the beginning of the year generated approximately three-quarters of the index's first-half return**. The remaining 96.7% of the index collectively contributed only one quarter of the total return.

2026 hasn't just been an AI rally. It's been an infrastructure rally. 15 of the top 20 performers in 2026 sell the "picks and shovels" needed to build AI infrastructure:

- Memory (MU)
- GPUs/CPUs (AMD)
- Foundry/equipment (AMAT, LRCX, KLAC, TER)
- Networking (MRVL, CIEN, LITE)
- Storage (WDC, STX, SNDK)
- Servers (DELL)
- Electronic manufacturing (FLEX)
- Specialty glass (GLW)

Six of this year's biggest winners are members of the PHLX Semiconductor Index (SOX), which just recorded its strongest quarter on record—even surpassing the technology boom of the late 1990s. See below.



Our Portfolio

As a conservative income strategy, we intentionally avoid the market's highest-beta stocks. The median beta of this year's top 20 performers is approximately 1.8—well above our typical portfolio.

While we do own the major AI platforms (Amazon, Alphabet, Microsoft, and Meta), these positions are hedged through our covered call strategy.

Despite not owning the market's highest-flying infrastructure stocks, the portfolio generated a positive return of approximately 1.6% during the first half, comparing favorably with the vast majority of stocks outside this small group of AI leaders.

Quadrant Analysis

The table below, which we call the “Four Quadrants,” shows how covered calls behave relative to their underlying long-only securities in different market environments.

Covered calls generally outperform long-only investing in three of the four market environments shown below. The exception is during explosive rallies, when written calls cap a portion of the upside.

Most clients view this trade-off as worthwhile because the strategy has historically provided meaningful downside protection while still participating in much of the market's gains. During the unusually polarized first half of 2026, our portfolios captured roughly 85% of the upside in advancing stocks.

Sideways Moving

Name	Stock	Options	Net
JCI	2.9%	1.0%	3.9%
TJX	-0.8%	3.4%	2.6%
WM	-1.5%	2.0%	0.5%
V	-1.8%	1.4%	-0.4%
Median	**-0.3%**	**1.9%**	**1.6%**

Covered Call Better

Declining

Name	Stock	Options	Net
ROP	-24.2%	1.6%	-22.6%
MSFT	-22.5%	3.0%	-19.5%
DHR	-16.5%	4.2%	-12.3%
BAC	-15.1%	3.5%	-11.6%
Median	**-19.5%**	**3.2%**	**-16.3%**

Covered Call Better

Rising

Name	Stock	Options	Net
ITW	11.1%	-2.9%	8.2%
AVGO	9.8%	-3.9%	5.9%
CB	9.7%	0.1%	9.8%
AAPL	6.6%	2.2%	8.9%
Median	**9.8%**	**-1.4%**	**8.4%**

Long Only Slightly Better

Exploding

Name	Stock	Options	Net
CSCO	54.1%	-37.5%	16.5%
ETN	34.3%	-4.6%	29.7%
TT	26.6%	-5.6%	21.0%
JCI	22.5%	-4.0%	18.5%
Median	**30.5%**	**-5.1%**	**25.3%**

Long-Only Better

Our Research on Market Cycles

This quarter we completed an in-depth study comparing today's AI infrastructure buildout with the telecom boom of the late 1990s and the mortgage securitization cycle preceding the Global Financial Crisis.

Our research identified several recurring characteristics:

- Genuine innovation attracts extraordinary capital.
- Investment often accelerates faster than economic demand.
- Financial structures evolve to sustain the boom.
- Valuations eventually matter.
- The winning technology does not always produce the winning investment.
- We believe AI has the potential to transform the global economy. The more difficult question is whether today's investment and valuations accurately reflect the pace at which those economic benefits will ultimately be realized.

New Research Report

Three Cycles, One Pattern: *What the History of Complex Financial Structures Tells Us About Today's AI Infrastructure Boom*

Read the full report **here**.

Key Takeaways & Outlook

The first half of 2026 demonstrated just how concentrated this bull market has become. Rather than broad participation, returns were driven overwhelmingly by a relatively small group of companies supplying the infrastructure behind artificial intelligence.

We believe AI will remain one of the defining investment themes of this decade. At the same time, history reminds us that transformational technologies rarely produce smooth investment cycles. Leadership changes, valuations become stretched, and periods of speculation often give way to consolidation.

Valuations remain historically elevated by virtually every measure. Whether today's AI spending ultimately proves justified will depend less on technological progress—which appears real—and more on whether future earnings can support today's prices.

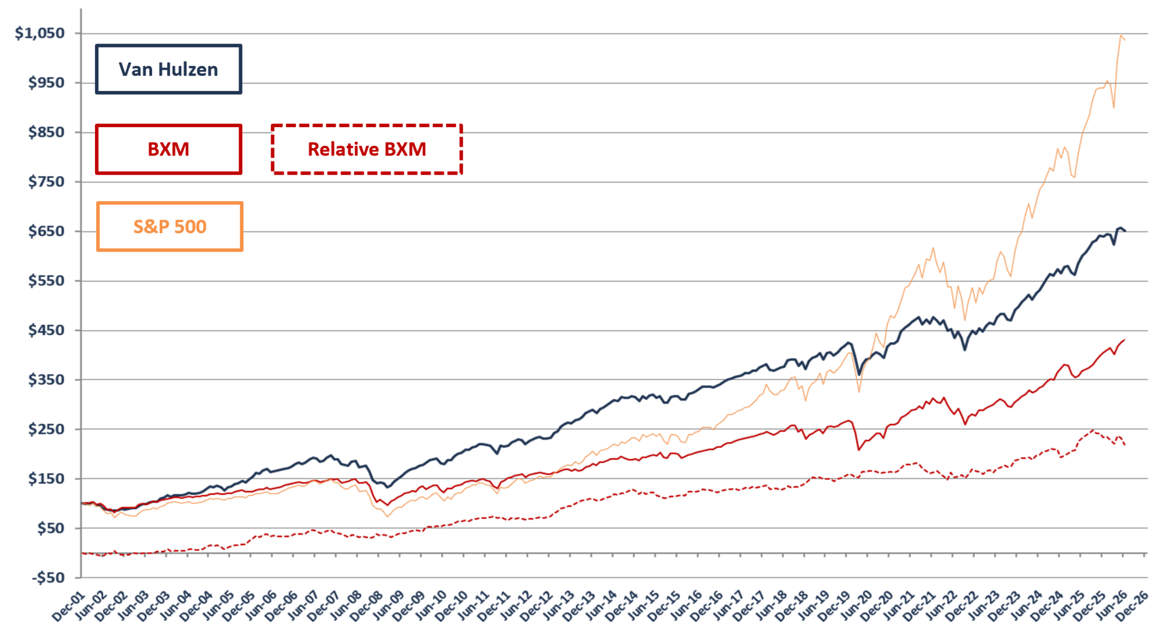
We remain constructive about AI's long-term economic impact. History, however, suggests that transformative technologies often experience periods of excessive optimism before fundamentals catch up. Our focus remains on generating attractive income while maintaining disciplined risk management regardless of how the current cycle unfolds.

Our approach remains unchanged. We continue to own high-quality businesses, generate income through covered calls, and avoid concentrating portfolios in the market's most speculative areas. Over more than two decades, this disciplined approach has produced approximately 80% of the S&P 500's returns while assuming substantially less risk.

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 06/30/2026)



Returns (annualized)*	Jun 2026	3M	6M	YTD	1 Year	3 Years	5 Years	7 Years	10 Years	Inception
Van Hulzen (Gross)	-1.1%	4.4%	1.6%	1.6%	8.3%	10.9%	6.9%	7.0%	7.0%	7.9%
Van Hulzen (Net)	-1.1%	4.2%	1.4%	1.4%	7.7%	10.2%	6.1%	6.3%	6.2%	7.1%
BXM	1.3%	7.4%	6.4%	6.4%	17.3%	12.1%	8.4%	7.8%	7.7%	6.1%
Difference (Gross-BXM)	-2.4%	-3.0%	-4.8%	-4.8%	-9.1%	-1.2%	-1.5%	-0.8%	-0.7%	1.8%
S&P 500	-1.0%	15.2%	10.2%	10.2%	22.3%	20.6%	13.4%	16.1%	15.5%	10.0%

*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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