Covered Call Commentary **July | 2026**

Executive Summary: *U.S. equity valuations are at or near the most elevated levels of the past several decades, but history reminds us that valuation alone is a poor predictor of near-term market returns. Rather than signaling an imminent correction, today's environment suggests that a return toward more normal valuations will likely require some combination of time, continued earnings growth, and price adjustment—reinforcing the importance of disciplined risk management and portfolios positioned for a wider range of outcomes.*

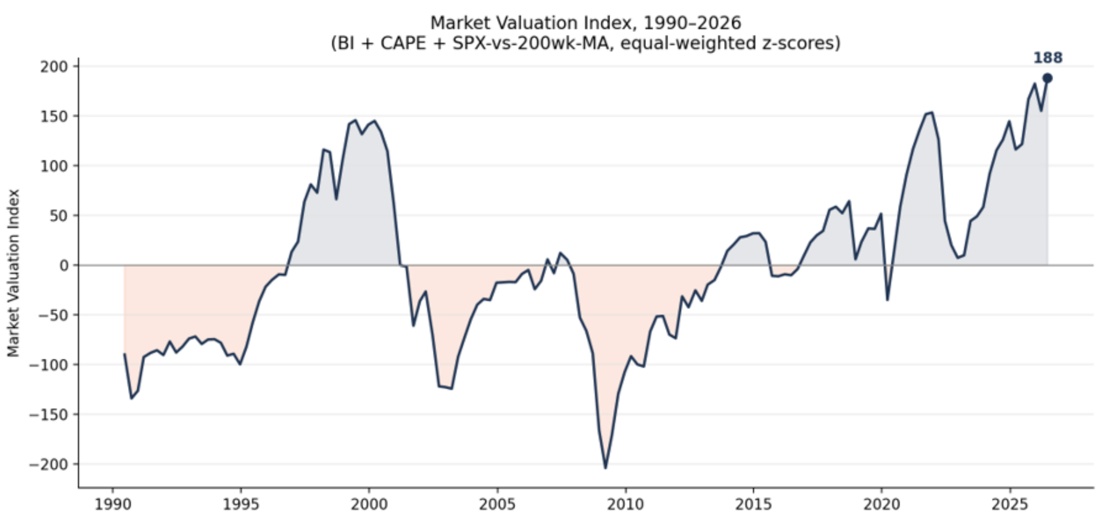
A Clear-Eyed Look at Where We Stand: *Market Valuation, Time, and the Path Back to Normal*

From time to time, we take a step back and look at the BIG picture…the macro view. In this brief analysis, we look at the US equity market valuations using several popular indicators

What We Measure

We track valuation the way we track anything else that matters to long-term outcomes: with more than one lens, because any single measure can mislead on its own. Here, we look at the total value of U.S. equities relative to 1) the size of the economy, 2) at price relative to a smoothed measure of corporate earnings, and 3) at where prices sit relative to their own longer-term trend. Individually, each of these has flaws. Together, they tend to agree with one another at the moments that matter most.

Right now, they agree. All three measures sit at or near the richest readings we have observed in the roughly thirty-six years of data we reviewed. That is not a forecast of what happens next. It is a description of where we are.



Composite valuation reading, equal-weighted across all three measures, 1990–present. Zero represents the long-term average. BI = Buffett Indicator (total U.S. equity market capitalization ÷ U.S. GDP) Shiller CAPE: (Cyclically Adjusted Price-to-Earnings ratio) Source: Van Hulzen Asset Management

The chart above is the clearest way we know to show this. It combines the three measures into a single reading, scaled so that zero represents the long-term average and each unit reflects how far current conditions sit from that average, in comparable terms across all three inputs. The current reading is the highest point on the entire chart, higher than the readings that preceded the two most significant equity drawdowns of the past two decades, and part of a cluster of similarly extreme readings that has built over the past year and a half.

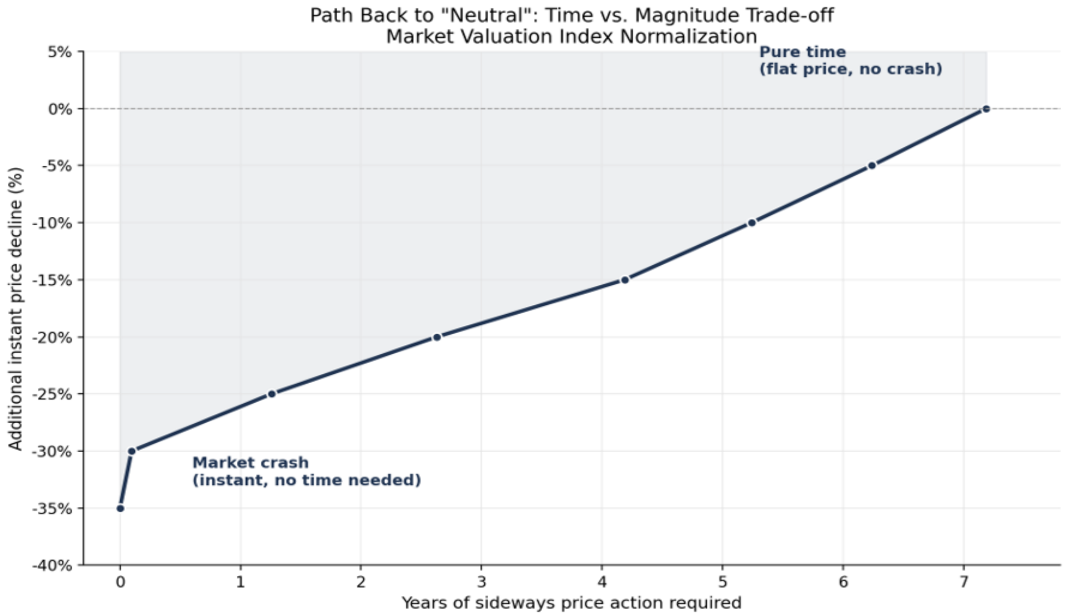
We would draw two observations from the shape of this history rather than the level alone. First, extreme readings have not resolved quickly in the past; the chart shows extended stretches at elevated levels before conditions eventually normalized, which argues against using this as a short-term trading signal. Second, every prior visit to the upper end of this range was eventually followed by a return toward or through the average. The readings we have on file simply do not stay this stretched indefinitely. We do not know which of those two features will dominate over the next year. We think clients should be aware of both.

Two Ways Back to Normal

Valuation measures do not stay stretched forever. History suggests they return toward their long-term averages one of two ways: a decline in price, or the passage of time during which earnings and economic growth catch up to where prices already are. Most real episodes are some blend of the two.

We modeled this directly. If prices were to move sideways from here — essentially flat, with no further gains and no decline — it would take on the order of 7 years of trend earnings and economic growth to bring valuations back to their historical average. At the other extreme, a decline on the order of -30%, absorbed all at once, would accomplish the same normalization immediately. Every combination in between is a genuine substitute for every other: a milder decline paired with several more years of patience arrives at the same destination as a sharper decline that resolves quickly.

We want to be precise about what this exercise is and is not. It is not a prediction that either outcome is coming, nor an estimate of which is more likely. It is arithmetic, a description of the distance between where valuations sit today and where they have historically averaged, expressed in the two currencies that can close that distance: price and time.



Each point on the curve is a mathematically equivalent path back to the long-term average. Source: Van Hulzen Asset Management

What This Means in Practice

A few observations we think are useful for our conversations, stated plainly:

Elevated valuations have historically told us very little about what happens over the next three, six, or twelve months. Expensive markets have gone on to become more expensive for extended periods before anything changed. Valuation is a poor timing tool and always has been.

What elevated valuations have told us, with more consistency, is something about the range of outcomes to expect over longer horizons, and about the depth of drawdown that has historically accompanied the eventual correction when one arrives. This is less a warning to act than a reason to make sure portfolios are positioned for a wider range of outcomes than the recent past alone would suggest.

The most likely path, if history is a guide, is neither of the two extremes we modeled. Markets rarely move in a straight line in either direction. Some combination of a moderate pullback and several years of digestion is the more common pattern than either a swift, complete reset or an uninterrupted seven-year plateau.

Where This Leaves Us

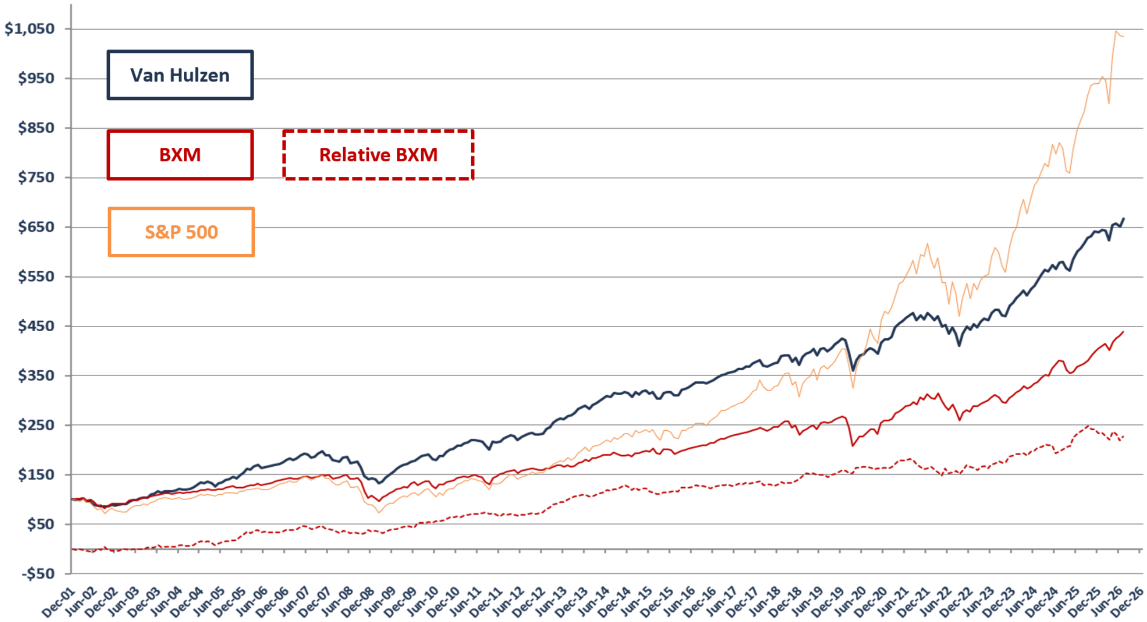
We are not forecasting a decline, and we are not advising clients to exit equity markets on the basis of valuation alone, that is a strategy that has a poor track record of its own. What we are doing is what we always try to do: naming the environment honestly, sizing risk accordingly, and making sure that when the eventual reversion happens, in whatever combination of price and time it takes, it arrives as a known possibility rather than a surprise.

We would rather have this conversation with you now, in plain terms, than explain it after the fact. We remain available to walk through what this means for your specific portfolio and time horizon.

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 07/31/2026)



Returns (annualized)*	Jul 2026	3M	6M	YTD	1 Year	3 Years	5 Years	7 Years	10 Years	Inception
Van Hulzen (Gross)	2.6%	1.9%	3.4%	4.2%	10.0%	11.3%	7.2%	7.3%	7.1%	8.0%
Van Hulzen (Net)	2.4%	1.7%	3.0%	3.9%	9.4%	10.6%	6.5%	6.6%	6.4%	7.2%
BXM	1.8%	5.3%	7.1%	8.3%	18.6%	12.2%	8.7%	7.9%	7.8%	6.2%
Difference (Gross-BXM)	0.8%	-3.4%	-3.7%	-4.1%	-8.6%	-0.9%	-1.5%	-0.6%	-0.7%	1.8%
S&P 500	-0.1%	4.2%	8.6%	10.1%	19.6%	19.3%	12.9%	15.8%	15.1%	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