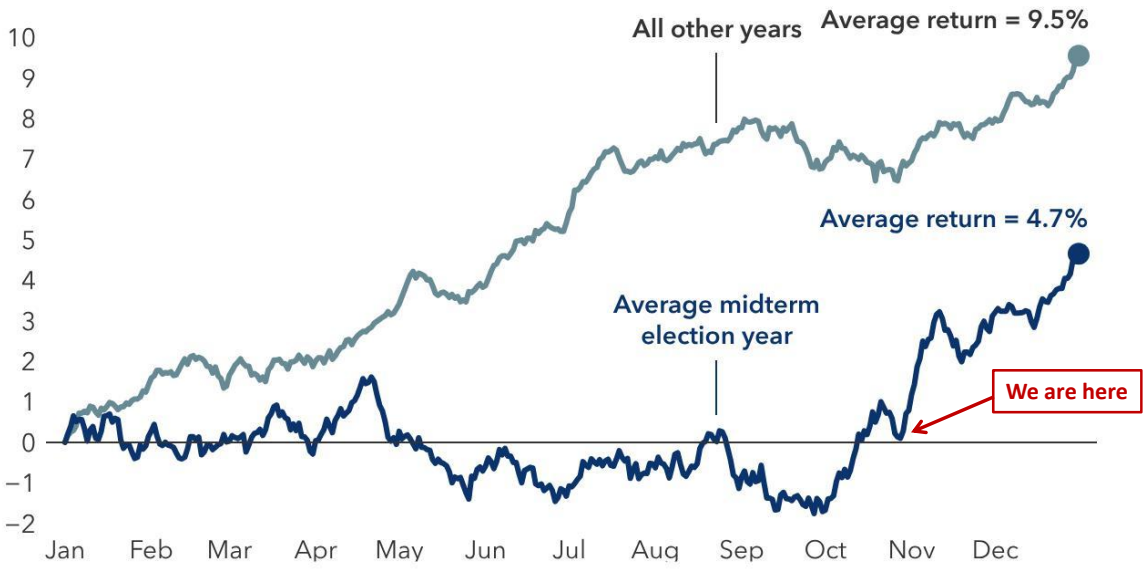
Beyond The Ballot: The Election Is a Catalyst for Volatility, Not a Reason to Abandon Equities

Executive Summary: *Recent market volatility and growing public opposition to data-center development have added to uncertainty, but history suggests midterm elections have often been followed by positive equity returns. That said, elevated valuations and the potential for continued volatility argue against complacency, while academic research suggests legislative gridlock can increase dispersion among individual stock returns. We believe investors can remain constructive on equities while managing risk through hedged strategies such as covered calls, which generate option income and provide cushion against market declines*

Thursday, Nov 5 was the worst day for tech stocks since the 2020 COVID sell-off. The selloff reflects growing investor scrutiny of the AI trade, particularly the enormous investment required for data-center development. Public opposition to new data centers is increasing, highlighting a growing divide between the industry's ambitions and local community concerns. It's not the first time Main Street and Wall Street were at odds.

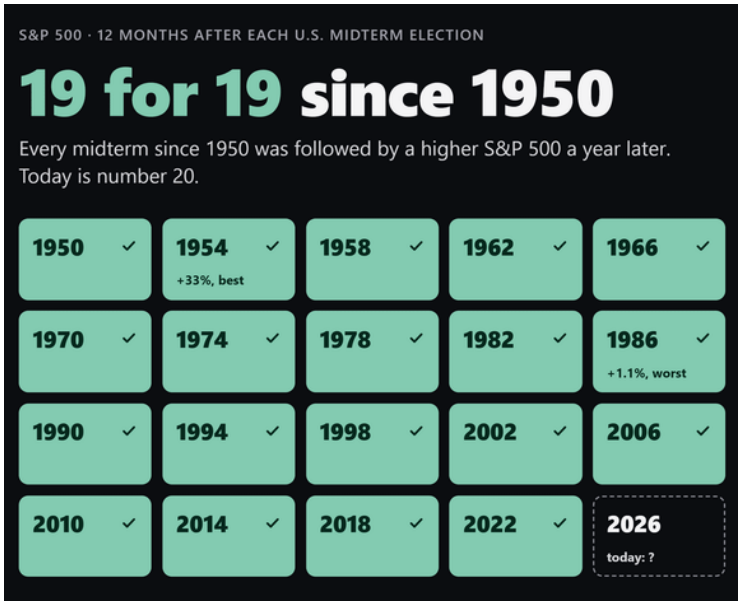
Historically, markets have often rallied in the months following midterm elections, as political uncertainty begins to subside (see graphic below).

S&P 500 in Mid-Term Years versus all other years, 1931-2025



Source: capitalgroup.com

Clearly, election anxiety has not yet subsided, and we do not know how this will play out. But it is worth noting that, historically, markets have navigated midterm elections well, averaging approximately 15% over the next 12 months since 1950. And a perfect 19 for 19 on delivering a positive return. See below.



Of course, most mid-term years did not occur after three straight double-digit return years, and market valuations are historically stretched. So this **doesn't mean investors should assume the path will be smooth**. Even periods that ultimately produced positive returns have included significant market disruptions and drawdowns. We believe this reinforces the importance of maintaining equity exposure while also incorporating risk-management strategies designed to help mitigate downside volatility.

The Gridlock Nuance

Conventional wisdom suggests that gridlock in Washington can be good for markets, as neither party has enough power to make radical changes. We did not find any compelling data supporting this narrative. We did, however, find academic research that found that **legislative gridlock can increase dispersion among individual stock returns**, even without a corresponding increase in overall market volatility. This bodes well for strategies that capitalize on individual stock volatility. Like covered calls.

While gridlock may not necessarily make the entire stock market more volatile, the greater dispersion between individual stocks that often occurs reinforces the value of thoughtful portfolio construction and risk management.

There are two reasons why **elevated stock volatility** can benefit covered call strategies:

1. **Higher option yields:** During periods of heightened volatility, option premiums have a tendency to increase in price, as more investors are willing to pay for a hedge in their portfolios. Because covered call strategies are designed to sell options for income purposes, these higher premiums can result in a higher yield to the investor.

2. **Downside cushion:** Because covered call portfolios are designed to provide a higher income stream than most long-only equity strategies, they tend to do a particularly good job of buffering market declines. Call premiums can provide an income buffer that helps mitigate downside exposure, and this buffer potentially expands as volatility rises.

Key Takeaways & Outlook

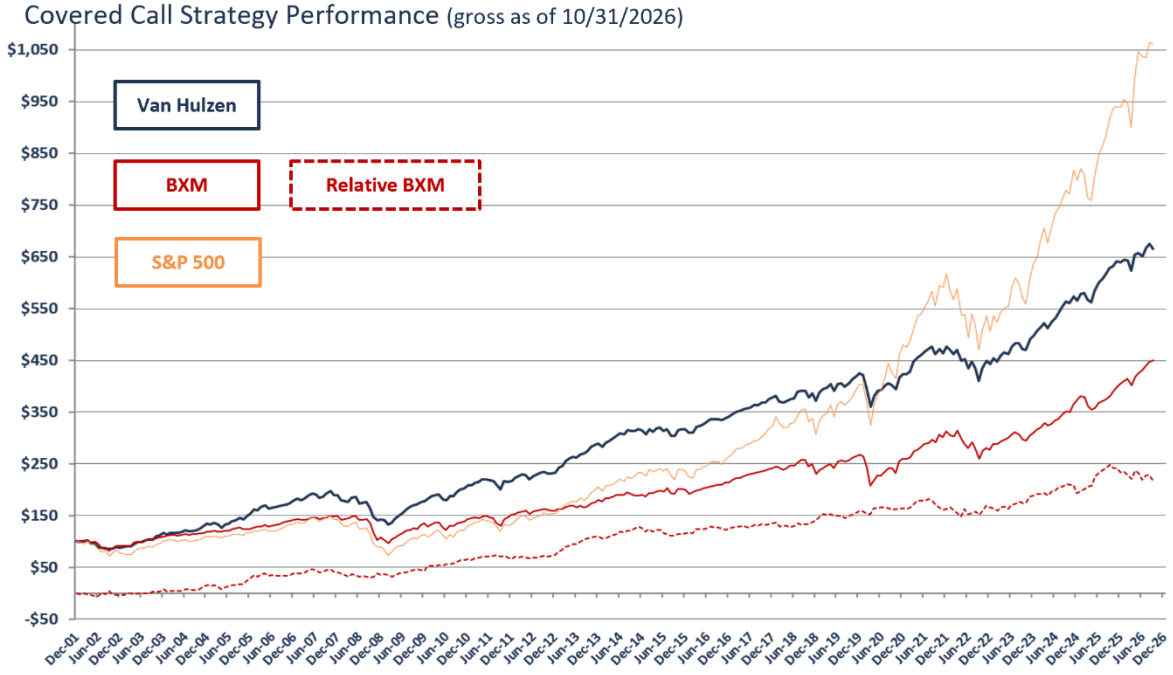
Stocks are the best returning asset class, so abandoning the category is not advised. But the argument for hedged equities is particularly strong. A hedged approach seeks to participate in the market's long-term growth potential while providing a measure of downside mitigation when volatility returns. We believe investors can remain constructive on equities while recognizing that the risks of a concentrated, fully exposed equity portfolio remain meaningful.

Our outlook is for continued consolidation and elevated volatility following an extended period of strong market performance. We don't believe this warrants abandoning equities, but it does reinforce the importance of managing risk. Covered-call strategies offer one way to remain invested while generating incremental income and providing a measure of downside mitigation.

Van Hulzen Covered Call Strategy

The Van Hulzen Covered Call strategy invests in US companies that we consider having 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 10/31/2026)



Returns (annualized)*	Oct 2026	3M	6M	YTD	1 Year	3 Years	5 Years	7 Years	10 Years	Inception
Van Hulzen (Gross)	2.5%	2.3%	4.2%	6.6%	8.0%	13.2%	7.6%	7.4%	7.4%	8.0%
Van Hulzen (Net)	2.3%	2.1%	3.8%	6.0%	7.4%	12.4%	6.9%	6.7%	6.6%	7.2%
BXM	-0.2%	2.3%	7.6%	10.7%	15.0%	15.0%	8.0%	8.0%	7.9%	6.2%
Difference (Gross-BXM)	2.7%	0.0%	-3.4%	-4.1%	-7.0%	-1.8%	-0.3%	-0.6%	-0.5%	1.8%
S&P 500	-0.9%	1.5%	5.7%	11.8%	12.1%	23.4%	12.1%	15.7%	15.4%	9.9%

*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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