



VAN HULZEN ASSET MANAGEMENT



Using Covered Calls To Capitalize On Market Volatility

June 2020

For Investment Professional Use Only

Van Hulzen At A Glance

Covered Call Specialists

18½ year GIPS verified track record

5 Star Morningstar rating for 10 year period ending 3/31/2020

Market Leader in downside capture (PSN database)

Assets Under Management: \$1 billion as of 3/31/2020

Portfolio Managers:



Craig Van Hulzen



John Pearce



Stefan ten Brink

Why Covered Calls?

A High Income / Low Risk Equity Solution

Today's market environment is high risk and low income

- Most economists expect a sideways, choppy market for the foreseeable future
- This environment is perfect for our strategy, which benefits from volatility

We prefer high income and low risk

- High quality holdings with fortress balance sheets and strong cash flows
- Our covered call strategy adds significant yield and downside protection

Market Environment:
High Risk / Low Income

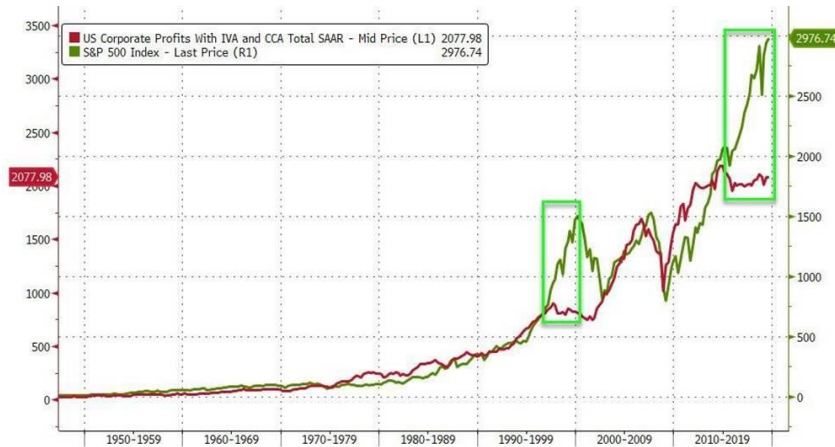


Our Approach:
High Income / Low Risk

Macro Environment

Disconnect Between Earnings & Market Prices is still in play today

S&P 500 Index vs Corporate Profits



Source: Bloomberg

Forward P/E Ratio

Looking Pricey S&P 500 forward P/E ratio rises to highest in 19 years



Market Cap / GDP



Last Two
Recessions

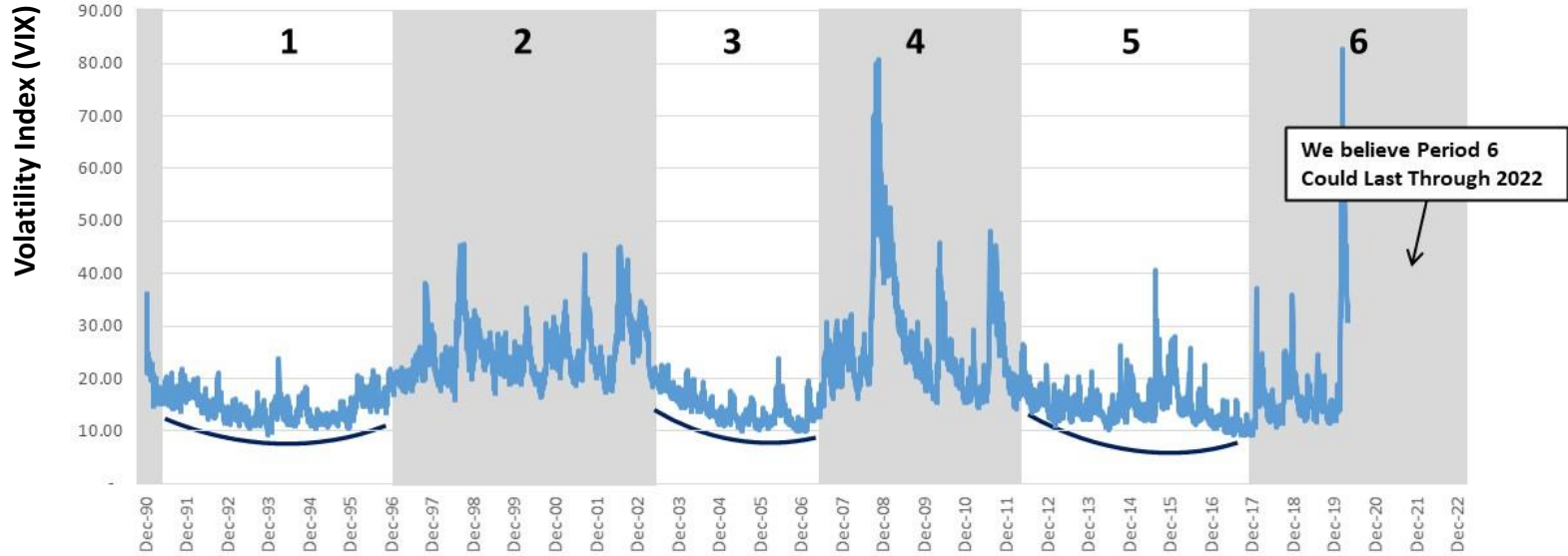
Note: There is no assurance that the Strategy will achieve its investment objectives. The use of covered call strategies does not ensure profits or guarantee against losses.

Looking Forward

We Believe 2018 Marked The Beginning Of A New Period Of Elevated Volatility

The 5 distinct Volatility Cycles of the past 30 years:
(Note: Long Term Average = 20)

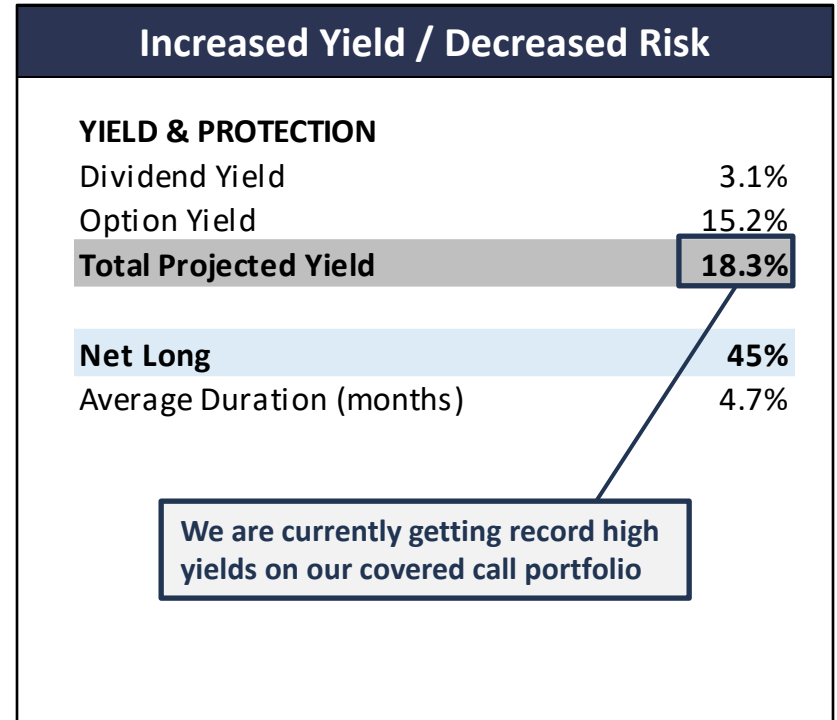
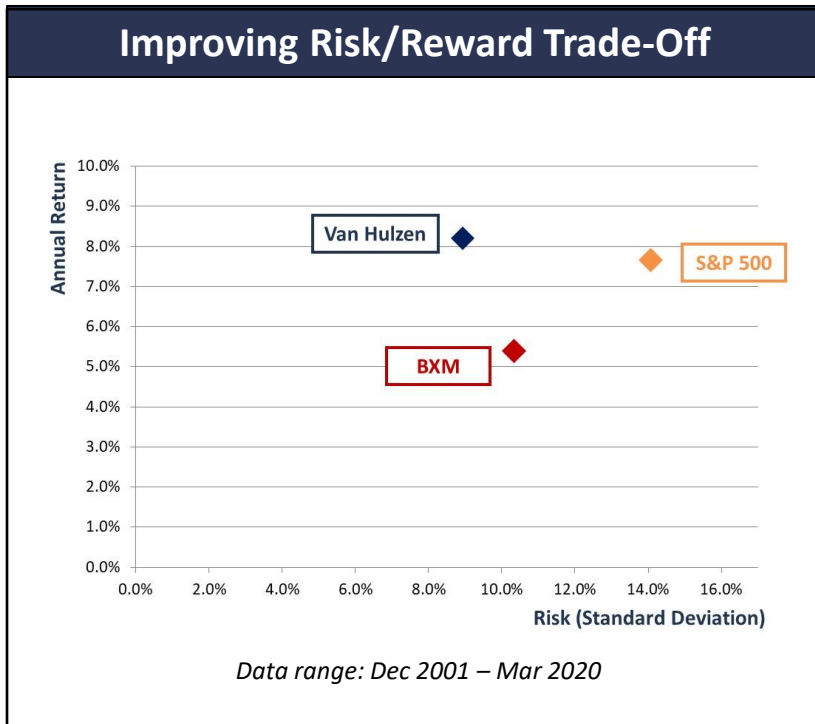
Updated 5-7-2020



1	2	3	4	5	6
May 1991 – Mar 1997 (avg VIX = 14.8)	Apr 1997 – Jun 2003 (avg VIX = 25.1)	Jul 2003 – Sep 2007 (avg VIX = 14.3)	Oct 2007 – Jan 2012 (avg VIX = 27.2)	Feb 2012 – Sep 2018 (avg VIX = 14.9)	Current VIX (5/7/2020) = 30.5
S&P 500: 142.3% BXM: 127.9%	S&P 500: 41.9% BXM: 66.2%	S&P 500: 65.0% BXM: 48.2%	S&P 500: -4.4% BXM: +3.2%	S&P 500: 152.4% BXM: 67.8%	

There is no assurance that the Strategy will achieve its investment objectives. BXM is the passive buy-write (covered call) index, which owns the S&P 500 and systematically writes monthly index call options. Past performance may not be indicative of future results.

The high level impact of adding call options to a portfolio is summarized below.

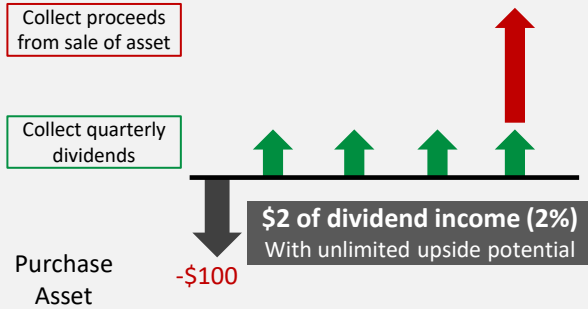


For illustrative purposes only and may not be representative of the Strategy's current or future investments. This is not a recommendation to buy or sell securities. Note: There is no assurance that the Strategy will achieve its investment objectives. The use of covered call strategies does not ensure profits or guarantee against losses.

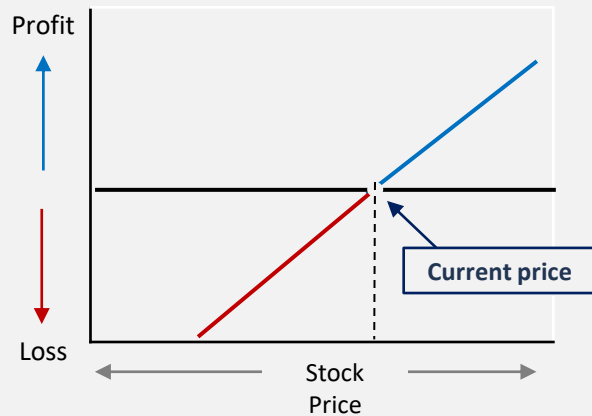
Covered Calls Explained

Adding Yield & Protection

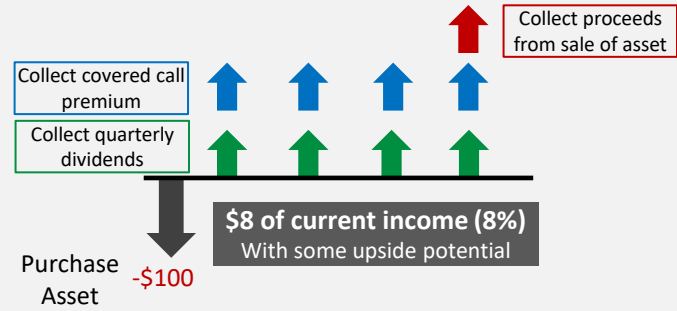
Long-Only Strategy



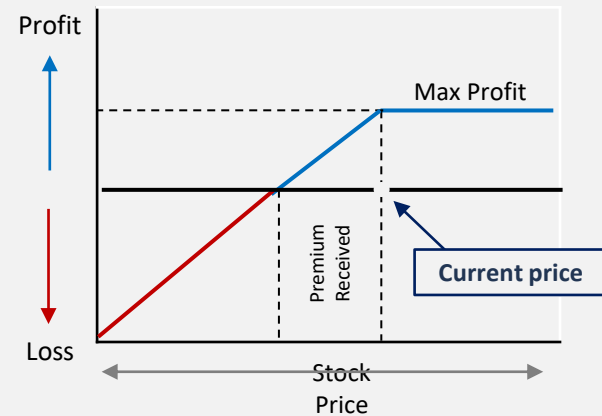
Typical long-only strategies rely on price appreciation for most of their return.



Covered Call Strategy



A covered call strategy seeks to capture a portion of return at inception. Potentially creating a steady income component.



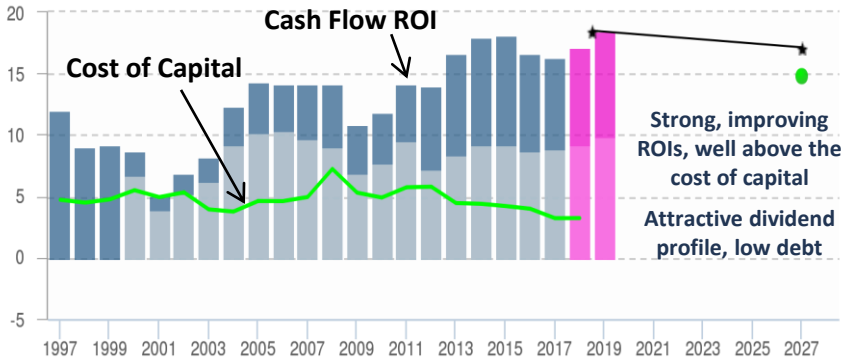
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Importance of Quality

Why We Prefer Company A over Company B

Company A

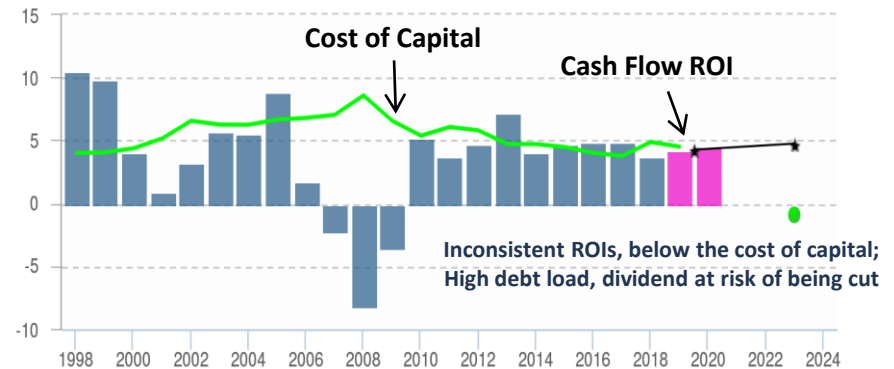
Attractive Profile



Source: HOLT database. HOLT is a trademark of Credit Suisse Securities

Company B

Unattractive Profile



Key Points:

- Strong, stable returns reflect strong business models
- Good companies manage well through downturns and business cycles
- Consistent returns above cost of capital combined with asset growth create shareholder value
- Eaton is a consistent performer that uses shareholder value metrics in its capital allocation process
- Ford has struggled to beat its cost of capital for the past decade

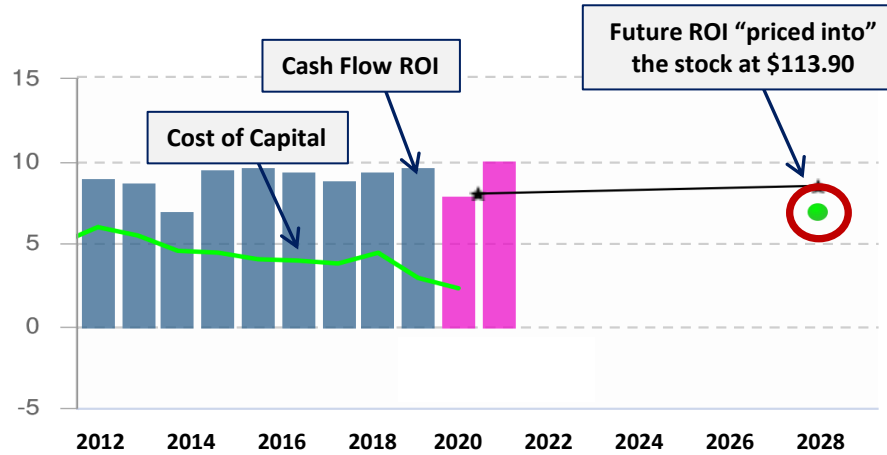
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Example 1: Target (TGT)

Fundamental Analysis: Quality Is Priority One

Target (TGT)

ROIs vs Cost of Capital



Source: Credit Suisse HOLT™

Other Fundamental Factors

- Dividend yield: 2.4%
- Leverage at Market: 17% (A- credit rating)
- Default Probability: 0%*
- "Go To" Retailer for food & supplies as consumers spend more time at home

* Based on Merton model analytics

There is no assurance that the Strategy will achieve its investment objectives.

Example 1: Target (TGT)

Call Options: Incremental Income & Protection

TGT US \$ **↑ 113.70** +0.12 Z113.69/113.72Z 2x1
 At 10:58 Vol 1,895,034 O 114.76N H 115.29Z L 113.10P Val 216.303M

TGT US Equity Calls 96) Export to Excel 97) Expiry Covered Option Write Calculator

Price 113.90 Commissions Trade 07-May-2020 Settle 05/12/20
 Margin 100.0% Per Share 0 Expiration 15-Jan-2021 Settle 01/21/21
 Interest 0.63% Per Contract 0 254 Days between Settlements

Expiring 15 Jan 2021 (TGT US) Use Simple Interest Use Compound Interest Dividend .32%
 Standstill Breakeven Exercised Reinvest
 Show All Strikes Exp Prc 113.90 0.0% Max 15-Jan-2021 Tot @ Exp 1.98

	Strike	Bid	Ask	Price	T Val	Simple	Annual	Target	Annual	Simple	Annual	Ex-Date	Amt
1)	87.50	29.80	30.35	29.80	3.40	6.39%	9.19%*	82.12	9.19%	6.39%	9.19%	05/19/20	0.66
2)	90.00	27.90	28.30	27.90	4.00	6.95%	9.98%*	84.02	9.98%	6.95%	9.98%	08/18/20	0.66
3)	92.50	26.05	26.50	26.05	4.65	7.54%	10.84%*	85.87	10.84%	7.54%	10.84%	11/17/20	0.66
4)	95.00	24.25	24.70	24.25	5.35	8.17%	11.74%*	87.67	11.74%	8.17%	11.74%	MM/DD/YY	0.00
5)	97.50	22.55	23.00	22.55	6.15	8.89%	12.78%*	89.37	12.78%	8.89%	12.78%		
6)	100.00	20.85	21.30	20.85	6.95	9.59%	13.78%*	91.07	13.78%	9.59%	13.78%		
7)	105.00	17.75	18.15	17.75	8.85	11.26%	16.18%*	94.17	16.18%	11.26%	16.18%		
8)	110.00	14.95	15.30	14.95	11.05	13.16%	18.92%*	96.97	18.92%	13.16%	18.92%		
9)	115.00	12.15	12.70	12.15	12.15	14.17%	20.50%*	99.52	21.71%	15.25%	21.71%		
10)	120.00	10.15	10.40	10.15	10.15	11.69%	16.8%	101.77	25.24%	17.57%	25.24%		
11)	125.00	8.15	8.50	8.15	8.15	9.58%	15.70%*	103.77	28.84%	20.07%	28.84%		
12)	130.00	6.50	6.75	6.50	6.50	7.9%	11.35%	105.42	32.88%	22.88%	32.88%		
13)	135.00	5.15	5.35	5.15	5.15	6.56%	9.42%	106.77	37.3%	25.95%	37.3%		
14)	140.00	3.95	4.20	3.95	3.95	5.39%	7.75%	107.97	41.86%	29.13%	41.86%		
15)	145.00	3.10	3.25	3.10	3.10	4.58%	6.59%	108.82	46.92%	32.65%	46.92%		
16)	150.00	2.36	2.56	2.36	2.36	3.89%	5.59%	109.56	52.09%	36.25%	52.09%		
17)	155.00	1.77	1.96	1.77	1.77	3.34%	4.81%	110.15	57.47%	39.99%	57.47%		

* Option will be exercised at expiration e - Estimate

Covered Call Trade:

Buy TGT at \$113.90

Sell Jan 2021 \$120 calls and collect \$10.15

11.7% Total yield for 8 months (16.8% annualized)

+5.9% Potential Price Upside

That's **17.6% potential total return** (25.2% annualized), with approx. 2/3 from income

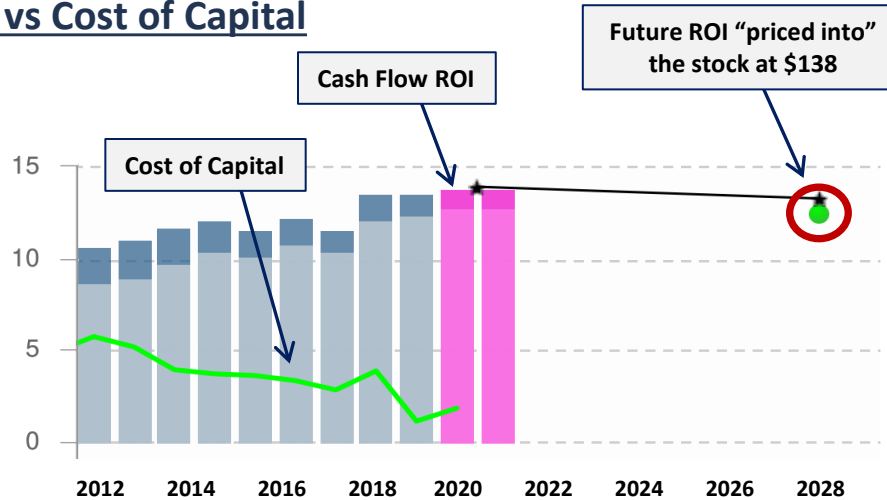
There is no assurance that the Strategy will achieve its investment objectives.

Example 2: Kimberly Clark (KMB)

Fundamental Analysis: Quality Is Priority One

Kimberly Clark (KMB)

ROIs vs Cost of Capital



Source: Credit Suisse HOLT™

Other Fundamental Factors

- Dividend yield: 3.1%
- Leverage at Market: 15% (A credit rating)
- Default Probability: 0%*
- Consumer products company with many of the world's leading brand names

* Based on Merton model analytics

There is no assurance that the Strategy will achieve its investment objectives.

Example 2: Kimberly Clark (KMB)

Call Options: Incremental Income & Protection

KMB US \$ ↑ 138.32 +1.73 Z138.22 / 138.32Z 3x2
 At 11:16 Vol 560,267 O 136.65N H 138.54Z L 135.94K Val 77.015M

KMB US Equity Calls 96) Export to Excel 97) Expiry ▾ Covered Option Write Calculator

Price 138.34 Commissions Trade 15-May-2020 Settle 05/20/20
 Margin 100.0% Per Share 0 Expiration 16-Oct-2020 Settle 10/21/20
 Interest 0.66% Per Contract 0 154 Days between Settlements

Expiring 16 Oct 2020 (KMB US) Use Simple Interest Use Compound Interest Dividend .33%
 Show All Strikes Standstill Breakeven Exercised Reinvest Tot @ Exp 2.14

	Strike	Bid	Ask	Price	T Val	Simple		Breakeven		Exercised		Ex-Date	Amt
						Exp Prc	Annual	Target	Annual	Simple	Annual		
1)	100.00	37.20	40.30	37.20	B Int							06/04/20	1.07
2)	105.00	32.20	34.60	32.20	B Int							09/03/20	1.07
3)	110.00	29.00	30.50	29.00	0.66	2.56%	6.07%*	107.20	6.07%	2.56%	6.07%		0.00
4)	115.00	24.50	26.30	24.50	1.16	2.9%	6.87%*	111.70	6.87%	2.9%	6.87%		
5)	120.00	19.70	22.10	19.70	1.36	2.95%	6.99%*	116.50	6.99%	2.95%	6.99%		
6)	125.00	16.30	18.10	16.30	2.96	4.18%	9.9%*	119.90	9.9%	4.18%	9.9%		
7)	130.00	13.20	14.70	13.20	4.86	5.59%	13.26%*	123.00	13.26%	5.59%	13.26%		
8)	135.00	10.70	11.20	10.70	7.36	7.44%	17.64%*	125.50	17.64%	7.44%	17.64%		
9)	140.00	8.00	8.50	8.00	8.00	7.78%	18.11%	128.20	21.18%	7.85%	21.18%		
10)	145.00	5.60	6.60	5.60	5.60	5.83%	13.82%	130.60	25.71%	10.85%	25.71%		
11)	150.00	1.80	1.50	1.80	1.80	1.57%	10.83%	132.20	31.14%	13.25%	31.14%		
12)	155.00	2.80	3.40	2.80	2.80	3.64%	8.64%	133.40	37.77%	15.94%	37.77%		
13)	160.00	1.80	3.60	1.80	1.80	2.89%	6.84%	134.40	44.44%	18.75%	44.44%		
14)	165.00	0.65	1.60	0.65	0.65	2.03%	4.8%	135.55	50.69%	21.39%	50.69%		
15)	170.00	0.80	1.30	0.80	0.80	2.14%	5.07%	135.40	59.62%	25.16%	59.62%		
16)	175.00	0.50	1.05	0.50	0.50	1.92%	4.54%	135.70	67.58%	28.51%	67.58%		
17)	180.00	0.35	2.05	0.35	0.35	1.8%	4.28%	135.85	75.83%	32%	75.83%		

* Option will be exercised at expiration e - Estimate

Covered Call Trade:

Buy KMB at \$138.34

Sell Oct 2020 \$145 calls and collect \$5.60

5.8% Total yield for 5 months (13.8% annualized)

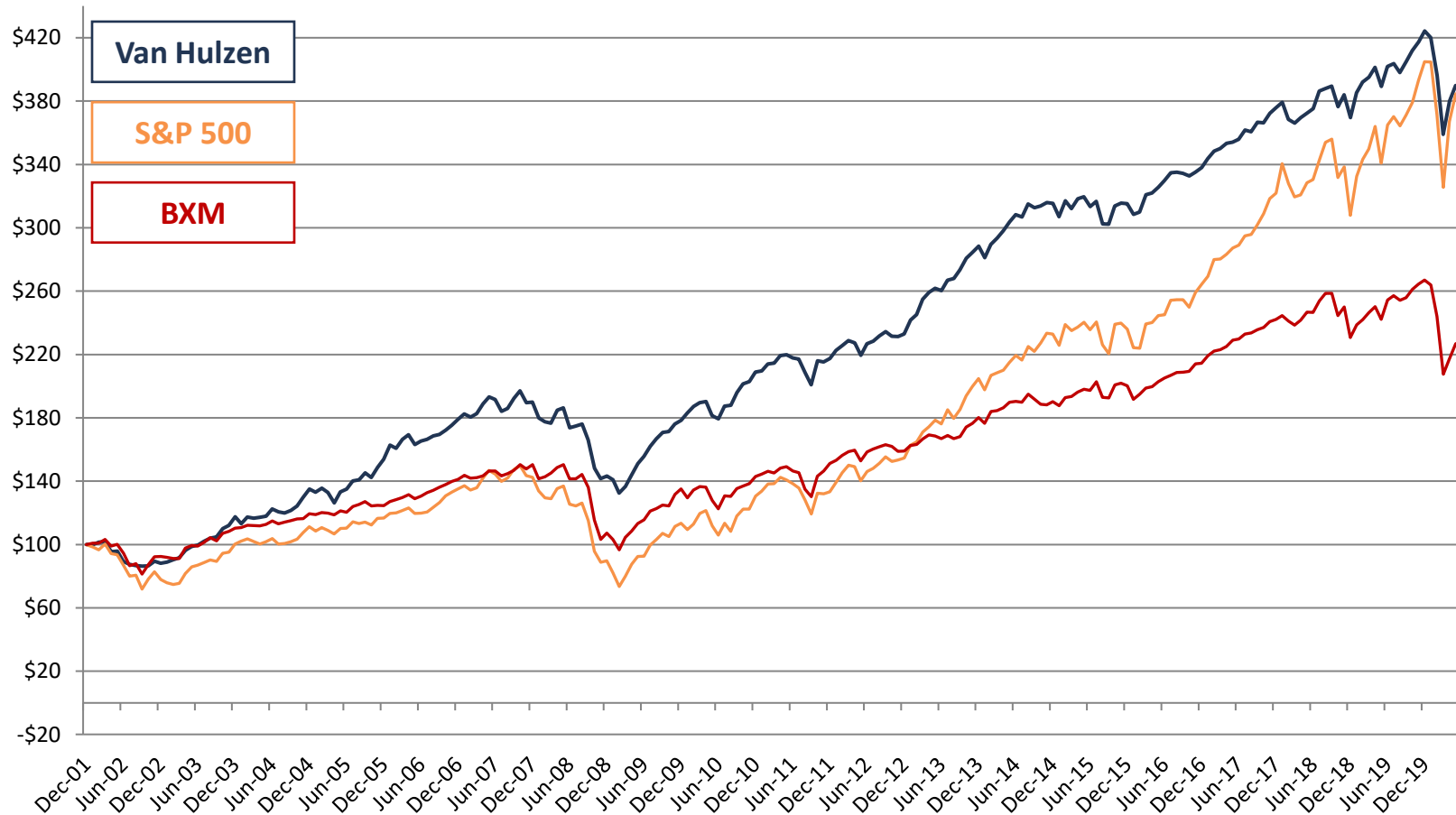
+ Potential Price Upside

That's **10.9% potential total return** (25.7% annualized), with >50% from income

There is no assurance that the Strategy will achieve its investment objectives.

Van Hulzen Performance

Return (12/31/2001- 05/31/2020, gross of fees)

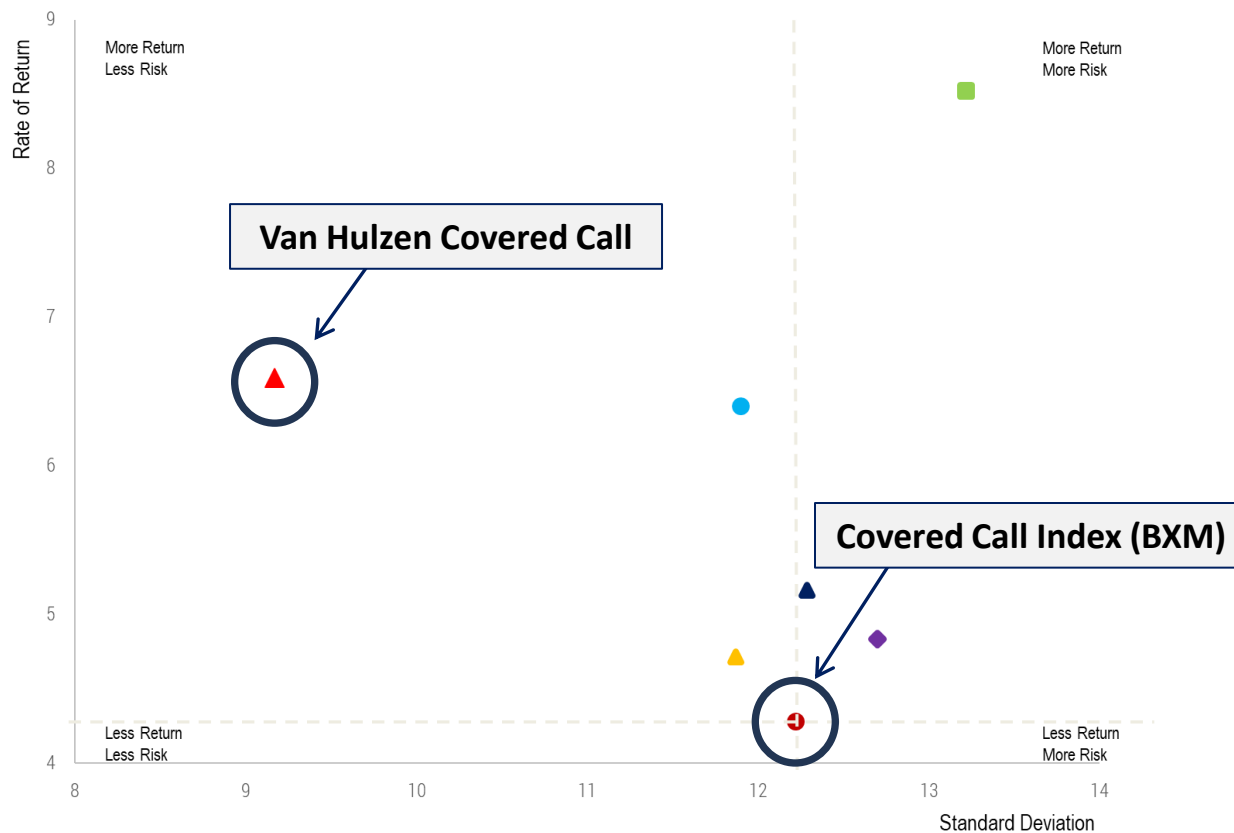


Van Hulzen has a 18+ year track record of strong risk-adjusted returns

There is no assurance that the Strategy will achieve its investment objectives. Writing call options can result in an option exercise and may cause shares to be “called away” and sold. The use of covered call strategies does not ensure profits or guarantee against losses. Past performance may not be indicative of future results. See appendix at the end of this presentation for complete performance, disclosures and other important information. Risk is measured by standard deviation; standard deviation is a statistical measurement of volatility risk based on historical returns.

Van Hulzen Rate of Return vs Standard Deviation

Van Hulzen Covered Call: More Return, Less Risk



	Rate of Return	Standard Deviation
▲ Van Hulzen Covered Call	6.59	9.17
● Cullinan Assoc DW	6.40	11.90
■ Connors Investor Covered Call	8.52	13.22
▲ Madison Invt Adv Covered Call	4.71	11.87
◆ Ziegler Capital FAMCO CC	4.83	12.70
▲ Shelton Equity Income Portfolio	5.16	12.29
● CBOE BuyWrite BXI Index	4.28	12.22

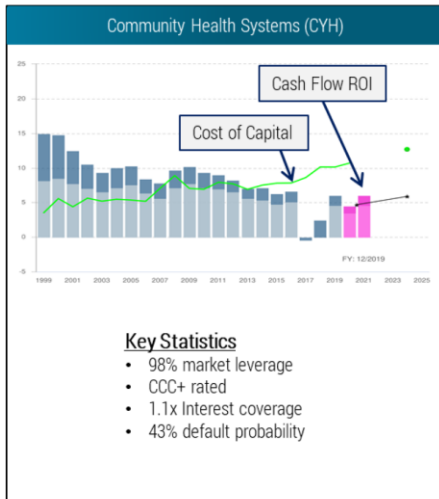
A Quick Comment on High Yield Bonds

The Fed Is Putting Lipstick on a Pig

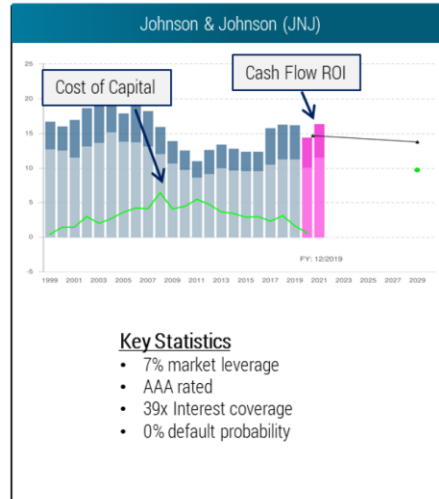
Our Strategy compares favorably to High Yield Bonds

- Higher Quality Holdings (average credit rating of Single A vs Single B)
- Similar volatility profile (standard deviation of ~9% & max draw down of 32% in 2008-09)
- Much higher yields & long term returns
- A potential re-allocation resource to covered calls

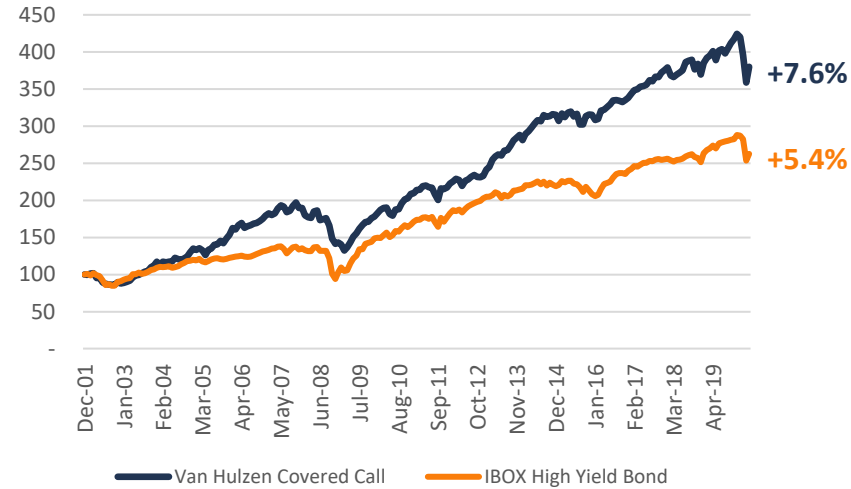
Top 10 JNK Holding



Top 10 VAM Holding



Long Term Performance Comparison



Thank you Fed!

Using Options To Manage Risk

Our Services

Using Options To Manage Risk

- Diversified Covered Call Strategies
- Concentrated Stock Hedging
- Index Option Overlay
- Incorporating Protective Puts

How To Contact Us

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- Website: vaminstitutional.com

Appendix I

Important Definitions

Important Definitions: **Call Option:** An agreement that gives an investor the right (but not the obligation) to buy a security at a specified price within a specific time period. **Covered Call:** An options strategy whereby an investor holds a long position in an asset and writes (sells) call options on that same asset in an attempt to generate increased income from the asset. **Return on Investment:** rate of return annualized over a given period, expressed on an annual basis or as a return per year. **Volatility:** A statistical measure of the dispersion of returns for a given security or market index. Volatility is often measured by using the standard deviation between a security's returns and a market index. Typically, the higher the volatility, the riskier the security. **Standard Deviation:** a measure of daily volatility of returns. Typically, the higher the volatility, the riskier the security. **Beta:** a measure of the volatility of a fund relative to the overall market. **Sharpe Ratio:** A risk-adjusted measure used to determine reward per unit of risk. **R-Squared:** The percentage of a fund's movement that can be explained by movements in its benchmark index. **Jensen Alpha:** A market risk balanced measure of performance, based on CAPM. It is calculated as the difference between security average return vs. risk free rate and beta times benchmark excess return. **Information Ratio:** The excess return (alpha) of an active manager over an appropriate benchmark, divided by the standard deviation of excess returns (tracking error). The equation is as follows: $\text{Information Ratio} = \text{ERT} / \text{STDV}(\text{ERT})$ Where: $\text{ERT} = (R_{Pt} - R_{Bt})$, where - R_{Pt} = Return on a portfolio over time period t - R_{Bt} = Return on a benchmark over time period t $\text{STDV}(\text{ERT})$ = Standard deviation of ERT over the same time period t. **Track error:** It quantifies how closely a manager's return pattern follows that of a benchmark index, and is defined as the standard deviation of the funds excess return over the benchmark index return. Since selection return is defined as the excess return over the benchmark index, tracking error can also be defined as the standard deviation of the selection return.

The overall Morningstar Rating is based on risk-adjusted gross returns, derived from a weighted average of the three-, five-, and 10-year (if applicable) Morningstar metrics.

IMPORTANT INFORMATION

This presentation is prepared by Van Hulzen Asset Management, LLC (VAM), a SEC-registered investment adviser. The information contained herein and the opinions expressed are those of VAM as of the date of writing and have not been approved or verified by the United States Securities and Exchange Commission (the "SEC").

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The Strategy involves risk including the possible loss of principal. There is no assurance that the Strategy will achieve its investment objectives. The use of leverage embedded in written options will limit the Strategy's gains because the Strategy may lose more than the option premium received. Selling covered call options will limit the Strategy's gain, if any, on its underlying securities and the Strategy continues to bear the risk of a decline in the value of its underlying stocks. The S&P 500 Index consists of 500 stocks chosen for market size, liquidity, and industry group representation. It is a market-value weighted index (stock price times number of shares outstanding), with each stock's weight in the Index proportionate to its market value. It is widely used as a benchmark of U.S. equity performance. It is not possible to invest directly in an index. Standard deviation is a statistical measurement of volatility risk based on historical returns. All proposed portfolio performance is presented "gross of fees". The returns presented do not reflect the impact of the fees and expenses associated with the investment(s), the deduction of which would decrease actual results. For example, an advisory fee of 1% compounded over a 10 year period would reduce a 10% return to an 8.9% annualized return. Such fees and expenses may include, without limitation, an advisory fee and transaction fees charged on brokerage transactions. The net effect of the deduction of fees and expenses on annualized performance will vary over time depending on client relationship, account size, time period and overall investment performance. You should discuss applicable fees with your advisor. The fees are disclosed in published fee schedules, which are available upon request. The performance results illustrated herein do not reflect the impact of taxes.