KINGSVIEW
INVESTMENT MANAGEMENT

CORE

Q1 | 2024 Commentary

The first quarter of 2024 brought mixed temperature waters, with most equity assets forging higher and fixed income trading overall flat to slightly lower. The first three months of 2024 as compared to 2023, continued to bring sustained concentration of winners in the overall market.

So far 2024 has seen further sustained rallies for equity assets in general and seen them gain considerable ground off the lows in the Fall of 2022 coinciding with improving economic data. We can attribute most of this directly to what appears to be inflation data aligning with expectations along with a Fed signaling relaxation in short-term rates may be coming soon. The mythical Fed soft landing and pivot that many investors are holding onto tightly for may be on the horizon.
The individual asset class winners in the first quarter on the equity side were large cap and mid cap growth, leading all other equity asset classes by a wide margin. On the fixed income side, short-term and high yield bonds outperformed most other fixed income asset classes.

As far as absolute total return, large cap growth generated the highest returns in the first quarter, as the Fed's telegraphed plans to potentially reduce rates soon has brought some relief to growth stocks in general. Frequent sentiment swings persist between growth and value stocks in the inflation battle, with winners and losers on both sides weekly. Overall concern is that higher rates will weaken and deteriorate growth, while optimism comes from the belief that lower rates from here will further fuel growth names.

Treasury consensus expectations continue to point towards rates undergoing a possible decline later this year, followed by a sustained decline over the next few decades. The yield curve has remained inverted so far in 2024 – although we are starting to now see this inversion alleviate and the famed 2/10 may soon return to positive territory. Credit spreads on average continue to remain just slightly elevated from normal historical ranges.

Bonds continue to remain inexpensive with, in our opinion, attractive forward rates of return over the next few years, and the bond outlook continues to improve. The Fed's target for short-term rates still leaves significant opportunity on the table for all asset prices, including bonds.

In general, monetary policy tends to have long and variable effects. These effects are sometimes slow to manifest and can persist for some time once they do surface. It is likely that we are only starting to see the beginning effects of the Fed tightening and there may continue to be further challenges ahead as the extent of the Fed's tightening takes hold in all aspects of the economy. The overall economy, however, appears to remain resilient.

In the CORE Portfolio Series ("CPS"), our general strategy is to own a bit of everything in weights reflective of the optimized forward market opportunity. Much of this work generally means acquiring more of asset classes that appear to be out of

Lead Portfolio Manager
Mitch Ehmka, CFA®, CIPM®
Chief Trading Officer

Mitch has worked with Kingsview since 2010 and has assumed increasing responsibility during his tenure, serving as Head Trader for 3 ½ years, and then as Director of Trading for the last five years.

Mitch oversees all trading operations within the firm from Chicago and runs the day-to-day trading operations of Kingsview Investment Management. He will also continue to sit on the investment committee.

Mitch helps Advisors, fellow Portfolio Managers and the Investment Committee implement investment strategy, and assists in guiding portfolio implementation within Kingsview's systems. Mitch also spearheads the GIPS efforts of Kingsview Investment Management and oversees its claim of compliance with the GIPS standards in investment performance reporting.

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favor on a forward return basis, holding them steadfast and rebalancing as needed instead of simply chasing and owning only the top performers. The first quarter of 2024 continued to be a very narrow performing market, leaving out many asset classes traditionally found in well-diversified global portfolios.

One of the key pillars of CPS is rebalancing asset classes to normalize overweight winners and add to those that are not performing as well. This means that CORE portfolios may benefit from reversion to the mean over time due to market breadth and increased volatility. While the last few years have been difficult for diversified portfolios in general, we feel that the markets ahead will be more balanced and potentially provide benefits to those with diversified portfolios via inter-asset class rebalancing over time.

Specifically, in the first quarter, within equities, the portfolios benefited from large and mid cap holdings against our global equity benchmark. Shorter dated and high-yield bonds continued to outperform relative to our domestic fixed income benchmark. It is possible bonds will continue to see improved performance further into 2024 if rates truly have peaked and may even start to gain some upward traction if the Fed actually cuts rates. According to yield curve consensus information, this may be the likely outcome with 2 rate cuts currently priced into bond valuations before the end of 2024.

Overall, we continue to believe key risks are well controlled and appropriate within all the portfolios and we expect to maintain similar relative performance to our benchmarks with the potential to outperform if market breadth widens up into the coming quarters.

We at Kingsview Investment Management appreciate your continued support of the Core Portfolio Series. Should you wish to speak with one of our portfolio managers, please email investments@kingsview.com.