

Volume Factor Dividend Tree (VFDT)

Q1 | 2024 Commentary

The Volume Factor Dividend Tree (“VFDT”) is Kingsview’s goals-based tactical investment strategy for those with ambitions to grow income. The objectives of the Volume Factor Dividend Tree portfolio are to provide investors with:

- 1) A growing dividend yield
- 2) Capital appreciation, and
- 3) Preservation of the capital base

VFDT employs a unique “quantamental” selection process. Quantamentals is the fusion of Fundamental and Technical Analysis via a quantitative process. This factor-based process applies five common investment factors - Quality, Momentum, Value, Size and Low Volatility - plus a newly discovered investment factor, Volume. Factor investing is an investment approach identifying quantifiable investment characteristics or factors explaining differences in returns.

These six factor characteristics are expressly pinpointed in the VFDT portfolio via:

Quality - through free cash flow and persistent dividend growth

Momentum - via strong absolute relative strength

Value - identified through relatively high free cash flow yield

Size – encompassed in an all-capitalization portfolio

Low Volatility - targeted through a risk overlay to help mitigate drawdowns in bear markets

Volume - employed to both identify and confirm price momentum in the portfolio selection process as well as the driver of our Volume Factor Risk Overlay

Specifically, the mission of the VFDT portfolio is to invest in stocks with the following qualities:

Fruit Bearing – all stocks in the VFDT portfolio are required to pay dividends

Growing Branches – all stocks in the VFDT portfolio have demonstrated above average dividend growth over the past three years or five years

Strong Roots – all stocks in the VFDT portfolio are required to maintain specific ranges of free cash flow / enterprise value



Lead Portfolio Manager
Buff Dormeier, CMT®

Chief Technical Analyst

Buff Pelz Dormeier, CMT®, is a foremost expert in the field of volume analysis and founder of VolumeAnalysis.com. He has over 25 years’ experience dynamically managing private investment portfolios for affluent individuals, institutions, trusts, endowments and financial advisors.

An Award winning industry innovator, Dormeier is the developer of Volume Weighted Moving Averages (VWMAs), the VW-MACD, the Volume Price Confirmation Indicator (VPCI), VPCI Stochastics, the Anti-Volume Stop Loss (AVSL), the Trend Thrust Indicator (TTI), Capital Weighted Volume Indexes, as well as a host of capital weighted volume based breadth indicators.

Buff’s work with market indicators and trading system design has been published and/or referenced in Barron’s, Stock’s & Commodities, C-NBC, The Financial Times, and Active Trader magazines, as well as the IFTA & MTA Journals.

Ripe for the Picking – once the securities have been screened for these qualities, we then use the Volume Factor scoring model to attempt to identify those remaining candidates we believe to be presently ripe and poised for potential capital appreciation

Crop Insurance - Farmers may purchase crop insurance to hedge against the possibility of poor field conditions. Likewise, the VFDT portfolio utilizes a risk overlay strategy designed to attempt to mitigate equity exposure during bear markets.

Three triggers make up the risk overlay - Capital Weighted Volume, Capital Weighted Dollar Volume (Capital Flows) and the Advance-Decline Line. For Volume Factor Dividend Tree's risk overlay to be employed, all three indicators must be below trend. If all three bearish conditions are met, VFDT's risk overlay reduces equity exposure from 100% equity to 50% of the portfolio.

VFDT's portfolio began the first quarter with a full equity position, as both of Volume Factor's primary indicators Capital-Weighted Volume & Capital-Weighted Dollar Volume began the quarter above trend. This 100% equity position was maintained throughout the quarter as these prime two leading indicators continued to surge higher.

During the first quarter, the Dividend Tree portfolio remained underweight large-cap stocks. The top VFDT stock holdings by weight were MillerKnoll Inc (**MLKN**), Phillips 66 (**PSX**), Steelcase Inc (**SCS**), Worthington Enterprises (**WOR**), Carter's Inc (**CRI**), Fidelity National Information Services Inc (**FIS**) and HNI Corporation (**HNI**).

Risk management is often the path less taken but the steady course leading towards successful long-term financial outcomes. Should you wish to speak with one of our portfolio managers, please email investments@kingsview.com.

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