CORE

Q1 | 2025 Commentary

The first quarter of 2025 brought some renewed stress to the markets, with domestic equities coming under pressure while fixed income brought stability and helped to offset equity portfolio drag. The equity and fixed income markets have been working overtime to attempt to fully digest recent economic and market messaging in direct response to recent tariff talk and uncertainty. In 2024, the markets seemed to be on a clear path forward, but now that picture is a bit murkier, as the markets shift daily based on news releases and closed out the quarter with near record levels of volatility.

Equity assets started the year strong overall, reaching new highs in mid-February. However, they struggled in the second half of the quarter with escalating tariff messaging and concerns about the possibility of a global trade war heating up. In the first quarter, equities yielded the total return crown to international markets and large cap value, likely in direct response to the growth scare triggered at home by the recent tariff talk and related uncertainty.

Fixed income traded modestly higher overall in the wake of market volatility and lower growth expectations for equities. This helped boost fixed income returns and moderate portfolio losses as bonds became a helpful portfolio diversifier. There were no rate cuts in the first quarter, with a modest expectation of possibly two cuts in the second half of 2025.

The yield curve, as measured by the 2/10-year treasury spread, continued to march higher into positive territory, approaching levels not seen in over three years. While elevated in recent days, credit spreads remain compressed from normal historical ranges, signaling healthy demand for corporate bonds still exists, mainly for the right issuers. Widening credit spreads are likely a function of current equity volatility as investors seek to reposition portfolios to capitalize on lower equity levels. Regardless, we believe the current bond environment is still signaling confidence in the underlying economy, albeit with slightly higher volatility than this time last year.

International developed equity was the top performing equity asset class we held, followed by emerging market equities. Large cap value finished just barely in the red as the first quarter proved to be punishing to growth equities. In the face of uncertain trade policies and concerns about the underlying health of the global economy, we may see a more difficult equity environment moving forward. Rising volatility was unrelenting during the quarter. In this environment, we have begun to see an interesting rotation into European and Asian equities and out of US equities, in the wake of uncertain and quickly changing domestic policies causing concerns with trade slowdown. Overall, the performance gap over the past few years has started to narrow between large cap growth and nearly every other asset class.

Lead Portfolio Manager

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Managing Director of Research and Performance

Mitch Ehmka is the Managing Director of Research and Performance for Kingsview Partners. for Kingsview Partners. 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 five years before being named Chief Trading Officer in 2022. Mitch oversees all trading operations within the firm from Chicago, runs the day-to-day trading operations of Kingsview Investment Management and is a founding member of 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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We believe it is likely bonds will continue to see a range-bound environment given current sentiment about possibly rising inflation expectations. According to Fed funds rate futures consensus information, potentially two rate cuts may take place during the upcoming year, largely dependent on economic data.

Overall, treasuries continue to remain historically inexpensive and the intermediate and longer-term bond market outlook remains attractive with current pricing. We believe the Fed's longer-term target for rates still leaves opportunity for fixed income.

Recent market action over the past two quarters has shown some of the merits of owning a diversified portfolio, and we expect further benefits to be demonstrated in the rest of 2025. In the Core Portfolio Series, our general strategy is to own a bit of everything. This generally means holding asset classes that are out of favor and rebalancing as needed instead of simply chasing and owning only the top performers. This means that CORE portfolios may benefit from reversion to the mean over time. We feel that the markets ahead will bring continued widening market breadth that should reward those with well-diversified portfolios via portfolio rebalancing over time.

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.