Dividend Plus

Q1 | 2025 Commentary

The first quarter of 2025 brought a challenging equity market, one that saw significant daily price swings towards the end of the quarter as the global tariff and US trade deficit conversation started heating up. Recent changes in US trade policy and its overall global trade stance have left many market participants searching for updated measurements on economic health. The equity markets have discounted forward equity valuations with rising volatility at a quickening pace, as we have seen markets try to quickly adapt to the new global trade environment and the daily headlines.

The market has delivered for patient investors over the past few years, showing that equity markets can be resilient in the face of uncertain factors and changing risks - perhaps this fact can be comforting at times like this. Overall, we believe the current economic environment tells a story of resilience and continued guarded optimism for the future. General sentiment persists that lower or unchanged short-term rates will support the markets in the face of uncertainty, so, hopefully, the remainder of 2025 brings some clarity as the initial tariff shocks wear off.

We believe the Fed's actions will depend on fresh incoming data and short-term equity performance will now likely be highly dependent on the perception of how current lower equity index valuations most closely align with changing economic expectations.

In the first quarter, value equities outperformed growth. We expect this trend to continue in the coming months as we may be in a more favorable environment for value securities than the past few years. It is our opinion that if rates remain at today's levels, value stocks may outperform growth stocks on a relative basis over the next few years. In general, the value space can be better prepared for higher interest rates than many other types of investments due to lower equity duration and less reliance on firm borrowing or share buybacks for total return combined with relatively higher near-term cashflows.

The Dividend Plus portfolio has been constructed to attempt to buy quality domestic companies at bargain prices and sell them when we believe they appreciate to fair value estimates. As short-term equity markets have experienced a recent pullback, little has fundamentally changed with companies held within the portfolio and it is business as usual for us. In the first quarter of 2025, we had five names leave the portfolio and purchased five new names as replacements. We continue to keep a watchful eye on all holdings to ensure they are the best positioned to succeed in the challenging environment ahead.

We review company fundamentals on an ongoing basis and, should there be a change to our estimate of fair value for any security, we will incorporate those changes into our model. Suitable replacements will be identified with a focus on quality and financial statement health first. Today's market requires constant vigilance and, in our opinion, an edge in valuation such as our approach attempts to provide.

Lead Portfolio Manager

Mitch Ehmka, CFA®, CIPM®

Managing Director of Research and Performance

Mitch Ehmka is the Managing Director of Research and Performance 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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Some companies that are showing up on the horizon as possible investment candidates are located within the business service and consulting sectors. Healthcare and diagnostic firms could also present some interesting opportunities for the portfolio. Regardless of the challenging environment, we remain confident in our ability to continue to deliver risk-adjusted performance in both the current environment and the immediate future.

Within the portfolio, fifteen companies hiked their dividends in the first quarter. Over the past year within Dividend Plus, eighty-three percent of all current portfolio holdings have increased their dividend year over year. Using PE (price to earnings) as a measure of value, the portfolio is trading at about a forty-six percent discount to the S&P 500.

Here at Kingsview Investment Management, we appreciate your continued support of the Dividend Plus portfolio. Should you wish to speak with one of our portfolio managers, please email investments@kingsview.com.