

Tactical Allocation Models (TAM)

Q1 | 2025 Commentary

Preserving Wealth in an Evolving Market

Investors in Kingsview's Tactical Allocation Models ("TAM") understand that capital preservation is one of the cornerstones of building long-term wealth. While short-term market fluctuations are inevitable --- and often necessary for long-term growth --- bear markets can be a real threat to a sound financial plan. While some may advocate for a passive "ride it out" approach for 100% of assets, even during prolonged downturns, TAM respectfully takes a proactive view.

TAM employs a multi-layered defense system in an attempt to proactively mitigate risk. This strategy accepts that occasional opportunity costs may be a worthwhile trade-off for preserving capital during market stress. Protecting assets during downturns may better position portfolios for a stronger and faster recovery, possibly increasing the likelihood of achieving long-term financial goals.

Q1 2025 Market Environment: A Perfect Storm

The first quarter of 2025 presented significant challenges across financial markets. The S&P 500 fell sharply from February highs to March lows, officially entering correction territory for the first time since 2023. This correction coincided with the implementation of new trade policies and the "Liberation Day" tariff announcements as investors and economists expressed skepticism about their ability to increase business values.

Technology stocks, which had led the market higher for much of the past two years, bore the brunt of the selling pressure. This rotation away from mega-cap tech leadership signaled a meaningful shift in market structure that our volume-based indicators captured effectively.

Tactical Adjustment: Equity Exit in MVFG

After reducing equity positions in early March, the Monarch Volume Factor Global Unconstrained Index ETF (MVFG), a holding in each of the TAM strategies, on March 25th, 2025, executed a defensive tactical shift. This decision was based on a double-trigger event rooted in capital-weighted analytics:

- Week ending March 7th: Capital-weighted volume breached proprietary support levels.
- Week ending March 21st: Capital-weighted dollar volume also fell below its threshold.



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.

These concurrent signals indicated a broader regime shift in market structure. In response, MVFG reallocated capital from equities into short-term U.S. Treasury bill ETFs --- reflecting the Volume Factor Risk Overlay in action: a tactical, rules-based model driven by price, volume, and capital flow data.

This was not an emotional decision. It was a disciplined, pre-defined risk management action taken to protect portfolio value during a period of market weakness. MVFG will tactically re-enter equities once the system confirms a new uptrend or a capitulation event occurs.

TAM's Multi-Layered Defense System

The TAM strategies are engineered to adapt across various market conditions using a **three-pronged defense structure**:

1. Volume Factor Risk Overlay

A dynamic, active management engine that identifies market regime shifts using capital-weighted indicators and is designed to outperform during broad uptrends and reduce equity exposure when systemic risks increase.

The current market environment has validated our approach. With the CBOE Volatility Index (VIX) remaining below 30 throughout the first quarter, some analysts believed the full extent of risk-aversion had yet to fully materialize as perhaps the worst of the selloff may not have fully occurred. Our rules-based Volume Factor methodology positioned a piece of the portfolio defensively throughout March.

2. Defined Outcome Buffers

During Q1, our defined outcome investments helped to mitigate initial losses during the market correction. This component came into play during February and early March when the first signs of market weakness appeared before our Volume Factor overlay triggered some defensive positioning.

3. Floor Strategies

Designed to limit large drawdowns. While this protection comes with a trade-off in bull markets, it can play a vital role in preserving wealth during extreme downturns. Our floor strategies have maintained their protective characteristics during the recent market turbulence, but are in place to protect against the deeper selloffs.

Why It Matters

Today's markets are complex and headline driven. But while the narrative may change, our mission remains steadfast: to build resilient, long-term portfolios positioned to thrive in all market environments.

TAM does not chase short-term trends or market fads. Instead, TAM applies a disciplined investment process that integrates data-driven technical signals, behavioral finance principles, and defined outcome tools to help clients stay focused and invested through all cycles.

Looking Ahead

The first quarter of 2025 served as a clear reminder of the importance of adaptability. As market conditions evolve, the TAM portfolios remain committed to protecting capital, pursuing opportunity, and aligning investment decisions with your long-term financial goals.

Several key themes will likely drive markets in the months ahead:

1. **Policy Impact:** The implementation and potential adjustment of new tariff policies will create both challenges and opportunities across sectors and asset classes.
2. **Earnings Growth:** The Q1 earnings season is projected to show the slowest pace in five quarters. How companies navigate the evolving economic landscape will be crucial.
3. **Fed Policy:** With inflation forecasts rising and economic growth projections declining, central bank policy may present additional uncertainty.

TAM's multilayered approach stands ready to identify emerging areas of strength as capital flows shift and new leadership potentially emerges. When our technical indicators confirm a more favorable risk/reward environment, TAM will tactically increase equity exposure, targeting sectors and regions we believe demonstrate the strongest capital inflows.

For additional insights or a deeper dive into our models, please contact us at investments@kingsview.com or visit www.kingsviewim.com.

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