CORE

Q2 | 2022 Commentary

Inflation, war, rising rates and a backdrop of potentially slowing economic growth were the key talking points for the first quarter of 2022. The second quarter was a second act with many of the same concerns being echoed all quarter long.

Historically, as interest rates push quickly higher in response to inflation fears by the Fed, most asset prices struggle in the wake of rapid consensus adjustments and higher discount rates on all securities. The yield curve has also been pointing to continued inter-class volatility, and the bond market continues to price in a moderate probability of recession over the next 6-18 months.

As things begin to normalize during times of volatility, we will see pockets of opportunity. It might be difficult to anticipate these opportunities in advance in the ensuing quarters; however, we will stand ready to take advantage with a large group of diversified assets in each portfolio, regardless of risk tier. We do expect things to calm down over the next year as we continue to put Covid-19 in the rearview mirror and reach a consensus on inflation and likely economic growth in the near future. Meanwhile, the "soft-landing" that the Fed has been trying to engineer since last year is proving to be increasingly elusive. The Fed remains reactionary in response to data, and this policy has left them fighting a fire while getting updates retroactively. This often causes volatility in response to rapid consensus adjustments in the bond market when new information becomes available.

The second quarter has proven to be another solid one for the CORE portfolios, and our strategy of owning a little bit of everything has continued to stand up to the volatility we are seeing. Rebalancing key risk factors at advantageous times has meant that the portfolios have benefited from this volatility and we believe should continue to see similar benefits with respect to continued inter-asset class volatility overall.

The CORE portfolios benefited specifically from small amounts of outperformance vs. their benchmark within many asset classes in total return YTD across all risk tiers. Most specifically, outperformance was attributed to large, mid and small cap value equities, shorter duration corporate bonds and treasuries as an asset class relative to our benchmarks.

Both international and emerging market securities also had a solid quarter by outperforming our equity benchmark. Bonds will likely continue to see shorter-term pressure due to interest rates and inflation, and the lower yield starting point within this hiking cycle has often meant these anticipated hikes cause immediate drawdowns within the entire asset class. However, we believe overall key risks are well controlled and appropriate within all the portfolios, and we expect to maintain similar relative performance to our benchmarks if this significant volatility continues.

Kingsview Investment Management appreciates your continued support of the CORE portfolio series. Should you wish to speak with one of our portfolio managers, please email investments@kingsview.com.

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.