

# SECTOR ALPHA

## STRIVING FOR A MORE EFFICIENT S&P 500

As of December 31, 2023 | Updated Annually

Due to the cyclical nature of the stock market, different U.S. sectors tend to perform better than others given certain economic climates. At Kingsview Investment Management, we rely heavily on economic indicators from The Bureau of Economic Analysis (BEA) and the Department of Labor (DOL) to help identify these very cycles in the sectors. These economic indicators guide our team in selecting sectors that may be more heavily favored than others throughout the course of a full market cycle (bull and bear).

By attempting to avoid “out of favor” sectors, and only focusing on identifying “in favor” sectors, the Sector Alpha looks to provide investors with a better risk-adjusted return version of the S&P 500.

Technology	S&P 500 TECHNOLOGY SECTOR
Consumer Discretionary	S&P 500 CONSUMER DISCRETIONARY SECTOR
Healthcare	S&P 500 HEALTHCARE SECTOR
Consumer Staples	S&P 500 CONSUMER STAPLES SECTOR
S&P 500	S&P 500
Industrials	S&P 500 INDUSTRIALS SECTOR
Utilities	S&P 500 UTILITIES SECTOR
Materials	S&P 500 MATERIALS SECTOR
Communications	S&P 500 COMMUNICATIONS SECTOR
Real Estate	S&P 500 REAL ESTATE SECTOR
Financials	S&P 500 FINANCIALS SECTOR
Energy	S&P 500 ENERGY SECTOR

## PERIODIC TABLE OF U.S. SECTOR RETURNS

2009	2010	2011	2012	2013	2014	2015	2016	2017	2018	2019	2020	2021	2022	2023
Technology 61.17%	Real Estate 28.03%	Utilities 18.37%	Financials 28.05%	Consumer Discretionary 42.44%	Utilities 27.56%	Consumer Discretionary 9.60%	Energy 26.24%	Technology 38.25%	Healthcare 5.93%	Technology 49.61%	Technology 43.39%	Energy 52.54%	Energy 63.69%	Technology 57.41%
Materials 47.57%	Consumer Discretionary 27.09%	Consumer Staples 12.94%	Consumer Discretionary 23.30%	Healthcare 40.64%	Real Estate 26.14%	Healthcare 6.38%	Financials 21.99%	Materials 23.10%	Utilities 3.00%	Communications 32.15%	Consumer Discretionary 32.93%	Real Estate 45.08%	Utilities 0.66%	Communications 55.36%
Consumer Discretionary 40.53%	Industrials 25.88%	Healthcare 11.97%	Healthcare 17.06%	Industrials 39.76%	Healthcare 24.72%	Consumer Staples 5.74%	Communications 21.76%	Consumer Discretionary 22.45%	Consumer Discretionary 0.43%	S&P 500 31.49%	Communications 23.18%	Financials 34.28%	Consumer Staples -1.39%	Consumer Discretionary 41.99%
S&P 500 26.46%	Materials 21.51%	Real Estate 7.94%	Communications 16.53%	Financials 34.89%	Technology 19.54%	Technology 5.42%	Industrials 18.02%	S&P 500 21.83%	Technology -0.69%	Financials 31.23%	Materials 19.93%	Technology 34.17%	Healthcare -2.44%	S&P 500 26.29%
Real Estate 20.79%	Energy 19.67%	Consumer Discretionary 5.61%	Real Estate 16.22%	S&P 500 32.39%	Consumer Staples 15.03%	Communications 1.84%	Materials 15.90%	Financials 21.53%	Real Estate -3.26%	Industrials 28.60%	S&P 500 18.40%	S&P 500 28.71%	Industrials -5.97%	Industrials 17.50%
Industrials 19.82%	Communications 16.94%	Communications 4.62%	S&P 500 16.00%	Technology 27.76%	Financials 14.57%	S&P 500 1.38%	Utilities 15.04%	Healthcare 21.45%	S&P 500 -4.38%	Real Estate 27.78%	Healthcare 12.84%	Materials 26.59%	Financials -11.08%	Materials 11.85%
Healthcare 18.90%	S&P 500 15.06%	Energy 4.14%	Industrials 14.47%	Consumer Staples 25.09%	S&P 500 13.69%	Real Estate 1.24%	Technology 13.29%	Industrials 20.28%	Consumer Staples -9.22%	Consumer Discretionary 27.41%	Industrials 10.44%	Healthcare 25.54%	Materials -12.81%	Financials 11.48%
Financials 16.49%	Consumer Staples 13.06%	S&P 500 2.11%	Technology 14.32%	Materials 24.73%	Consumer Discretionary 9.19%	Financials -2.12%	S&P 500 11.96%	Consumer Staples 12.57%	Financials -13.52%	Consumer Staples 26.51%	Consumer Staples 9.80%	Consumer Discretionary 24.20%	S&P 500 -18.11%	Real Estate 11.11%
Consumer Staples 13.78%	Financials 11.74%	Technology 2.08%	Materials 14.15%	Energy 24.22%	Industrials 9.13%	Industrials -3.19%	Consumer Discretionary 5.52%	Utilities 10.96%	Communications -13.72%	Utilities 25.10%	Utilities -0.52%	Communications 21.25%	Real Estate -26.83%	Healthcare 1.53%
Energy 13.06%	Technology 9.87%	Industrials -1.29%	Consumer Staples 9.78%	Utilities 11.86%	Materials 6.23%	Utilities -5.92%	Consumer Staples 4.53%	Real Estate 9.73%	Industrials -13.80%	Materials 23.76%	Financials -2.42%	Industrials 20.60%	Technology -28.41%	Consumer Staples -0.29%
Utilities 10.35%	Utilities 4.06%	Materials -10.33%	Energy 3.92%	Communications 9.95%	Communications 1.51%	Materials -8.98%	Real Estate 1.12%	Energy -1.85%	Materials -15.23%	Healthcare 20.16%	Real Estate -3.08%	Consumer Staples 17.70%	Consumer Discretionary -37.19%	Energy -2.38%
Communications 7.01%	Healthcare 2.24%	Financials -17.48%	Utilities 0.01%	Real Estate -1.53%	Energy -8.45%	Energy -21.86%	Healthcare -3.19%	Communications -2.68%	Energy -18.82%	Energy 10.54%	Energy -34.79%	Utilities 16.55%	Communications -40.04%	Utilities -8.03%

Source: Bloomberg as of 12/31/2023

## PORTFOLIO PROCESS

Monthly economic data numbers are analyzed and used to determine the individual strength (or weakness) of specific sectors and subsectors of the S&P 500, which includes:



Deeper analysis of key items like sector profitability as a share of GDP to further confirm a sector’s economic position.



Once that is determined, sector-wide allocations are implemented and updated as conditions change.



The goal is to compose a more favorable allocation compared to the overall S&P 500 that provides more upside capture with less risk.

# SECTOR ALPHA

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### STAY INVESTED AND NAVIGATE THE NOISE

The Kingsview Investment Management Sector Alpha portfolio was created to help investors remain allocated during times of panic and doubt by staying invested in a more efficient manner than just owning broad equity exposure.

By filtering out unfavorable sectors, investors are given the confidence knowing that their domestic equity exposure is not relegated to a broad market index, but rather what we believe are the more fundamentally favorable sectors that comprise the index itself.

### TACTICAL WHILE STAYING INVESTED

Many “sector rotation” strategies may move to a fully defensive position; either in cash or short-term treasuries. **Sector Alpha differs from traditional sector rotation strategies because it always remains fully invested to take advantage of the fact that U.S. equities have historically been positively sloped.**

Staying properly invested during times of volatility means a higher probability of achieving investment goals. The Kingsview Investment Committee attempts to do this by utilizing empirical data to focus exposure to more favorable U.S. sectors, not by not timing markets.

### WHAT HAPPENS WHEN OPPORTUNITY IS MISSED?

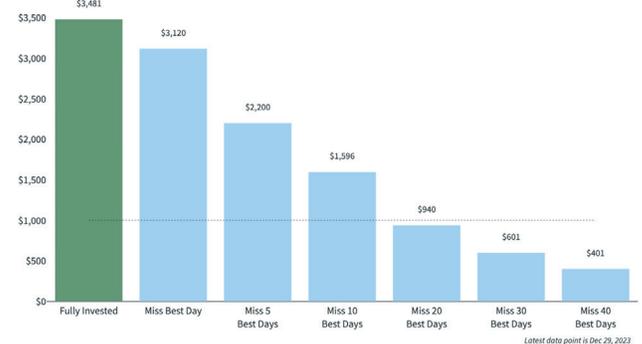
The Kingsview Investment Committee realizes that empirical economic data can be difficult to interpret and stock prices are often affected by irrational investor behavior.

However, we also understand that staying invested over the long term can provide significant financial benefits.

With the goal of eliminating exposure to sectors that are unfavorable throughout the course of each market cycle, the Sector Alpha portfolio has the ability to create a more efficient S&P 500.

### Staying Invested: Missing the Best Days

The impact of missing the best market days over the past 25 years  
 Based on an initial \$1,000 investment using S&P 500 returns before transaction costs



Source: Cleantomics, Standard & Poor's  
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**All indexes are total return unless otherwise noted. Performance for total return indexes reflects the reinvestment of dividends and capital gains.** It is not possible to invest directly in an index. Indexes are unmanaged and index returns do not reflect fees, expenses or sales charges. Indexes were chosen that Kingsview deems representative of the listed asset classes and sectors.

The **S&P 500 Total Return Index** is a capitalization-weighted index of 500 stocks designed to measure performance of the broad domestic economy through changes in the aggregate market value of 500 stocks representing all major industries.

The **S&P 500 Technology Sector Total Return Index** comprises those companies included in the S&P 500 that are classified as members of the GICS technology sector.

The **S&P 500 Consumer Discretionary Sector Total Return Index** comprises those companies included in the S&P 500 that are classified as members of the GICS consumer discretionary sector.

The **S&P 500 Healthcare Sector Total Return Index** comprises those companies included in the S&P 500 that are classified as members of the GICS healthcare sector.

The **S&P 500 Consumer Staples Sector Total Return Index** comprises those companies included in the S&P 500 that are classified as members of the GICS consumer staples sector.

The **S&P 500 Industrials Sector Total Return Index** comprises those companies included in the S&P 500 that are classified as members of the GICS industrials sector.

The **S&P 500 Utilities Sector Total Return Index** comprises those companies included in the S&P 500 that are classified as members of the GICS utilities sector.

The **S&P 500 Materials Sector Total Return Index** comprises those companies included in the S&P 500 that are classified as members of the GICS materials sector.

The **S&P 500 Communications Sector Total Return Index** comprises those companies included in the S&P 500 that are classified as members of the GICS communications sector.

The **S&P 500 Real Estate Sector Total Return Index** comprises those companies included in the S&P 500 that are classified as members of the GICS real estate sector.

The **S&P 500 Financials Sector Total Return Index** comprises those companies included in the S&P 500 that are classified as members of the GICS financials sector.

The **S&P 500 Energy Sector Total Return Index** comprises those companies included in the S&P 500 that are classified as members of the GICS energy sector.