

AMBASSADOR INCOME

REDESIGNING FIXED INCOME

As of December 31, 2021 | Updated Annually

Fixed income markets are said to be some of the “most influential money in the world” due to the large volume of trading that takes place within them as well as the large institutional ownership that is present in many of the publicly traded debt instruments. These “investors” tend to be pension funds, sovereign wealth funds and other groups who have time and capital to wait out interest rate and credit shocks that often attack the fixed income markets on a cyclical basis.

It is our belief that investors do not need to suffer the slings and arrows of disruption (cyclical or otherwise) that may result in the folly of stretching for yield by lowering their tolerance for credit worthiness or lengthening their duration exposure. Instead, investors should have access to an actively managed fixed income allocation that features a monitored set of credit exposed vehicles along with alternative supplements like commodity positions. These supplemental positions could provide some yield on their own, but more importantly, lessen the volatility of the portfolio as it relates to traditional bond indexes.

A VAST OPPORTUNITY SET

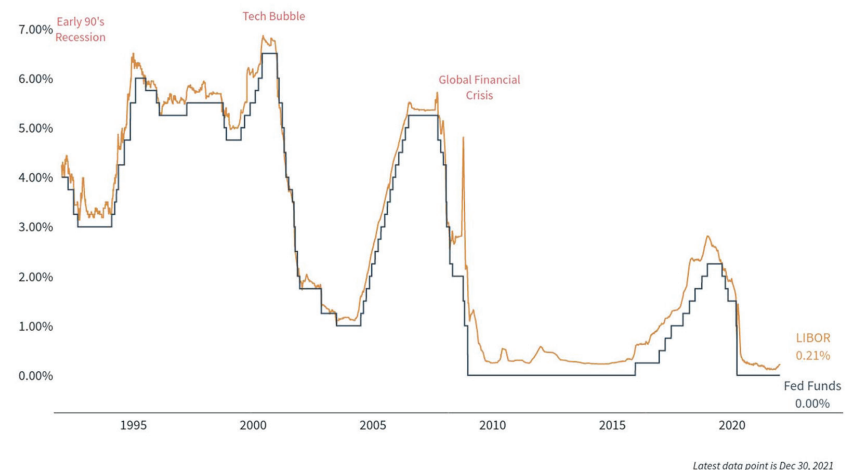
One of the advantages of the fixed income market is that there is a sea of choices when it comes to the availability of instruments from which an investor who is looking for stable yield (or total return) can choose. However, that can also be a daunting feature as navigating the waters of multiple indexes, credit structures, and other complex machinations that exist in available investment vehicles can be an endless task.

In today's market landscape, more and more products are continually developed to feed the insatiable need for debt to be available and keep the global economy running.

The Kingsview Investment Management team screens the universe of bond indexes and complimentary investment vehicles when it comes to their structure and composition, then allocates those in the Ambassador Income portfolio.

Federal Funds Rate and LIBOR

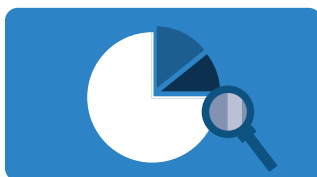
Fed funds target range lower limit and 3-month LIBOR



Source: Federal Reserve, Refinitiv
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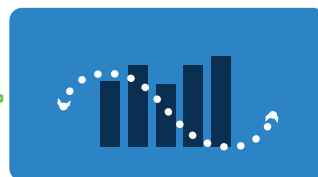
PORTFOLIO PROCESS

The Ambassador Income's portfolio positioning is based on several factors, but is honed by our economic outlook, view on interest rates, and analysis of the credit curve. The team realizes that a proper alternative fixed income allocation means:



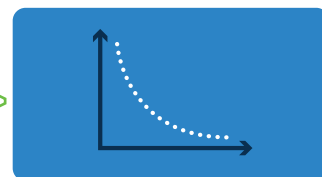
Evaluating all traditional and non-traditional asset classes

- commodities
- fixed income
- alternatives



Measuring volatility during different market cycles

- contraction
- expansion



Opportunistic asset selection across investment classes relative to traditional fixed income vehicles

LOOKING BEYOND THE TRADITIONAL

The zest for credit, and the market's appetite to buy it, has been a phenomenon since the economy emerged out of the financial crisis in 2009. In fact, fixed income instruments have delivered a near superior risk-adjusted return profile to equities over the past decade. This is in part as central banks around the world and sovereign governments have boosted prices for everything credit related, pushing yields down even as more and more bonds were issued.

This has led to over-leveraging in developed and emerging economies, trillions of dollars that are invested in negative interest rate debt securities, and balance sheets that are fraught with loans and other obligations at the risk of default. In our opinion, one must look beyond traditional options when selecting their fixed income and total return exposure.

Luckily, non-traditional options exist in the marketplace and can be advantageous if they are managed to a degree where liquidity and solvency is paramount. From that foundation, one can be sure to include indexes and exposure that compliments, or in some cases offsets, the risk that traditional bond markets provide. It is our best work to actively manage these positions on a regular basis in an attempt to optimally position your investments depending on the current economic cycle.

CORRELATION MATRIX

As of: 12/31/2021

Convertible Bonds									1.000
Large Cap Value								1.000	0.828
Commodities							1.000	0.429	0.434
High Yield Bond						1.000	0.351	0.560	0.545
Intermediate Bond					1.000	0.135	-0.092	-0.141	0.019
Municipal Bonds				1.000	0.304	0.524	0.042	0.275	0.257
Short Treasury			1.000	-0.012	0.168	-0.295	-0.196	-0.235	-0.198
Long Treasury		1.000	0.237	0.073	0.902	-0.220	-0.210	-0.350	-0.186
Senior Loan	1.000	-0.054	-0.245	0.640	0.253	0.819	0.218	0.445	0.423



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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 the total return version of the S&P 500 Index which includes the effects of reinvested dividends. The S&P 500 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 **Bloomberg US Aggregate Bond Total Return Index** is an index designed to provide a measure of the performance of the U.S. investment grade bonds market, which includes investment grade U.S. Government bonds, investment grade corporate bonds, mortgage pass-through securities and asset-backed securities that are publicly offered for sale in the United States. The securities in the index must have at least 1 year remaining to maturity. In addition, the securities must be denominated in US dollars and must be fixed rate, nonconvertible, and taxable.

The **Bloomberg US Convertibles Composite Total Return Index** tracks the performance of USD-denominated convertible securities. These bonds offer upside participation with an equity component (usually a non-detachable common stock warrant) and downside protection with a fixed income component (usually a bond or preferred stock) and can offer various degrees of equity exposure.

The **Bloomberg US Corporate High Yield Total Return Index** measures the USD-denominated, high yield, fixed-rate corporate bond market. Securities are classified as high yield if the middle rating of Moody's, Fitch and S&P is Ba1/BB+/BB+ or below. Bonds from issuers with an emerging markets country of risk, based on Barclays EM country definition, are excluded.

The **Bloomberg US Short Treasury Total Return Index** measures the performance of the US Treasury bills, notes, and bonds under 1 year to maturity.

The **Bloomberg Municipal Bond Total Return Index** covers the USD-denominated long-term tax exempt bond market. The index has four main sectors: state and local general obligation bonds, revenue bonds, insured bonds, and prerefunded bonds.

The **Bloomberg Commodity Total Return Index** is designed to provide liquid and diversified exposure to physical commodities via futures contracts. The index is made up of 22 exchange-traded futures on physical commodities, which are weighted to account for economic significance and market liquidity.

The **Bloomberg US Long Treasury Total Return Index** measures US dollar-denominated, fixed-rate, nominal debt issued by the US Treasury. Treasury bills are excluded by the maturity constraint but are part of a separate Short Treasury Index.

The **S&P Leveraged Loan 100 Total Return Index** is designed to reflect the performance of the largest facilities in the leveraged loan market.