

Blue Chips

Q1 | 2022 Commentary

The Blue Chips portfolio's performance can be attributed to the portfolio's sector weighting, and the quality of companies owned.

The equity market environment in 2022 has featured a narrowing group of standout names in an S&P 500 index facing massive selling pressure. Some companies in the healthcare, utilities and consumer staples names have been the select shelters in the storm, while various technology and consumer discretionary issues have experienced large drawdowns. As in the first quarter, the transitory nature of the equity market's behavior is expected to continue in a more magnified setting. Concerns over a less stimulative Federal Reserve and Treasury department are now exacerbated by geopolitical issues which affect multinational company profitability and corporate sentiment.

We still believe that as we progress through the equity challenge that has been a hallmark thus far in 2022, investors will be most rewarded by remaining diversified throughout the equity landscape. This follows the fundamental philosophy of the Blue Chips portfolio.

Blue Chips will continue to attempt to seek a favorable risk exposure by locating the most fundamentally strong companies in the S&P 500 and utilizing any weakness to add to those identified positions. While previously capitalizing on stocks that took part in the full economic reopening of 2021, our model continues to mature in 2022 with a slight lean towards more value-related names. We believe it is still likely that investor anxiety over Federal Reserve policy going forward will provide acute pullbacks and performance challenges. However, these may be historically significant buying opportunities for the names that the Blue Chips model identifies as the most fundamentally strong and, in our estimation, likely to appreciate over time.

Technology does remain the dominant sector within the Blue Chip's portfolio stock selection, followed by healthcare. Earnings reports are forthcoming and will highlight the true strength of the economic backdrop that is becoming a bit more cloudy.

There were some appreciable shifts within the featured selections last quarter, where JP Morgan (**JPM**), Home Depot (**HD**), Honeywell (**HON**), Netflix (**NFLX**), and Texas Instruments (**TXN**) were removed in favor of names like Meta Platforms (**FB**), Eli Lilly Co (**LLY**), Pepsi Co (**PEP**), Qualcomm (**QCOM**), and Procter & Gamble (**PG**). In previous years, the portfolio's ability to maneuver within areas of growth and value and quickly pivot between the eleven GICS sectors of the S&P 500 provided an attractive solution when the tenor of the economic cycle was transitioning. This year, while perhaps a bit more swift in the maneuvering, we are confident that Blue Chips will continue to succeed in its long-term objective to investors.

The Blue Chips portfolio returned -10.72% for the first quarter net of model fees, compared to its benchmark, the S&P 500, which returned -4.60% in Q1.

Kingsview Investment Management appreciates your continued support of the Blue Chips portfolio. As the challenges of varying economic data and geopolitical conflict rise and fall over the coming months, the markets will likely continue to experience elevated volatility. We will search to find the true signals amidst the cacophony in an attempt to deliver the best risk-adjusted return in this challenging environment. We maintain it is best to remain diligent with your investment solutions by utilizing a time-tested, defensible methodology like what is seen in Blue Chips. Should you wish to speak with one of our portfolio managers, please email investments@kingsview.com.

Performance & Risk Measures^{1,2,3}

As of: 3/31/2022

QTD NET OF MODEL PORTFOLIO RETURN	-10.72%
QTD NET OF MAX PORTFOLIO RETURN	-11.07%
QTD BENCHMARK RETURN	-4.60%
YTD NET OF MODEL PORTFOLIO RETURN	-10.72%
YTD NET OF MAX PORTFOLIO RETURN	-11.07%
YTD BENCHMARK RETURN	-4.60%
1 YR NET OF MODEL PORTFOLIO RETURN	5.89%
1 YR NET OF MAX PORTFOLIO RETURN	4.32%
1 YR BENCHMARK RETURN	15.63%
1 YR NET OF MODEL STD DEVIATION	14.75%
1 YR BENCHMARK STD DEVIATION	13.04%

In Summary

- In Q1 2022, the Blue Chips model has leaned slightly toward more value-related names in its stock identification process.
- Technology does remain the dominant sector within the Blue Chips portfolio's stock selection as we digest the economic ingredients of 2022, followed by healthcare.
- The Blue Chips portfolio experienced a 20% turnover as five positions were sold and replaced.

Lead Portfolio Manager



Scott Martin, CIMA®
 Chief Investment Officer and
 Lead Portfolio Manager

¹Performance Net of Model Fees represents performance that has factored in an assumed fee of 0.60%. ²Performance Net of Max Fees that represents performance that has factored in an assumed fee of 2.10% (0.60% Model Fee plus 1.50% Advisor Fee). ³ Benchmark S&P500.

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Any performance shown since inception is based upon composite results of the stated portfolio. Portfolio performance is the result of the application of the KIM Blue Chips investment process. It does not reflect any investor's actual experience with owning, trading or managing an actual investment account.

“Net of Model Fee” portfolio performance is shown net of the 0.60% KIM model fee and the trading costs of the firm's Custodians (Raymond James, Charles Schwab, TD Ameritrade and Interactive Brokers). “Net Model Fee” portfolio performance DOES NOT include the advisory fee charged by a KWM investment advisor representative.

“Net of Max Fees” portfolio performance is shown net of the advisory fees of 2.10%, the highest fee charged by KWM, which is inclusive of the 0.60% KIM model fee and the trading costs of the firm's Custodians (Raymond James, Charles Schwab, TD Ameritrade and Interactive Brokers). Performance does not reflect the deduction of other fees or expenses, including but not limited to custodial fees and fees and expenses charged by mutual funds and other investment companies. Performance results shown include the reinvestment of dividends and interest on cash balances where applicable. The data used to calculate the portfolio performance was obtained from sources deemed reliable and then organized and presented by KWM.

Actual performance of client portfolios may differ materially due to the timing related to additional client deposits or withdrawals and the actual deployment and investment of a client portfolio, the reinvestment of dividends, the length of time various positions are held, the client's objectives and restrictions, and fees and expenses incurred by any specific individual portfolio.

Benchmarks: 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 index results do not reflect fees and expenses and you typically cannot invest in an index. The index / indices used by KWM have not been selected to represent an appropriate benchmark to compare an investor's performance, but rather are disclosed to allow for comparison of the investor's performance to that of certain well-known and widely recognized indices. Indices are typically not available for direct investment, are unmanaged and do not incur fees or expenses.

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