KINGSVIEW
INVESTMENT MANAGEMENT

CORE

Q1 | 2022 Commentary

War, inflation, rising rates, and a backdrop of potentially slowing economic growth have been the key talking points for the first quarter of 2022. The recent combination of all these factors has worked to apply stress levels we have not seen for decades to traditional asset allocation portfolios.

As interest rates continue to push higher in response to inflation fears by the Fed, bonds will likely suffer, as they have historically struggled in the wake of rapid consensus adjustments. The yield curve has also been pointing to sustained inter-class volatility that we have not seen for some time.

There will continue to be pockets of relative opportunity. However, it may be difficult to anticipate these opportunities in advance, and remaining well-diversified continues to be our approach in all markets.

There is nothing typical about these recent portfolio stressors. However, we expect things to calm down as we continue to put Covid-19 in the rearview mirror and reach a consensus on inflation and its likely impact on future economic growth. The "soft-landing" that the Fed has been trying to engineer since last year is also proving to be increasingly elusive. We maintain a close watch on the overall impact to key portfolio factors.

This past quarter has proven to be a solid one for the CORE portfolios, as all five risk levels outperformed their stated benchmarks net of model fees. Our strategy of owning a little bit of everything has continued to stand up to recent market volatility. Rebalancing key risk factors at advantageous times has also meant that the portfolios have benefited overall from diversification and should continue to see similar benefits over time with respect to continued inter-asset class volatility.

Specific drivers of outperformance within the portfolios for the quarter were:

- Large Cap Value equities
- Mid Cap Value equities
- Small Cap Value equities
- Short Duration Corporate bonds
- High Yield Corporate bonds

Holding and rebalancing among these asset classes provided the portfolios an overall net benefit as they outperformed relative to our benchmarks. Bonds will likely continue to see shorter-term pressure due to interest rates. A lower-yield starting point within this hiking cycle has historically 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 significant volatility continues.

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

In Summary

- As interest rates continue to push higher in response to inflation fears by the Fed, bonds will likely suffer, as they have historically struggled in the wake of rapid consensus adjustments.
- Rebalancing key risk factors has meant that the portfolios have benefited overall from diversification and should continue to see similar benefits over time with respect to continued inter-asset class volatility.
- Specific drivers of outperformance were Large Cap Value, Mid Cap Value, Small Cap Value, Short Duration Corporate bonds, and High Yield Corporate bond.

Lead Portfolio Manager

Mitch Ehmka, CIPM®
Director of Trading and Lead Portfolio Manager

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