

Tactical Allocation Models (TAM)

Q1 | 2026 Commentary

The first quarter of 2026 reflected a meaningful evolution in market character, one increasingly defined not only by maturing leadership trends, but also by a shifting geopolitical backdrop. While headline equity indices continued to be influenced by AI-related and broader “new era” growth narratives, underlying market dynamics suggested that participation was broadening, albeit unevenly, and with greater sensitivity to external shocks.

For investors in Kingsview’s Tactical Allocation Models (TAM), Q1 reinforced the importance of maintaining a disciplined, data-driven approach. Throughout the quarter, TAM holdings remained fully risk-on, as none of the Volume Factor Risk Overlay triggers shifted to defensive positioning. Although no tactical risk mitigation maneuvers were enacted, market conditions increasingly reflected a transition from steady rotation toward a more fragile, event-driven environment, requiring heightened monitoring of capital flows, volume trends, and breadth.

Entering 2026, capital flows reflected a broadening process, expanding beyond concentrated leadership into a wider set of sectors, regions, and factors. However, the emergence of geopolitical conflict introduced a meaningful disruption to this trend. The initial market response to war-related developments was consistent with historical precedent: a temporary re-concentration of capital into perceived areas of stability and familiarity, effectively pausing the rotation that had been gaining traction late in 2025. Yet importantly, this shift did not resemble systemic distribution.

Volume analysis throughout the quarter suggested that this could be a pause in rotation rather than a reversal of trend. Capital-weighted volume and breadth indicators showed intermittent deterioration but still finished above trend. Markets continued to exhibit signs of internal rebalancing, but with increased volatility and shorter-term fluctuations in leadership.

Periods where leadership momentum stalls have historically led to rotation rather than broad market stress, provided underlying participation remains intact. Q1 reflected many of these characteristics, though with a more uneven and event-driven progression.

From a Volume Factor perspective, Q1 introduced a more nuanced and critical phase in the market cycle. While capital flows remained constructive overall, trend support in capital-weighted volume and dollar volume weakened over the quarter. The market environment could be described as approaching a “moment of decision.” Capital Weighted Volume and Dollar Volume held trend support throughout Q1. As a result, the Volume Factor Risk Overlay did not trigger any defensive repositioning. However, the margin for error has narrowed, reinforcing the importance of process discipline and continuous monitoring.

Within TAM’s multi-strategy framework, both the Monarch Volume Factor Global Unconstrained Index ETF (MVFG) and the Monarch Volume Factor Dividend Tree Index ETF (MVFD) continued to play complementary roles in navigating this evolving environment.

MVFG remained aligned with global capital flows favoring diversification, broader participation, and balanced factor exposure. Q1 positioning reflected increasing institutional interest in:

- Global and non-U.S. equities
- Mid- and small-cap growth participation
- Multifactor and quality-based strategies
- Income as a stabilizing component within equity exposure

These allocations are consistent with Volume Factor observations that markets were attempting to broaden participation even as geopolitical developments temporarily interrupted that process.

MVFD continued to provide exposure to dividend growth and free cash-flow strength. In an environment where uncertainty increased and leadership became less concentrated, these characteristics remained increasingly relevant, even as traditional dividend strategies continued to lag in headline performance.

Together, these ETFs helped position TAM portfolios to participate in evolving capital flows while maintaining exposure to both growth-sensitive and income-resilient segments of the market.

Defined Outcome ETFs (DOETFs) provide a structural complement to the Volume Factor overlay by embedding buffers and floors that may help absorb routine volatility and limit deeper drawdowns. While the Volume Factor adapts exposure based on capital flows and participation, DOETFs help stabilize the investment experience when markets move faster than tactical signals respond. These outcome-based structures embed predefined buffers and floors into the portfolio, providing mechanical downside mitigation without requiring real-time decision-making. Buffered strategies could help absorb the more routine volatility experienced during market corrections, while floor-oriented strategies are designed to potentially limit the impact of deeper drawdowns. Together, they create a layered defense system that operates independently of market timing, supporting disciplined participation during periods of disruption such as the geopolitical-driven volatility seen in Q1.

Within TAM, portfolio construction is intentionally symbiotic. The Volume Factor seeks to provide adaptive offense and risk awareness, identifying when capital is expanding or contracting across markets. DOETFs, in turn, attempt to provide structural resilience, may help to dampen volatility, seek to reduce drawdown severity, and potentially improve recovery dynamics. This dual framework could allow portfolios to remain engaged during favorable conditions while maintaining a degree of protection when conditions deteriorate or become uncertain.

In environments such as Q1 2026, where geopolitical shocks temporarily disrupted rotation trends and introduced greater variability in capital flows, this multilayered structure becomes particularly valuable. While volume indicators guide positioning, DOETFs may help ensure that the investment journey remains more stable, supporting disciplined participation through periods of transition.

Should you wish to speak with one of our portfolio managers, please email investments@kingsview.com.

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