

# Volume Factor Dividend Tree (VFDT)

Q1 | 2026 Commentary

At the macro level, Q1 introduced an additional variable: geopolitical conflict and war-related developments, which altered both investor psychology and capital allocation patterns. Initial phases of conflict briefly reinforced demand for concentrated leadership, but as conditions stabilized, capital began rotating back toward broader market segments, suggesting that underlying leadership trends may have remained intact despite geopolitical disruption. Inflation continued to moderate while new energy threats now loom on the horizon. Meanwhile, policy direction globally became incrementally more accommodative, and the yield curve began to steepen modestly - conditions that have historically supported broader market participation over time.

Importantly, volume analysis early in the quarter suggested that market leadership was becoming less exclusive. When leadership cycles mature following prolonged concentration, markets have historically transitioned through internal rebalancing rather than broad market stress - particularly as policy conditions begin to shift in support of wider participation. This distinction, rotation versus distribution, remains central to interpreting current market behavior.

From a Volume Factor perspective, Q1 was notable not for aggressive institutional selling, but for gradual re-engagement across a wider set of industries. As capital concentration in crowded growth themes eased, alternative segments that had been left behind earlier in the cycle began to attract incremental interest, consistent with a broadening participation trend. Within this backdrop, many dividend-oriented strategies began developing favor on a relative basis. Volume trends continued to indicate that dividend and quality segments were under-owned rather than under pressure with formerly subdued sponsorship gaining some relative momentum.

By design, dividend growers emphasize durability, cash generation, and capital discipline characteristics that tend to reassert themselves as leadership broadens and valuation sensitivities increase. Notably, free cash flow durability and balance-sheet strength remained intact across much of the Volume Factor Dividend Tree universe. Against this backdrop, the Volume Factor Dividend Tree strategy remained disciplined and aligned with its process throughout the quarter.

The Volume Factor Dividend Tree strategy continued to emphasize cash-rich dividend growers with improving capital strength, while relying on its Volume Factor Risk Overlay to monitor shifts in participation, sponsorship, and systemic risk. Capital-weighted volume and breadth indicators declined incrementally in the first quarter. However, Q1 volume indicators have not yet signaled a broad institutional distribution, allowing the portfolio to remain invested while maintaining vigilance toward potential regime shifts.

While AI-centric themes continued to capture investor attention, history suggests that narrow leadership and thematic concentration are rarely permanent conditions. Extended periods of crowding and popularity have often given way to phases where previously overlooked areas may benefit from improving relative fundamentals and more attractive competitive alternatives. As geopolitical uncertainty, policy evolution, and maturing leadership dynamics intersect, markets appear increasingly sensitive to breadth, participation, and capital efficiency.

The Volume Factor Dividend Tree strategy is built for such transitions. By focusing on free cash flow, dividend growth, and capital-weighted volume confirmation, the portfolio seeks to remain aligned with evolving capital flows while maintaining exposure to companies capable of compounding income and value across a full market cycle. Volume, as always, remains our guide.

We at Kingsview Investment Management appreciate your continued trust in the Volume Factor Dividend Tree portfolio.

Should you wish to speak with one of our portfolio managers, please email [investments@kingsview.com](mailto:investments@kingsview.com).

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