Blue Chips

Q2 | 2026 Commentary

The second quarter of 2026 marked a sharp reversal from the volatility experienced earlier in the year. The S&P 500 Total Return Index advanced +15.20%, recovering from its first quarter decline and delivering its strongest quarterly gain in several years. Investor sentiment improved as concerns surrounding global trade policy moderated, corporate earnings continued to exceed expectations, and enthusiasm surrounding artificial intelligence remained a significant driver of market leadership. While geopolitical tensions in the Middle East contributed to periodic volatility in energy markets, investors largely looked through these risks as economic data was resilient and inflation continued to trend gradually lower.

The Blue Chips strategy remains disciplined and objective, focusing on key fundamental metrics including revenue growth, profit margins, net income, and the trajectory of these variables over time. Rather than reacting to short-term market sentiment, the strategy seeks to identify companies exhibiting durable financial strength and improving business fundamentals.

During the quarter, we exited positions in Danaher **(DHR)**, McDonald's **(MCD)**, Meta Platforms **(META)**, and Nike **(NKE)**. While each of these companies continues to possess attractive long-term qualities, our ongoing fundamental review identified more compelling opportunities elsewhere based on relative growth prospects, profitability trends, and expected earnings momentum.

On June 2, 2026, we initiated new positions in Applied Materials **(AMAT)**, Lam Research **(LRCX)**, Micron Technology **(MU)**, and ServiceNow **(NOW)**. These additions increase the portfolio's exposure to businesses potentially benefiting from long-term secular trends in semiconductor manufacturing, artificial intelligence infrastructure, enterprise software, and digital transformation. While AI-related investment remained a dominant market theme throughout the quarter, our investment decisions continue to be driven by measurable improvements in revenue growth, operating margins, and long-term earnings power rather than by market narratives alone.

The portfolio repositioning reflects our unwavering emphasis on seeking names with strong competitive advantages, durable cash flow generation, and attractive long-term growth characteristics. We believe companies capable of consistently expanding revenue and profitability are well positioned to create shareholder value across varying market environments.

Looking ahead, we are constructive on the long-term outlook while recognizing that elevated equity valuations, evolving Federal Reserve policy expectations, and geopolitical uncertainty may contribute to periods of increased volatility. Our investment process is unchanged: a disciplined, data-driven approach focused on identifying companies with superior fundamental characteristics and the potential to deliver sustainable long-term earnings growth.

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