ProCap

Q2 | 2026 Commentary

The second quarter of 2026 marked a meaningful improvement in market conditions following the volatility experienced earlier in the year. Inflation continued to trend lower, providing investors with greater confidence that price pressures were gradually easing, although still above the Federal Reserve's long-term objective. Policymakers maintained a patient approach to monetary policy, emphasizing that any future interest rate adjustments will be dependent on incoming economic data. Treasury yields fluctuated throughout the quarter as investors weighed moderating inflation against economic resilience.

The U.S. labor market represents one of the strongest indicators of economic health. Monthly non-farm payroll reports continued to show steady job creation, while unemployment remained relatively low, supporting expectations for continued, albeit moderate, economic expansion. Geopolitical tensions in the Middle East periodically contributed to higher energy prices and short-lived bouts of market volatility. However, improving corporate earnings and resilient economic fundamentals remained the primary drivers of investor sentiment throughout the quarter.

The ProCap strategy employs a disciplined and objective economic model that is updated monthly and utilizes U.S. non-farm payroll trends to guide portfolio positioning. Throughout the second quarter, the model consistently maintained a slight expansionary outlook, reflecting the strength of the labor market and stable economic conditions. As a result, the strategy kept its existing allocation without requiring significant portfolio adjustments.

The portfolio emphasized a balanced allocation between high quality fixed income and diversified U.S. equity sectors. The strategy's exposure to fixed income provides a foundation of income generation, diversification, and downside risk management, while equity allocations remain focused on sectors positioned to potentially benefit from a stable and expanding economy. Exposure to cyclical areas of the market, including consumer discretionary, financials, industrials, technology, and communication services, were positioned alongside more defensive allocations such as healthcare, consumer staples, and real estate, resulting in a diversified portfolio designed to participate across a variety of market environments.

Looking ahead, we are constructive on the outlook for both equity and fixed income markets. Corporate fundamentals have proven to be generally healthy, investment-grade bond yields continue to provide attractive income opportunities, and labor market conditions support economic expansion. While evolving Federal Reserve policy, inflation trends, and geopolitical developments may generate periods of market volatility, the strategy's disciplined, model-driven approach focuses on balancing growth potential with risk management. By maintaining diversified exposure across asset classes and sectors, the ProCap strategy seeks to participate in long-term market appreciation while helping to moderate portfolio volatility throughout changing economic cycles.

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

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