Volume Factor Dividend Tree (VFDT)

Q2 | 2026 Commentary

The second quarter of 2026 reflected a market environment shaped by rotation, conflict, and discipline. After an extended period of narrow leadership, the headlines indexes remained heavily influenced by the dominant "new era" leadership complex, but beneath the surface, participation broadened across sectors.

In an environment where investor attention remained concentrated around AI and mega cap growth, the Dividend Tree process continued to favor businesses where cash flow, balance-sheet quality, and shareholder return discipline remained observable rather than speculative.

Recent Volume Analysis showed a market under pressure but not in uniform retreat. Capital Weighted Volume and Capital Weighted Dollar Volume delivered clear warnings, including heavy downside readings and aggressive institutional outflows late in the quarter. Those signals demanded discipline. However, the internal battlefield was more balanced than the headline weakness suggested. The generals weakened internally, while the troops, broader ranks, and dividend-oriented leadership exhibited relative resilience. That is the distinction between rotation and broad market failure.

For Dividend Tree, that distinction is central. The strategy is not designed to predict headlines. It is designed to identify where capital sponsorship is improving, where dividend growth is supported by underlying financial strength, and where volume confirms that institutional interest remains intact. Q2 required that discipline because the market's surface message and internal message were not always aligned.

A notable feature of the quarter was the strategy's overweighting in energy-related exposure. This was not a commodity forecast. It was a process-driven response to the market environment that existed during the quarter.

With the Iran conflict and Strait of Hormuz concerns influencing cross-asset behavior, energy carried defensive characteristics that were different from traditional low-beta defensiveness. In a war-driven environment, energy exposure can function as a hedge against supply disruption, geopolitical inflation pressure, and oil-price shocks. The Dividend Tree process allowed for this exposure where company-level fundamentals, dividend discipline, and volume characteristics supported inclusion.

Late-quarter volume data required respect. Heavy downside Capital Weighted Volume, record Capital Weighted Dollar Volume outflows, and weakening accumulated volume trends were serious warning signs. The Dividend Tree process did not dismiss these conditions. Rather, it is designed to respond only when major trend shifts are confirmed. While conditions weakened over the quarter, the primary trend remained intact.

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At the same time, the improvement in breadth and relative resilience among old economy sectors argued against assuming a full market breakdown. This was the quarter's most important internal tension: distribution pressure existed at the capital-weighted level, while broader participation continued to improve.

The risk process therefore remained balanced. The portfolio stayed anchored in dividend discipline and stock-level confirmation, while the Volume Factor Risk Overlay continued monitoring whether weakness was spreading into systemic distribution. During Q2, the evidence supported a market experiencing rotation under pressure rather than a complete breakdown. Throughout the quarter, the Volume Factor Dividend Tree strategy remained aligned with its core mandate: own dividend-oriented companies with improving capital strength and volume confirmation, while monitoring the broader market for evidence of institutional distribution.

The Volume Factor Dividend Tree strategy's positioning was not built around a macro prediction. It was built around observable process inputs: dividend strength, capital discipline, volume confirmation, and risk management.

As always, process mattered more than prediction. The market's leadership structure continued to mature, geopolitical conflict influenced sector positioning, and capital flows became more selective. Volume Factor Dividend Tree's emphasis on free cash flow, dividend growth, capital discipline, and Volume Factor confirmation remained well suited to that environment.

Dividends are the fruit Volume Factor Dividend Tree investors seek. Quality free cash flows are the Volume Factor Dividend Tree strategy's roots of yield stability and growth, while Volume Factor capital flows guide the navigation of risk and opportunity.

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.