KINGSVIEW
INVESTMENT MANAGEMENT

Ambassador Income

Q3 | 2026 Commentary

The third quarter of 2026 was characterized by shifting interest rate expectations, persistent inflation concerns, and signs of moderation in the U.S. labor market. Treasury yields fluctuated as investors assessed the Federal Reserve's monetary policy outlook against a backdrop of uneven economic growth and continued uncertainty surrounding inflation. While corporate fundamentals remained generally resilient, slowing employment growth raised questions about the sustainability of economic expansion. Geopolitical tensions, particularly those involving Iran and the broader Middle East, continued to influence energy markets and inflation expectations, reinforcing the importance of diversification and prudent risk management within fixed income portfolios.

The Federal Reserve maintained a cautious, data-dependent approach to monetary policy as inflation remained above its long-term target. Meanwhile, U.S. employment data presented a mixed picture, with relatively low unemployment but increasingly uneven payroll growth. These developments created a challenging environment for fixed income investors, as changing expectations for interest rates influenced Treasury yields, bond prices, and credit markets.

Ambassador Income remains grounded in a disciplined and objective economic model that is updated monthly and utilizes U.S. non-farm payroll trends to guide portfolio positioning. During the third quarter, the model initially shifted to an expansionary state in July before returning to a more moderate economic outlook for August and September. These changes reflected the model's systematic assessment of evolving labor market conditions and resulted in meaningful adjustments to the portfolio's fixed income allocations.

At the beginning of the quarter, the expansionary signal prompted a reallocation that increased exposure to intermediate and long duration U.S. Treasuries, taxable municipal bonds, and gold. At the same time, allocations to investment grade corporate bonds, mortgage backed securities, and short term Treasuries were reduced, while convertible securities were temporarily eliminated. This positioning reflected the strategy's prescribed allocation for the expansionary economic regime, emphasizing a different balance of interest rate sensitivity, credit exposure, and diversification.

As the economic model returned to a moderate state in August, the portfolio shifted back toward a more balanced fixed income allocation, which was maintained through September. Exposure to longer duration Treasuries, taxable municipal bonds, and gold was reduced, while allocations to investment grade corporate bonds, mortgage backed securities, and shorter duration Treasuries were increased. Intermediate term Treasuries continued to represent an important component of the portfolio, while convertible securities were reintroduced with the intent to provide an additional source of income and potential participation in equity market appreciation.

Throughout these adjustments, the portfolio maintained diversified exposure across high quality fixed income securities, with allocations spanning government bonds, corporate credit, agency mortgage backed securities, taxable municipal bonds, and convertible securities. A modest allocation to gold continued to serve as an additional diversifier, particularly given persistent geopolitical uncertainty and inflation concerns. The changes in portfolio positioning illustrate the strategy's disciplined approach to adapting duration, credit exposure, and seeking diversification characteristics in response to changing economic signals.

We at Kingsview Investment Management appreciate your continued trust in the Ambassador Income portfolio. Should you wish to speak with one of our portfolio managers, please email investments@kingsview.com.

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