KINGSVIEW
INVESTMENT MANAGEMENT

Sector Alpha

Q3 | 2026 Commentary

The third quarter of 2026 was characterized by continued gains in U.S. equity markets, shifting interest rate expectations, persistent inflation concerns, and signs of moderation in the U.S. labor market. The S&P 500 Total Return Index advanced +2.30% during the quarter, reflecting continued investor confidence despite economic and geopolitical uncertainty. Corporate earnings remained an important source of market support, particularly among companies benefiting from artificial intelligence investment, infrastructure spending, and technological innovation. At the same time, elevated equity valuations and questions surrounding the sustainability of economic growth contributed to a more selective investment environment.

Inflation remained a central concern throughout the quarter, while the Federal Reserve continued to balance price stability against emerging signs of weakness in the labor market. Moderating U.S. payroll growth raised questions about the strength of future economic activity, and changing expectations for monetary policy contributed to fluctuations in treasury yields and equity sector performance. Geopolitical tensions involving Iran and the broader Middle East, along with uncertainty surrounding global trade policy, continued to influence energy markets, inflation expectations, and investor sentiment. These developments reinforced the importance of maintaining a disciplined investment process amid changing economic conditions.

The Sector Alpha portfolio employs a disciplined and objective economic model that is updated monthly and utilizes U.S. non-farm payroll trends to guide portfolio positioning. This systematic approach seeks to identify sectors that are best aligned with the prevailing economic environment while maintaining diversification across distinct areas of the equity market. During the third quarter, the model initially shifted to an expansionary state in July before returning to a moderate economic outlook for August and September.

At the beginning of the quarter, the expansionary signal prompted a reallocation toward real estate, consumer staples, industrials, materials, and utilities. This positioning provided exposure to a combination of economically sensitive, defensive, and interest rate sensitive sectors. Industrials and materials offered participation in manufacturing activity, infrastructure investment, and broader economic growth, while consumer staples and utilities provided exposure to businesses with relatively stable demand characteristics. Real estate added exposure to potentially income producing assets and companies whose valuations can be influenced by changes in interest rates and financing conditions. Collectively, these sectors reflected the model's prescribed positioning for the expansionary economic environment.

As the economic model returned to a moderate state in August, the portfolio transitioned to a different combination of five equally-weighted sectors. Exposure to industrials, materials, and utilities was eliminated, while consumer

discretionary, healthcare, and communication services were introduced. Real estate and consumer staples remained in the portfolio, providing continuity and exposure to interest rate sensitive and defensive areas of the market. The addition of consumer discretionary increased participation in consumer spending trends, while healthcare offered exposure to businesses supported by relatively durable demand and long term demographic factors. Communication services provided exposure to digital advertising, telecommunications, media, and technology driven business models.

These adjustments illustrate Sector Alpha's systematic approach to adapting equity sector exposure as economic conditions evolve. Rather than relying on discretionary market forecasts or short term sentiment, the strategy uses objective labor market data to guide sector selection. Maintaining equal allocations across five sectors may help limit concentration in any single area while allowing the portfolio to respond to changes in the economic model's assessment of the business cycle.

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

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