Main Active Sector Rotation Strategy

Current Sector Positioning — Relative to the S&P 500

6 overweight · **1** market weight · **4** underweight · as of 6/30/2026

SECTOR strategy · S&P 500	PORTFOLIO WEIGHT VS. THE S&P 500 Active · S&P 500 · × = multiple of the S&P weight	RATIONALE
Utilities 6.2% · S&P 2.2%	2.8×	The largest tilt and the cleanest second-derivative AI play — data centers, grid capacity, and the power to run them absorb the incremental capex dollar. A bond proxy being repriced as industrial infrastructure; also ballast as long yields ease.
Materials 4.0% · S&P 1.8%	2.2×	An asset-heavy regime winner: margins off cycle lows and forward earnings set to grow ~28%, geared to U.S. re-industrialization — data centers, defense, factory expansion — at a discount to the S&P 500 on forward P/E.
Financials 17.3% · S&P 11.7%	1.5×	Reasonable valuations with tailwinds from deregulation, rising M&A and capital-markets activity, and a positively sloped yield curve — normalized from the 2023–24 inversion — that supports net interest margins. Also a quieter AI beneficiary through back-office automation.
Industrials 12.7% · S&P 8.8%	1.4×	Data-center construction, defense modernization, and reshoring are driving sustained capital allocation into the real economy — a capex cycle that is structural, not cyclical. One of the S&P 500's more reliable long-term compounders.
Energy 3.8% · S&P 3.0%	1.3×	A deliberately modest tilt on improved producer economics — the sector trades near ~12× forward earnings after a sharp de-rating, with margins expanding and estimates revised higher — not on a high-oil call. Held modest so it also acts as ballast.
Information Technology 43.4% · S&P 37.9%	1.1×	The core of the AI trade — a modest overweight split between broad S&P 500 technology and a Nasdaq-100 sleeve (QQQM). We leaned into the Q1 drawdown, when the sector briefly de-rated to parity with the S&P 500 on forward earnings — the first time since 2019. It now trades at a ~18% premium to the market on forward earnings, still below its 2024 highs, while forward EPS growth (~39%) and net margins (~31%) have both accelerated.

Portfolio and S&P 500 weights per Morningstar Direct (SMA composite look-through) · valuation metrics (forward P/E, EPS growth, margins) per FactSet Data & Analytics · weights as of 6/30/2026.

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Defining Sectors with Example Companies

SECTOR		EXAMPLE COMPANIES	
Consumer Disc.	Nike	Amazon	Home Depot
Consumer Staples	Colgate-Palmolive	Walmart	Coca-Cola
Energy	Exxon Mobil	Chevron	Phillips 66
Financials	American Express	Berkshire Hathaway	JPMorgan Chase
Health Care	Johnson & Johnson	Amgen	UnitedHealth Group
Industrials	General Electric	Uber	Caterpillar
Info. Technology	Microsoft	Apple	Nvidia
Materials	Air Products	Sherwin-Williams	Ecolab
Real Estate	Coldwell Banker	Public Storage	CBRE
Comm. Services	Alphabet	Meta	Verizon
Utilities	NextEra Energy	PG&E	Duke Energy
Small / Mid-Cap	Etsy	Roku	Skechers

Example companies are illustrative of each GICS sector and are not holdings, recommendations, or an indication of any position held by the strategy.

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