MAIN®
MANAGEMENT, LLC

Q2 2026 – MAIN MANAGEMENT MARKET RECAP

ASSET CLASS RETURNS	Q2 '26	YTD 2026
EMERGING MARKET EQUITY	24.1	24.0
US EQUITY	15.2	10.2
FOREIGN DEVELOPED EQUITY	11.1	9.8
FIXED INCOME	0.7	0.6
COMMODITIES	-11.4	24.1

SECTOR	Q2 '26	YTD 2026
INFO TECH	31.8	19.8
INDUSTRIALS	14.9	20.2
CONS DISCRET	9.3	-0.8
FINANCIALS	9.0	-1.2
HEALTHCARE	8.8	3.5
REAL ESTATE	8.5	11.5
COMM SVCS	8.3	0.8
MATERIALS	2.0	12.0
CONS STAPLES	0.3	8.0
UTILITIES	-0.5	7.7
ENERGY	-13.4	19.7

The second quarter picked up largely where Q1 left off – under the shadow of the war in Iran and an oil market that had spiked toward $120 a barrel. What unfolded from there was, in a word, a recovery. Markets sniffed out the tentative resolution about a week early and spent April and May climbing back, the conflict continued toward an off-ramp in June, and the S&P 500 set fresh all-time highs before a hawkish first meeting from the new Fed chair pulled some of it back in the closing days.

April brought a sharp, semiconductor-led rebound off the March 30 lows. The drawdown that felt so painful in Q1 – roughly 9% peak-to-trough, right in line with what we typically see in the fourth year of a bull market – proved to be the kind of reset that earnings can grow into. And grow they did: with first-quarter results in the books, about 85% of S&P 500 companies beat estimates and did so by an aggregate of nearly 17% – well ahead of the five-year norms on both counts. This EPS growth has outpaced the price appreciation, resulting in multiple contraction in multiple areas. The advance broadened and then accelerated through May, which finished up better than 5% and stretched the index's winning streak to nine straight weeks before taking a breather in the first week of June.

The war narrative shifted markedly in mid-June when the United States and Iran signed a framework agreement to end the war and reopen the Strait of Hormuz (SoH). Oil, which had touched roughly $126 a barrel at the height of the conflict, fell to the low $80s on the news – its lowest level since the first days of the war, about a third below the peak, though still some 7% above where it started the year. Nonetheless, the pullback in oil will likely prove to be positive as it may be a drag on inflation figures and help pull inflation back below wage growth, a positive for consumers. The reopening has been anything but instantaneous but the direction of travel of energy, and therefore on the single biggest macro variable of the past two quarters, has largely turned for the better.

The most obvious result from the spike in oil prices has been a reacceleration in inflation. Headline CPI for May came in at 4.2% year-over-year, a three-year high, even as core CPI – which strips out food and energy – held at a more contained 2.9% and actually eased month-over-month. That gap is much of the story: the bulk of this year's inflation has been a supply-driven energy shock rather than broad-based demand pressure. If the SoH reopens and crude keeps drifting back toward pre-war levels, the most acute source of upward pressure on prices should begin to fade. We will be watching the next several CPI and PCE prints closely for confirmation.

Amidst this backdrop, we got Kevin Warsh's first meeting as Fed Chair on June 17 which, in short, delivered a surprisingly hawkish tone. The committee held the funds rate unchanged at 3.50–3.75% by a unanimous vote, accompanied by a markedly shorter statement which dropped the forward-guidance language that had leaned toward easing. The statement focused exclusively on the price stability side of the dual mandate, omitting the maximum employment mandate. This omission shows that the Fed is clearly focused on fighting inflation as the labor market has continued to prove resilient. The dot plot, which as recently as March still penciled in a cut for 2026, flipped to signal that the next move is more likely a hike, with nine of eighteen participants projecting at least one increase. Officials raised their 2026 inflation forecast meaningfully and trimmed their growth estimate. The immediate aftermath was more negative than positive in markets: equities sold off and the 10-year Treasury, which had been hovering near 4.3%, jumped as yields moved higher. Pricing has shifted considerably from the two-to-three cuts expected coming into the year toward the possibility of a hike before it ends.

Outside the U.S., the standout remained the strength of international equities – and within that, the leadership of the Pacific over Europe. Korea and Japan have been the clearest beneficiaries of the AI capital-spending cycle working through the memory and semiconductor supply chain, and it has shown up directly in returns. Europe's earlier gains, which leaned on the war-driven energy and defense trade, faded as the conflict wound down. We continue to think the valuation gap between international and U.S. equities is wide enough – and the earnings growth comparable enough – to justify a meaningful allocation abroad, a view we express in our International strategy (ETF: INTL).

We are seeing markets pricing in an ongoing regime shift. The era of zero rates and ever-deeper globalization rewarded asset-light businesses; the next era – higher-for-longer rates, reshoring, and an AI build-out that is fundamentally physical – rewards the companies that build, make, move, and power. The AI story is not a software story alone. It runs through chips, data centers, the electrical grid, and the raw materials that go into all of it, and the dispersion between the winners and losers is wide. That is the case for active selection, and it informs the overweights in our Sector Rotation strategy (ETF: SECT) toward materials, industrials, energy, and utilities, the secular exposures in our Thematic strategy (ETF: TMAT), and the role our BuyWrite strategy (ETF: BUYW) plays as a more defensive, income-oriented complement to equity beta.

Stepping back, the setup is healthier than the headlines suggest. The S&P 500's forward multiple compressed to about 19x at the end of the first quarter and has since recovered only partway, to roughly 20x, even as forward earnings estimates have risen. Full-year 2026 S&P 500 earnings growth is now tracking around 25%, up from less than 16% at the start of the year, with margins at record highs. Prices have gone up, but earnings have gone up alongside them. As always, there are risks out there: the fate of the Strait of Hormuz remains cloudy, inflation has risen back to multi-year highs, and the Fed has made it clear it is focused on inflation which could cause rates to move higher. Additionally, the leadup to midterm elections has historically been a choppier period for markets as they try to figure out the winners and losers leading up to election day. As always, we would remind investors that time in the market is what matters most, not timing it. We hope you and your loved ones are healthy and safe, and please let us know if we can answer any questions.

(All valuation metrics per FactSet Data.)

Sincerely,

Kim David Arthur
CEO and Portfolio Manager

Performance Data from Morningstar Direct and FactSet Financial Data and Analytics, and the following indices: Commodities – S&P GSCI TR USD, US Equity – S&P 500 TR USD, Fixed Income – Bloomberg US Agg Bond TR USD, Foreign Developed Equity – MSCI EAFE GR USD, Emerging Market Equity – MSCI EM GR USD, Communication Services – S&P 500 Sec/Commun Services TR USD, Cons Discret – S&P 500 Sec/Cons Disc TR USD, Cons Staples – S&P 500 Sec/Cons Staples TR USD, Energy – S&P 500 Sec/Energy TR USD, Financials – S&P 500 Sec/Financials TR USD, Healthcare – S&P 500 Sec/Healthcare TR USD, Industrials – S&P 500 Sec/Industrials TR USD, Info Tech – S&P 500 Sec/Information Technology TR USD, Materials – S&P 500 Sec/Materials TR USD, Real Estate – S&P 500 Sec/Real Estate TR USD, Utilities – S&P 500 Sec/Utilities TR USD. Main Management, LLC ("Main Management", or the "firm") is an investment adviser registered under the Investment Advisers Act of 1940. The firm was founded in 2002 and provides investment management services primarily to high net worth, family groups, foundations/endowments, and serves as a sub-advisor to third-party investment advisors & broker-dealers. The information contained herein was prepared using sources that the firm believes are reliable, but the firm does not guarantee its accuracy. The information reflects subjective judgments, assumptions and the firm's opinion on the date made and may change without notice. The firm is not obligated to update this information. Nothing herein should be construed as investment advice or a recommendation to purchase or sell securities. The information is not intended as an offer to provide advisory services in any state or jurisdiction where such offer would not be permitted under applicable registration requirements. All equity investing entails risk of loss. The firm cannot assure any potential client that it will achieve the investment objectives discussed in these materials. In addition, potential clients should not assume that their returns, if any, will be comparable to returns that the firm earned in the past. The firm and its clients, affiliates and employees may, from time to time, have long or short positions in, and buy or sell, the securities or derivatives (including options) thereof, of the ETFs mentioned in these materials and may increase or decrease their positions. Upon request, Main Management will furnish additional information regarding the firm's policies for calculating and reporting returns. Past performance does not guarantee future results. Indices are unmanaged and do not take transaction costs or fees into consideration. It is not possible to invest directly in an Index. Performance figures assume reinvestment of dividends and capital gains.