Macro Outlook

Q3 2026

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MAIN
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Introduction

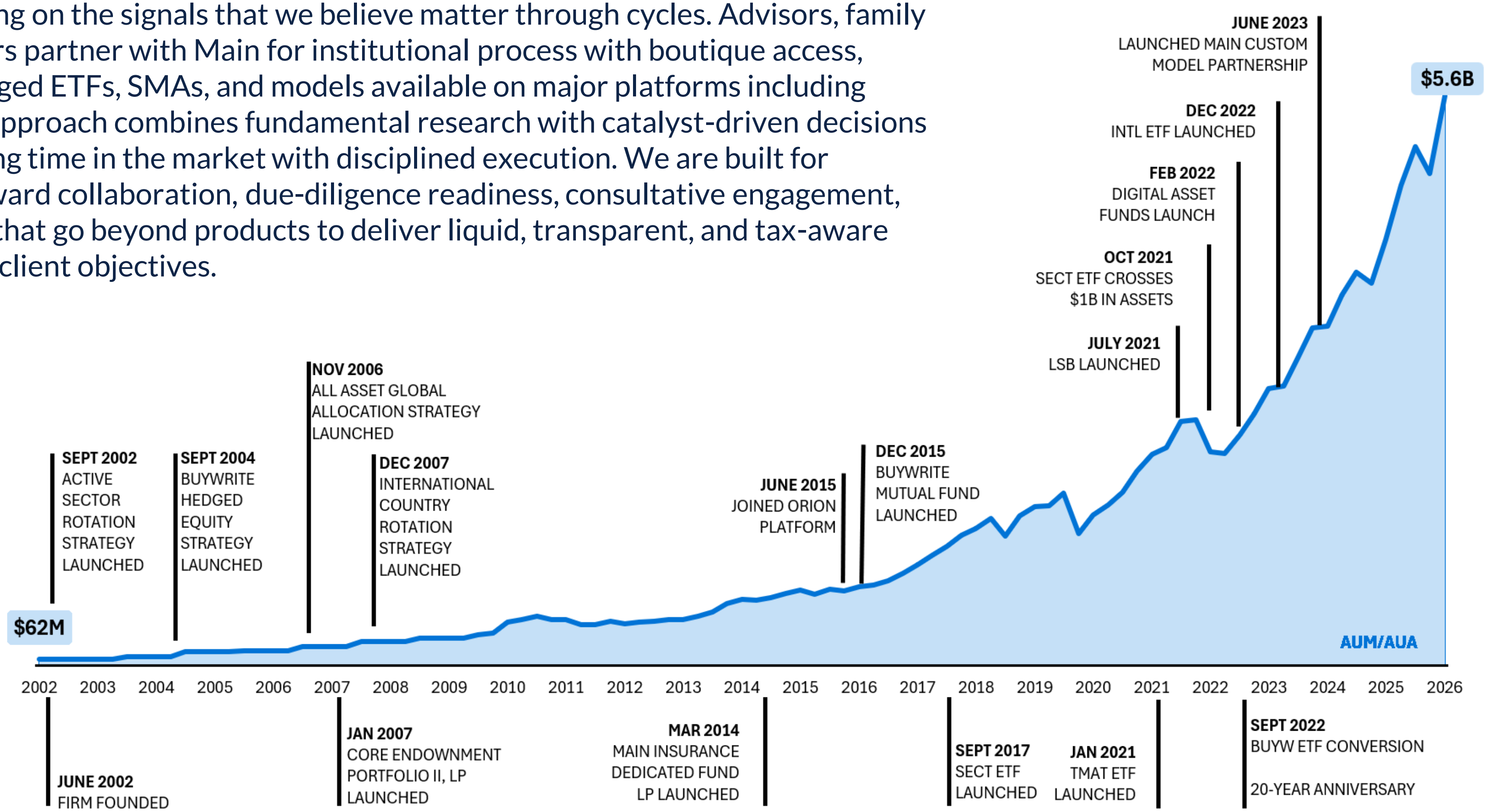
Main Management is a partner-owned, independent asset manager in San Francisco. We pair valuation discipline with catalysts – focusing on the signals that we believe matter through cycles. Advisors, family offices, and institutional investors partner with Main for institutional process with boutique access, delivered through actively managed ETFs, SMAs, and models available on major platforms including Orion, LPL, and Envestnet. Our approach combines fundamental research with catalyst-driven decisions across market cycles, emphasizing time in the market with disciplined execution. We are built for partnership – offering team-forward collaboration, due-diligence readiness, consultative engagement, and custom model partnerships that go beyond products to deliver liquid, transparent, and tax-aware investment solutions tailored to client objectives.

Founded in 2002

Independent Ownership

$5.6 billion in AUM/AUA*

An SEC Registered Investment Advisor



*As of 6/30/2026

Investment Team

Kim D. Arthur, Chief Executive Officer & Chief Investment Officer

In 2009 Kim was recognized by Institutional Investor Magazine as a "Rising Star" of Foundations and Endowments. Kim is a regular speaker at national conferences and was a featured speaker at the Inside ETFs conferences in Florida in 2010 – 2013. Kim has been profiled in articles by Index Universe and referenced in Barron's, Wall Street Journal, Business Week and Fortune Magazine among others. Kim began his financial career in 1987 when he joined Montgomery Securities in their Institutional Sales division, marketing U.S. equities to Japanese institutions. He was promoted to Managing Director of Institutional Sales in 1997 during the period when Montgomery was purchased by Nations Bank. By 1999 he had advanced to the transitional Head of International Sales for Banc of America Securities, following Bank of America's takeover of Nations Bank. From 2000-2001 Kim was named the Head of the Institutional Sales and Trading Department overseeing 60 sales traders in 6 cities. From January 2002 through August 2002 he was appointed the head of Equity Product Marketing. He served on the Investment Policy Committee and the Executive Management Committee at Banc of America Securities from 2000-2002.

Darol Ryan, Managing Partner

Darol Ryan joined Main Management in 2019, overseeing the Institutional Advisor business. Prior to joining Main Management, he enjoyed a long career at some of the largest investment banks on Wall Street including Bank of America and JP Morgan. He ran the Derivatives Import Business for Morgan Stanley (focusing much time on European clients) from New York and then went on to run Asia Derivatives for them in Hong Kong. Darol started his career with Kim Arthur in 2001 at Banc of America Securities. Born in Houston, Texas, Darol received his Bachelor of Arts at University of California at Berkeley while also taking Mandarin courses at Middlebury College. He also attended summer programs at Stanford and Oxford.

Alex Varner, Director of Research

Alex Varner joined Main Management full-time in July of 2012. He serves as Director of Research where his focus includes generating a variety of analytical reports for the firm's Investment Committee. His research includes tracking approximately 450 different economic metrics on a monthly basis, from both public and private sources. Alex obtained his MBA in 2012 from UNC's Kenan-Flagler Business School, with a concentration in Investment Management. He grew up in San Rafael, California and received a Bachelor of Arts degree from Davidson College. Prior to business school Alex worked as a paralegal for the global capital markets, M&A team at the law firm of Hunton & Williams LLP and as part of the operations team at Lateef Investment Management.

James W. Concidine, Founding Partner

Jim began his career in the financial services industry in 1970 as a stock broker for Dain Kalman Quail in Rochester and Minneapolis, Minnesota. He worked with retail clients from 1970-1978. When the CBOE opened in April 1973, Jim began to specialize in conservative covered call writing strategies. From 1978 to 1982, Mr. Concidine worked in the Institutional Sales group and was responsible for U.S. equity sales to institutional accounts in the UK. He joined Montgomery Securities in 1983 as Head of the International Institutional Sales Team. From 1983 to 1992 he expanded the department to a team of 10 brokers covering global accounts outside the US. He retired from Montgomery Securities in 1992.

J. Richard Fredericks, Founding Partner

Dick currently serves as a Managing Director and is a member of the Investment Committee. He began his career with Dean Witter in 1970 as a securities analyst. In 1977, he joined Montgomery Securities (now Banc of America Securities) as a partner and later Senior Managing Director in Investment Research, covering the banking and financial service area. For 17 consecutive years, Mr. Fredericks was chosen by Institutional Investor Magazine as an "All-American" Research Analyst, covering the commercial banking industry. In 1995, Mr. Fredericks formally changed roles to oversee the firm's investment banking effort for the financial industry. Mr. Fredericks served as United States Ambassador to both Switzerland and Liechtenstein from 1999 to 2001. Mr. Fredericks currently is on The Library of Congress Trust Fund Board; the Board of Directors of Cadence Bancorp LLC; the Advisory Board of Financial Technology Ventures; the Board of Chambers & Chambers Wine Merchants; and as a grower and Board Member for Turley Wine Cellars.

We believe: That costs **Matter.**
We believe: In trust as the **cornerstone of our relationships.**
We believe: Price and proof **rarely** happen at the same time.
We believe: That compounding over long time periods is **the winning formula.**

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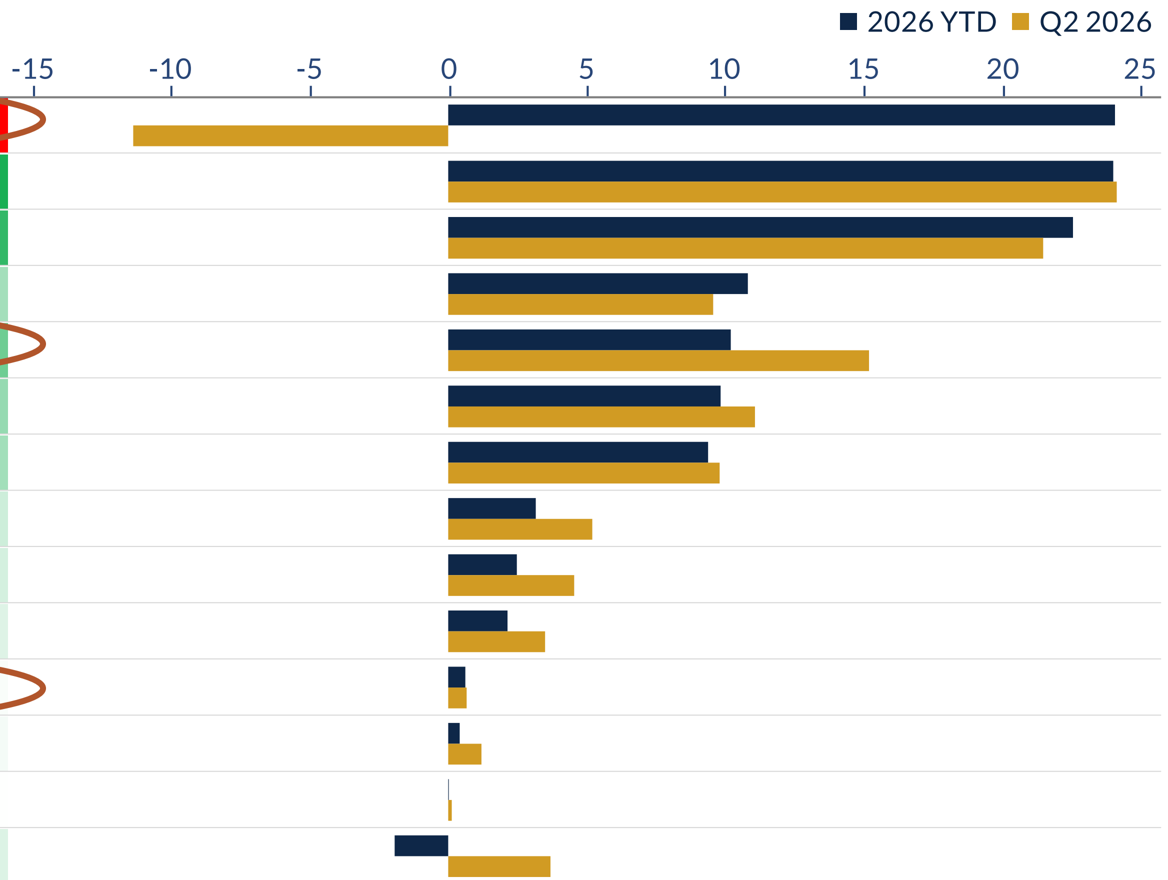
Global Asset Class Performance

Broad Index Performance

Index	YTD ↓	Q2 2026
Commodities	24.1	-11.4
EM Equity	24.0	24.1
US Small Cap	22.6	21.5
US Real Estate	10.8	9.6
S&P 500	10.2	15.2
EAFE Equity	9.8	11.1
Intl Small Cap	9.4	9.8
China Equity	3.2	5.2
EM Debt	2.5	4.6
High Yield	2.1	3.5
US Agg Bonds	0.6	0.7
Bank Loans	0.4	1.2
10Y Treasury	0.0	0.1
Intl Real Estate	-1.9	3.7

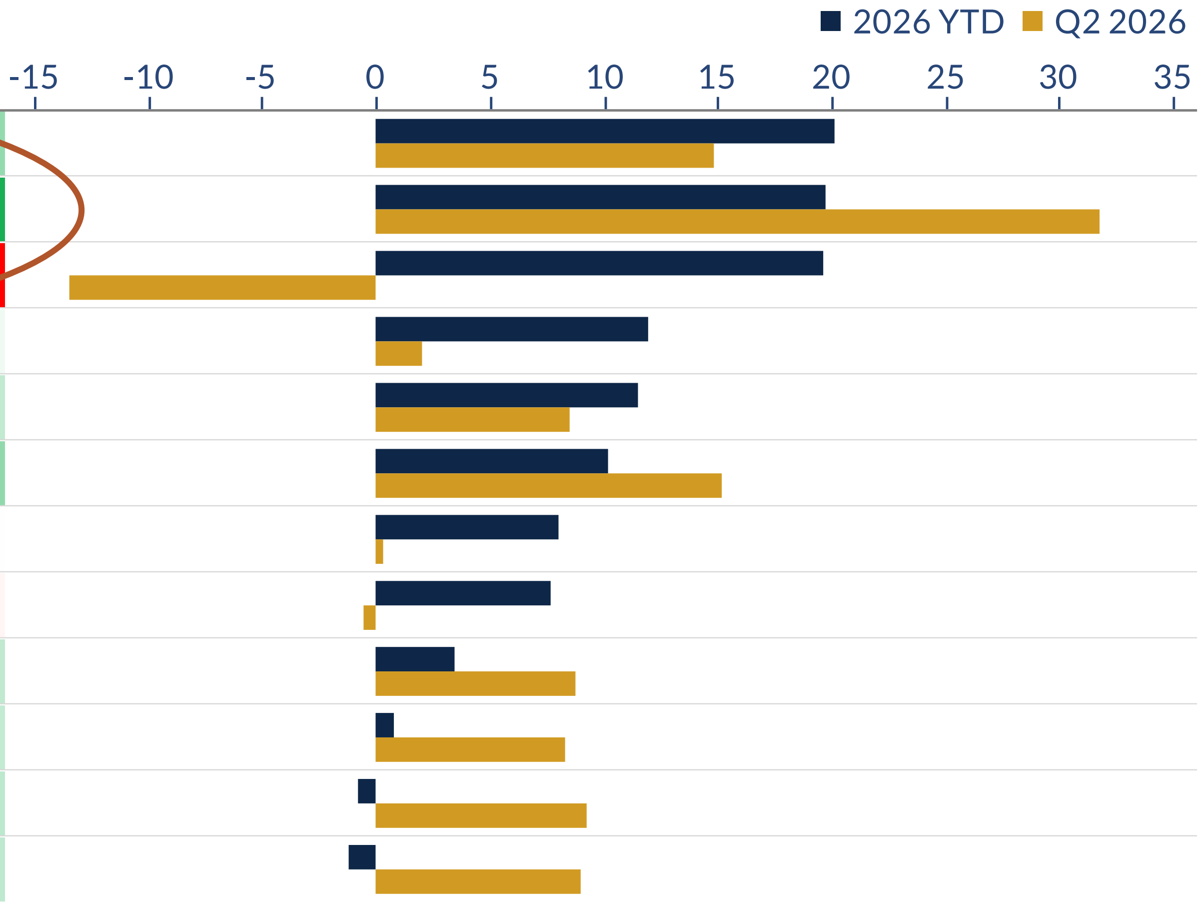


Source: Main Management, Shanghai Stock Exchange, S&P Global, MSCI, Russell Investment Group, FactSet, Macrobond. As of 6/30/2026.

S&P 500 Sector Performance

S&P 500 Sector Index Performance

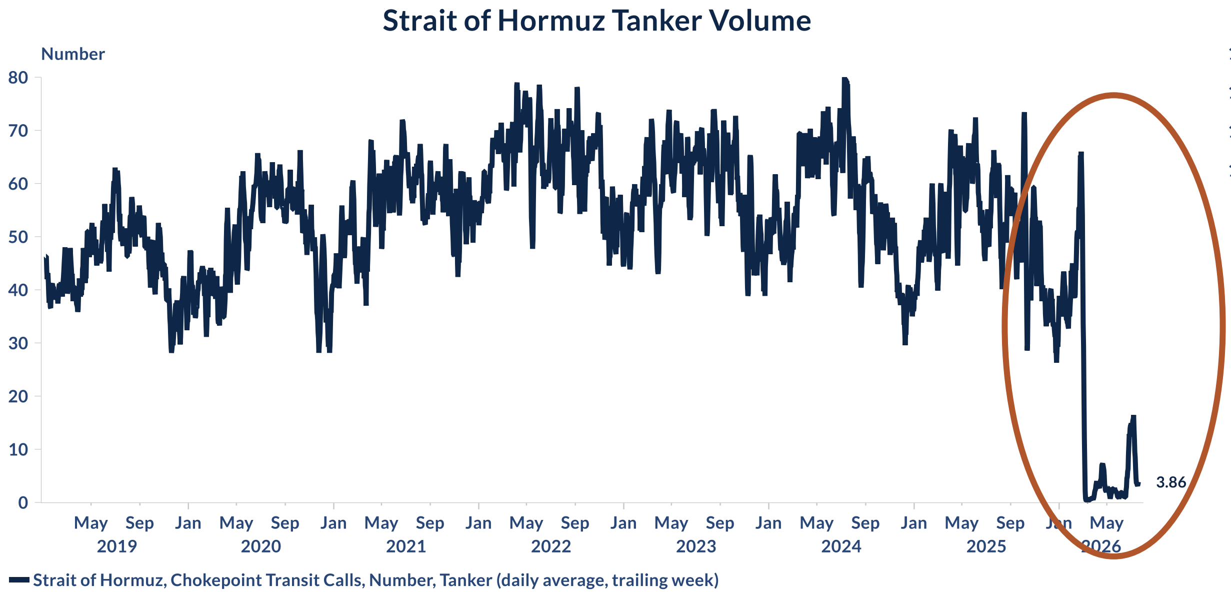
Index	YTD ↓	Q2 2026
Industrials	20.2	14.9
Information Technology	19.8	31.8
Energy	19.7	-13.4
Materials	12.0	2.0
Real Estate	11.5	8.5
S&P 500	10.2	15.2
Consumer Staples	8.0	0.3
Utilities	7.7	-0.5
Health Care	3.5	8.8
Communication Services	0.8	8.3
Consumer Discretionary	-0.8	9.3
Financials	-1.2	9.0



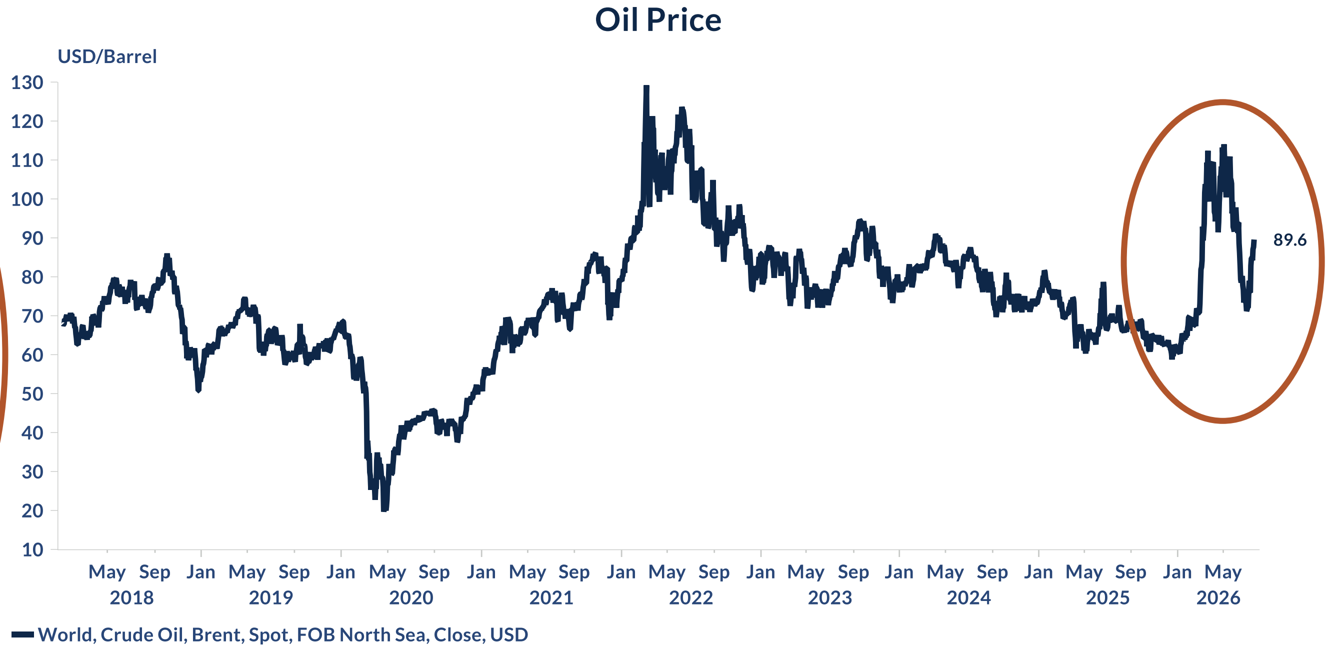
Source: Main Management, S&P Global, FactSet, Macrobond. As of 6/30/2026.

Oil

Whatever happens to the ceasefire, the oil market it leaves behind is structurally different. Chinese crude demand has been destroyed, not deferred, as April imports ran 9.4M bpd, down 20% y/y, and estimates put May near 7.8M bpd (−29%). Transit through the Strait of Hormuz has recovered off the collapse but remains well below the pre-war baseline, and the forced reroutes around it are the kind of behavior change that outlasts a ceasefire. Brent's own round trip — a 2026 peak of $114.03 (5/4) back to $89.60 now — is the market pricing all three forces in.



Source: Main Management, IMF, Macrobond. Data last updated: 7/21/2026



Source: Main Management, Macrobond, Macrobond. Data last updated: 7/21/2026

Consumer Spending & Oil Sensitivity

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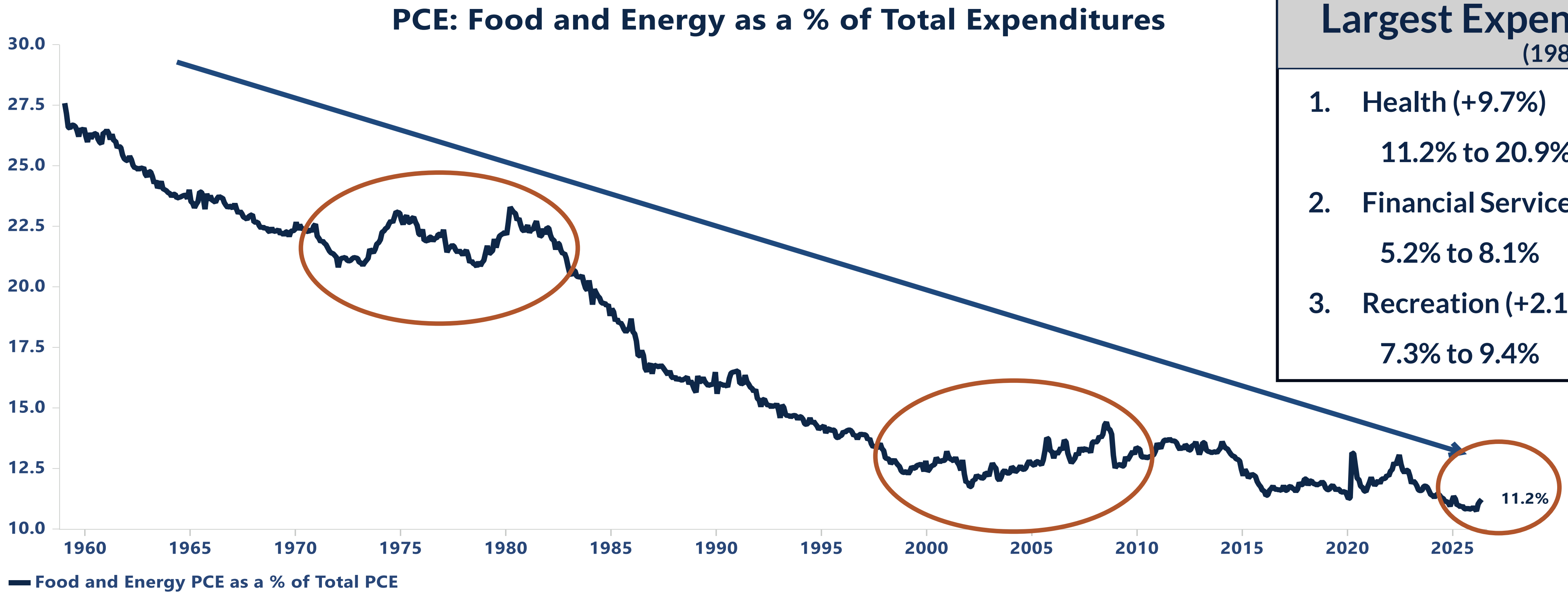
Higher oil can be a headwind to consumer spending. However, the economy is structurally less energy-sensitive than during prior oil shocks. Food and Energy as a percentage of total consumer expenditures has declined over the past four decades – driven by the shift toward a services-dominated economy, efficiency gains, and shale.



Largest Expenditure Increases
(1980-2025)

1. Health (+9.7%)
   11.2% to 20.9%
2. Financial Services and Insurance (+2.9%)
   5.2% to 8.1%
3. Recreation (+2.1%)
   7.3% to 9.4%

Source: Main Management, BEA, Macrobond. Data last updated: 6/25/2026

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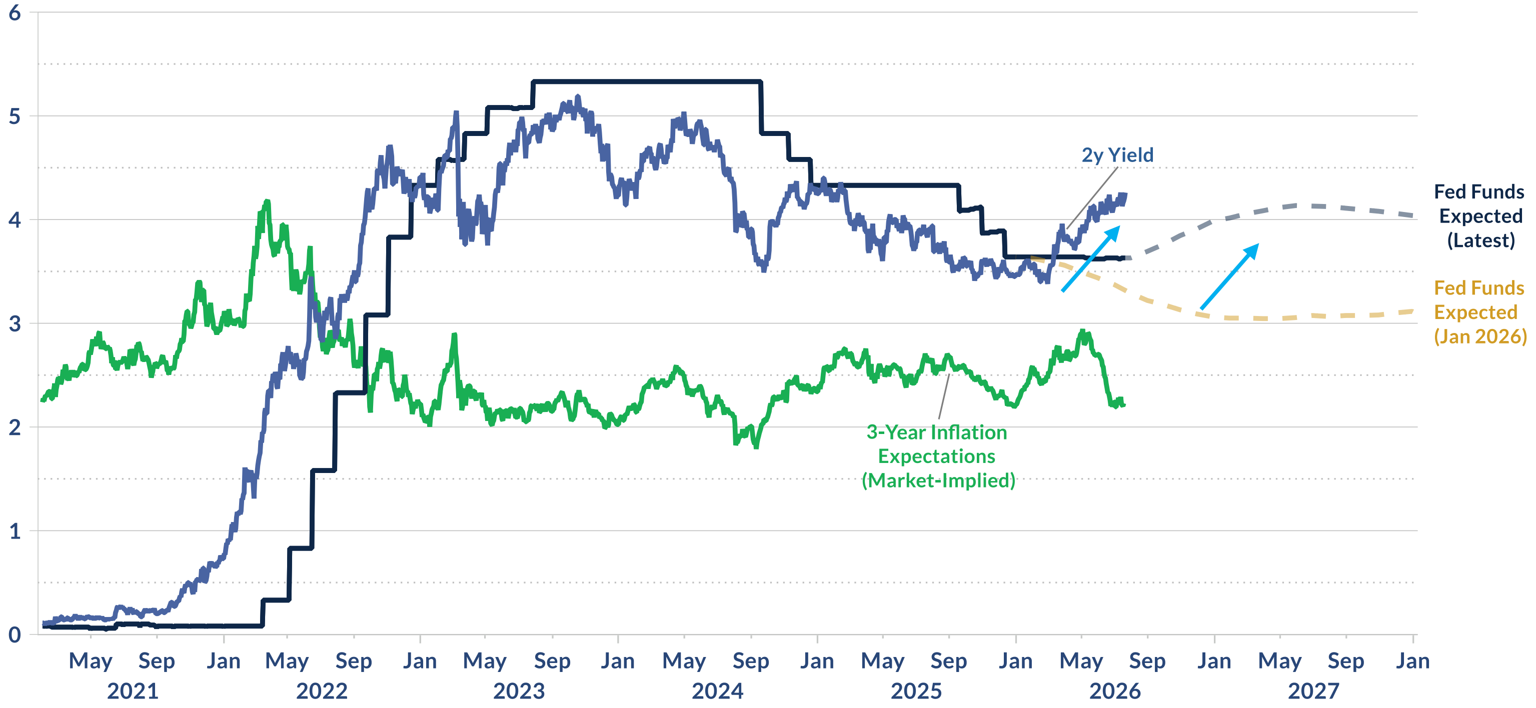
Federal Reserve

The Fed held at 3.50–3.75% in June and had mixed opinions for 2026, with eight members projecting no cuts and eight projecting at least one hike. Fed funds futures are now pricing in at least one rate hike later in the year, with Kevin Warsh's first FOMC meeting being widely perceived as more hawkish than anticipated. The 2y treasury yield served as a leading indicator here, moving up prior to the shift in rate hike expectations, almost immediately after news of Warsh's candidacy as the next Fed Chair was announced at the end of January.

Fed Funds Futures

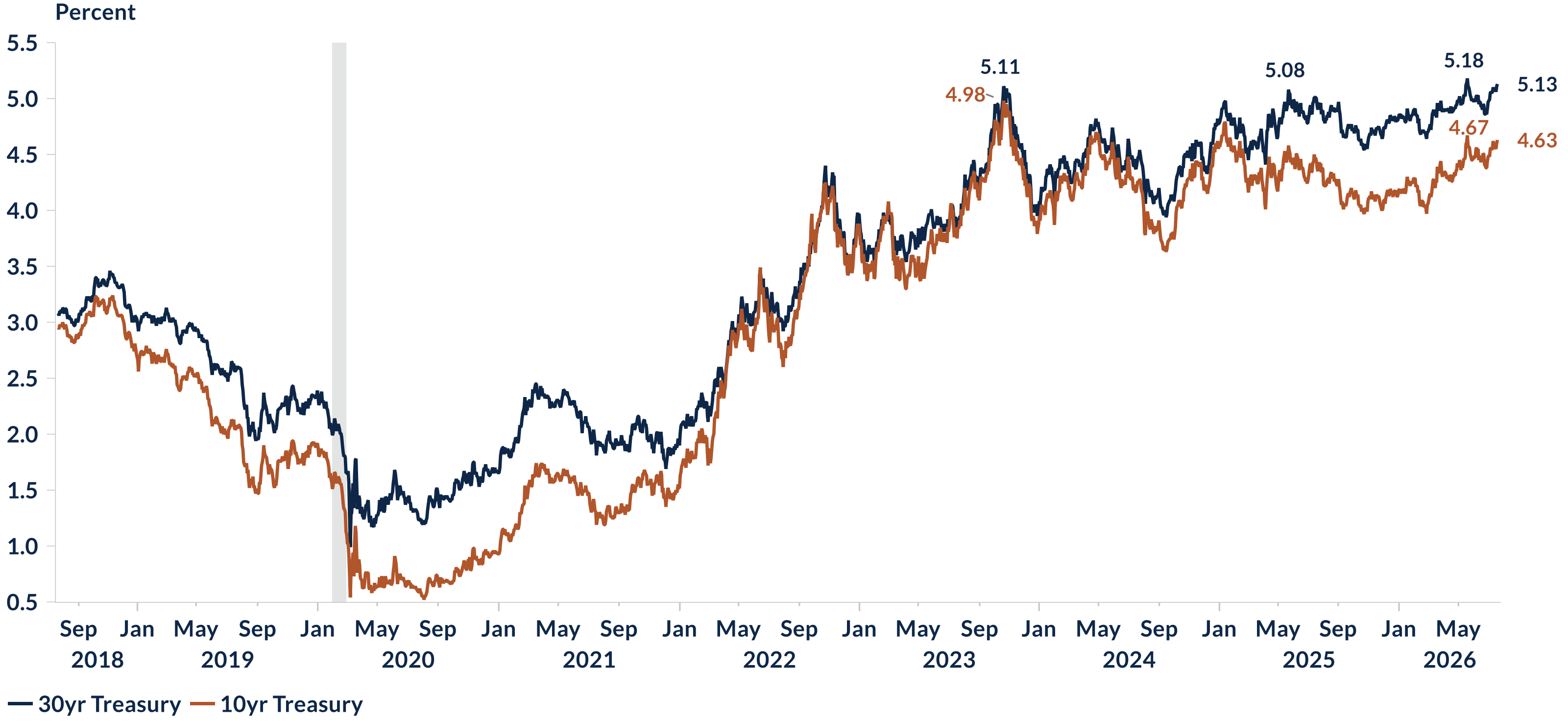


Source: Main Management, New York Fed, CME Group, U.S. Treasury, Fed, Macrobond. As of 7/21/2026.

Rate Volatility & the Search for Income

The long end of the curve has continued to move higher during the quarter, pressured by renewed inflation concerns following the oil shock, reduced expectations for near-term monetary easing, and an elevated term premium amid persistent fiscal deficits and Treasury supply. This backdrop is a large part of why income solutions that don't depend on duration — our BuyWrite strategy or liquid-alternative income models among them — have drawn growing interest.

30yr & 10yr Treasury Yields



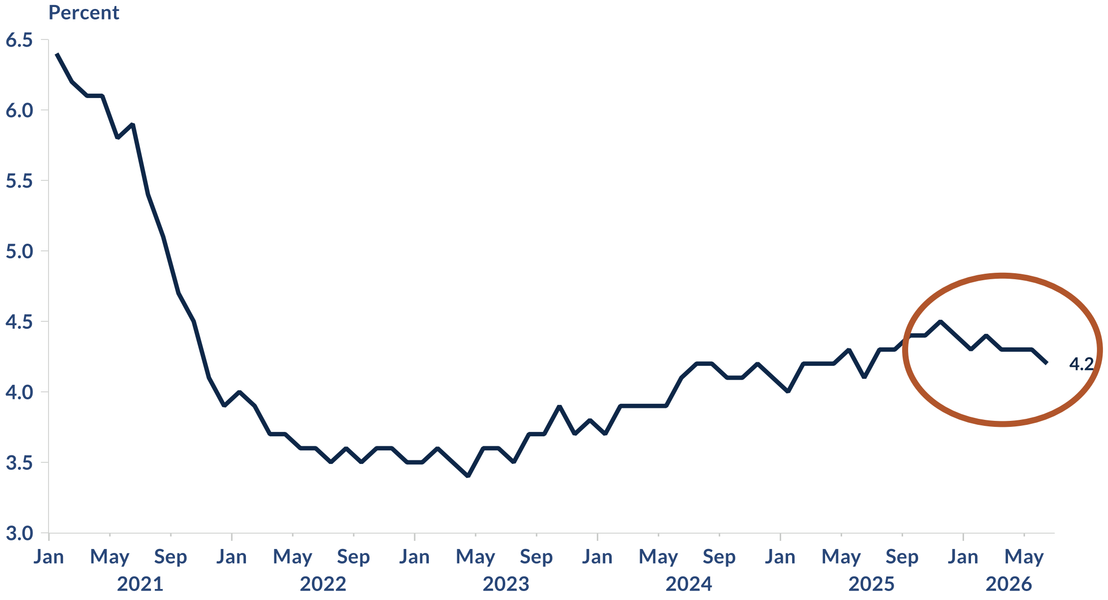
Source: Main Management, Fed, U.S. Treasury, Macrobond. Data last updated: 7/21/2026

Labor Market

The labor market remains more resilient than feared, with unemployment at 4.2% and payrolls averaging 92,000 over the past six months. Lower immigration has reduced the breakeven pace of job creation, although broad wage pressure has yet to emerge in immigration-dependent sectors – potentially because softer construction demand has offset the reduced labor supply. AI-related displacement also remains concentrated rather than widespread, with prime-age participation near recent highs.

Unemployment Rate

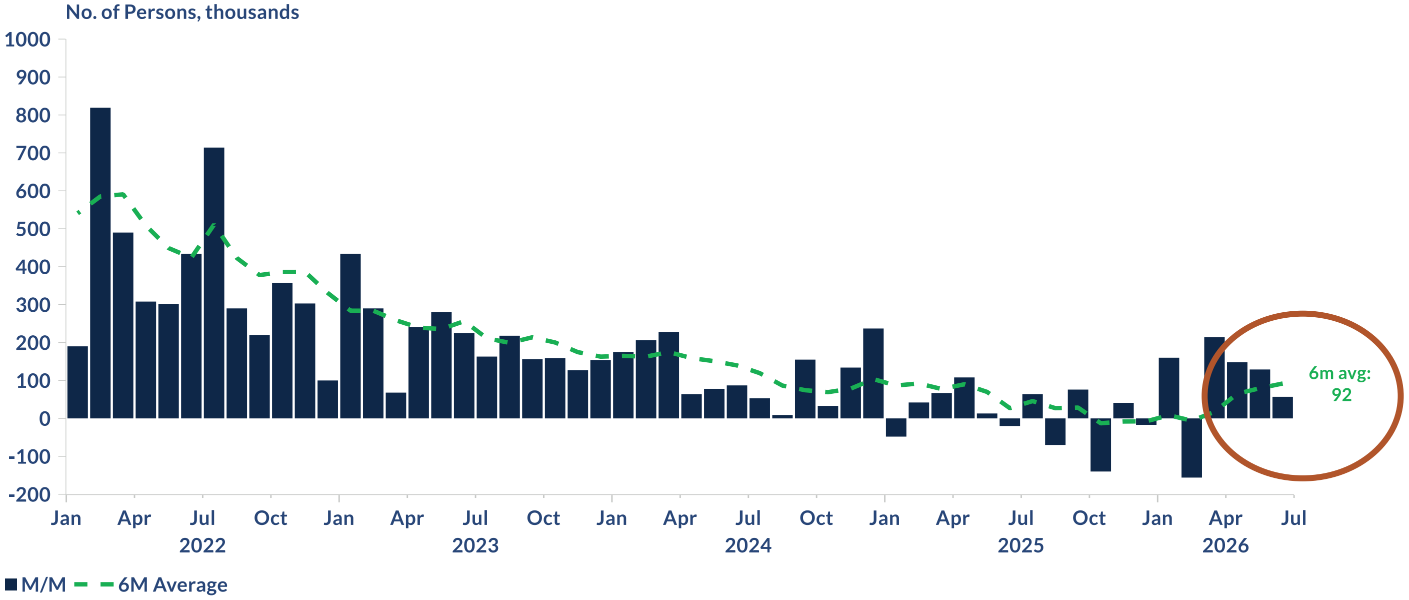
Percentage of the labor force actively seeking employment



Source: Main Management, BLS, Macrobond. Data last updated: 7/2/2026

Nonfarm Payrolls

Monthly Change and 6-month moving average growth in Nonfarm Payrolls, Total, SA



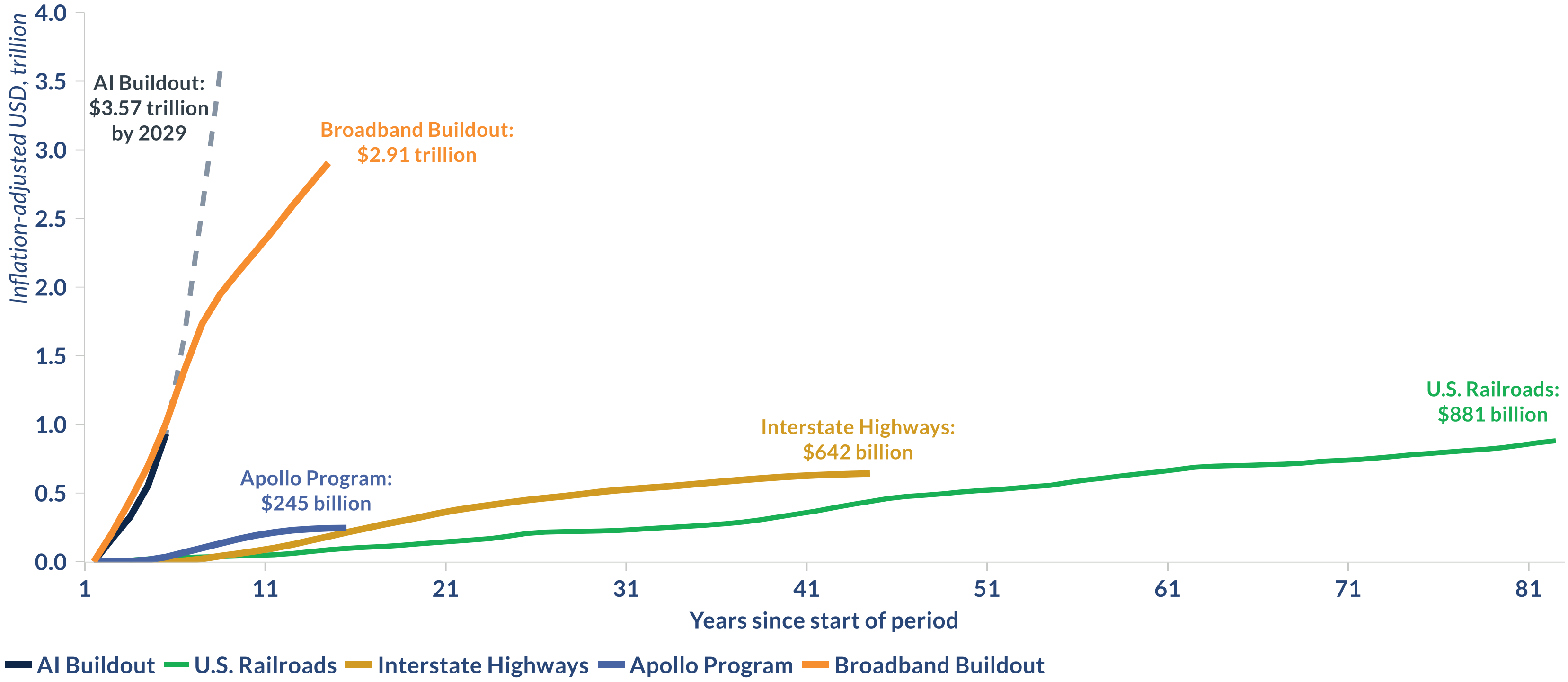
Source: Main Management, BLS, Macrobond. Data last updated: 7/2/2026

Capex Supercycle

The AI buildout is now the largest infrastructure investment in American history – on pace to surpass $3 trillion in cumulative investment by 2029, dwarfing the Interstate Highway System, the U.S. railroad network, and the Apollo Program combined. The investment question is shifting from who is building the infrastructure to who benefits downstream — where adoption translates into revenue and margin leverage across sectors.

AI Infrastructure Buildout in Historical Context

Cumulative spending – inflation-adjusted to 2026 dollars



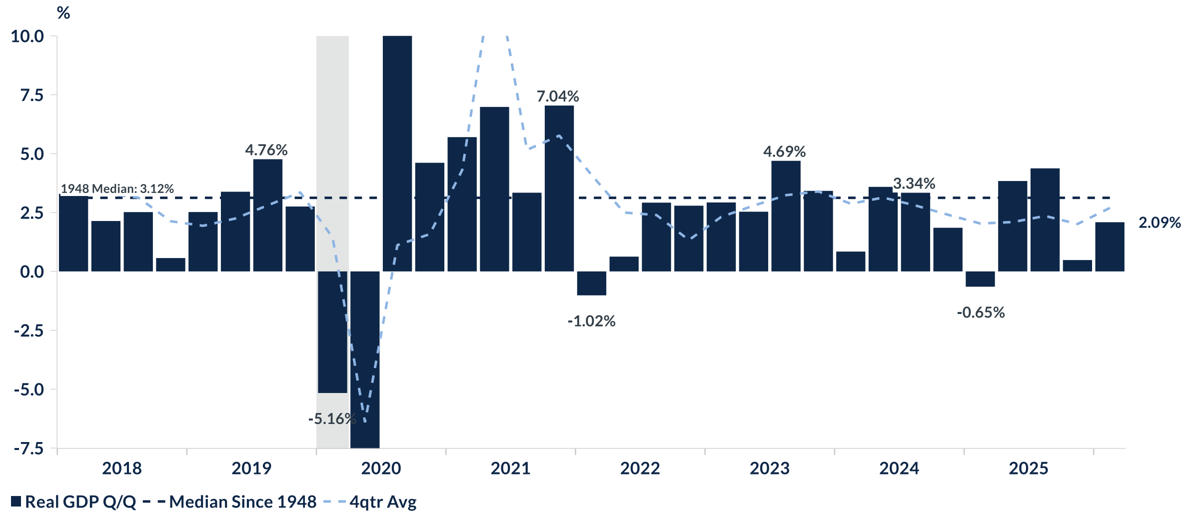
Source: Main Management, BLS, company filings (GOOGL, META, AMZN, ORCL, MSFT) and FactSet estimates; USTelecom; FHWA; Dreier (2022); NBER; BLS via Macrobond. All figures inflation-adjusted to 2026 dollars. Data last updated: 7/14/2026

Productivity

U.S. growth has struggled to achieve sustained lift-off, with real GDP increasing just 0.5% in Q4 2025 and 2.1% in Q1 2026, while the Atlanta Fed currently estimates Q2 growth at 1.7%. Together, that would leave growth averaging approximately 1.4% over the past three quarters. The constraint is increasingly structural: with immigration slowing, participation falling and labor-force growth near zero, the economy is receiving little contribution from additional workers or hours. Productivity remains the principal upside lever, but unless it can sustain a rate materially above 2%, real GDP is likely to remain closer to a 1.5%–2.0% trend. AI and capital investment create the potential for a longer-term productivity acceleration, but the recent GDP data suggest that lift-off has not yet occurred.

U.S. Real GDP Q/Q

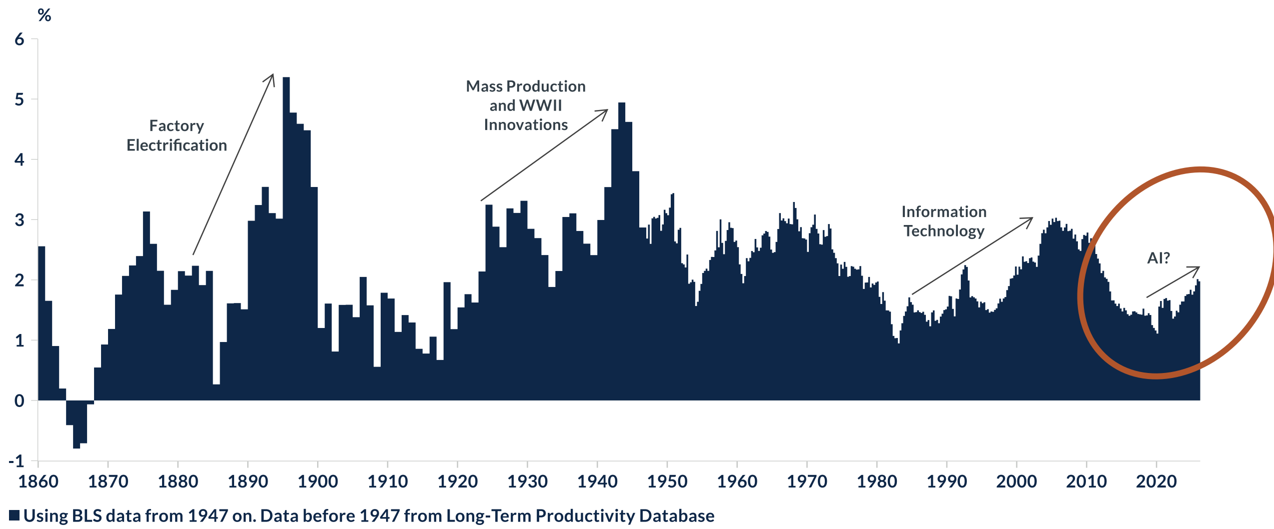
Annualized



Source: Main Management, BEA, Macrobond. Data last updated: 6/25/2026

United States Labor Productivity

10 Year Annualized Growth Rate

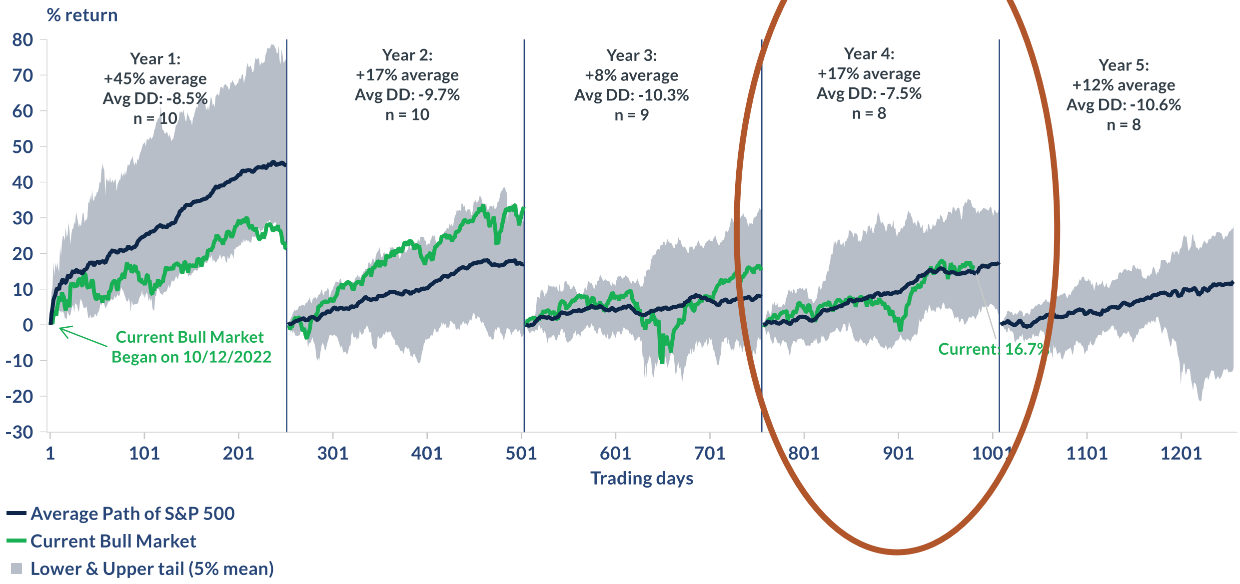


Source: Main Management, BLS, Long-Term Productivity Database, Macrobond. Data last updated: 6/4/2026

4th Year of a Bull Market + Midterms

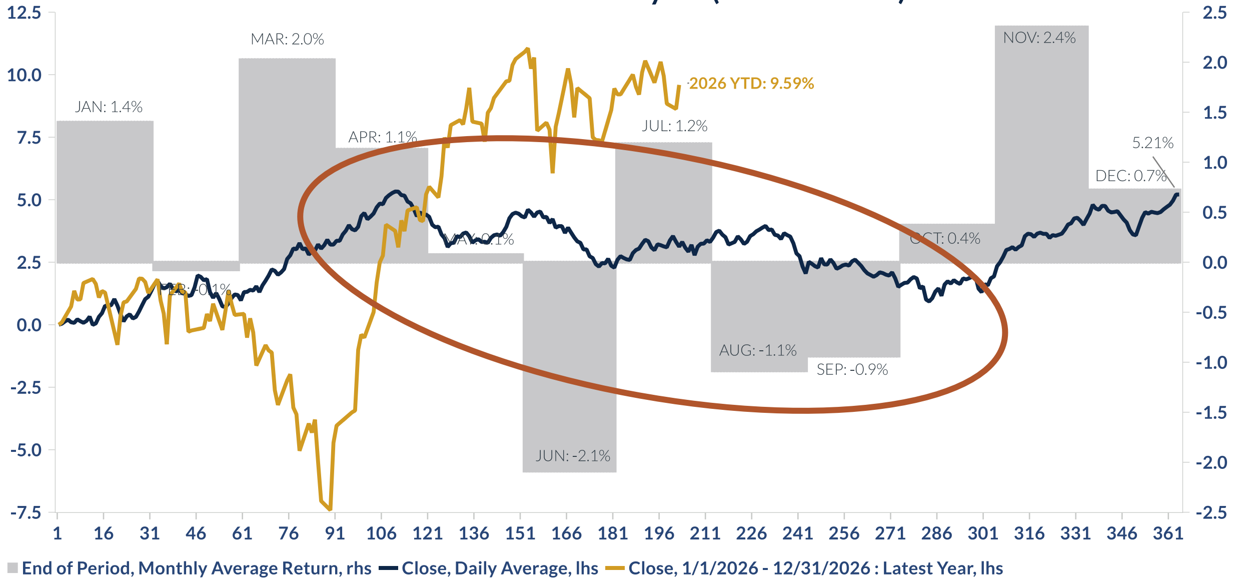
We are now firmly in the fourth year of this bull market, which began on October 12, 2022. Historical data since 1949 shows that once cycles extend beyond three years, forward 12-month returns have tended to be stronger than average (~+17%) with shallower maximum drawdowns (~-7.5%). The current cycle's peak-to-trough drawdown of roughly 9% is consistent with the fourth-year average of approximately 10%. Even during bull markets, midterm election years historically tend to be choppier during the 2nd and 3rd quarter.

Bull Market Trajectory



Source: Main Management, S&P Global, Macrobond. Data from 6/13/1949 - 7/21/2026

Year 2 of the Election Cycle (Bull Markets)

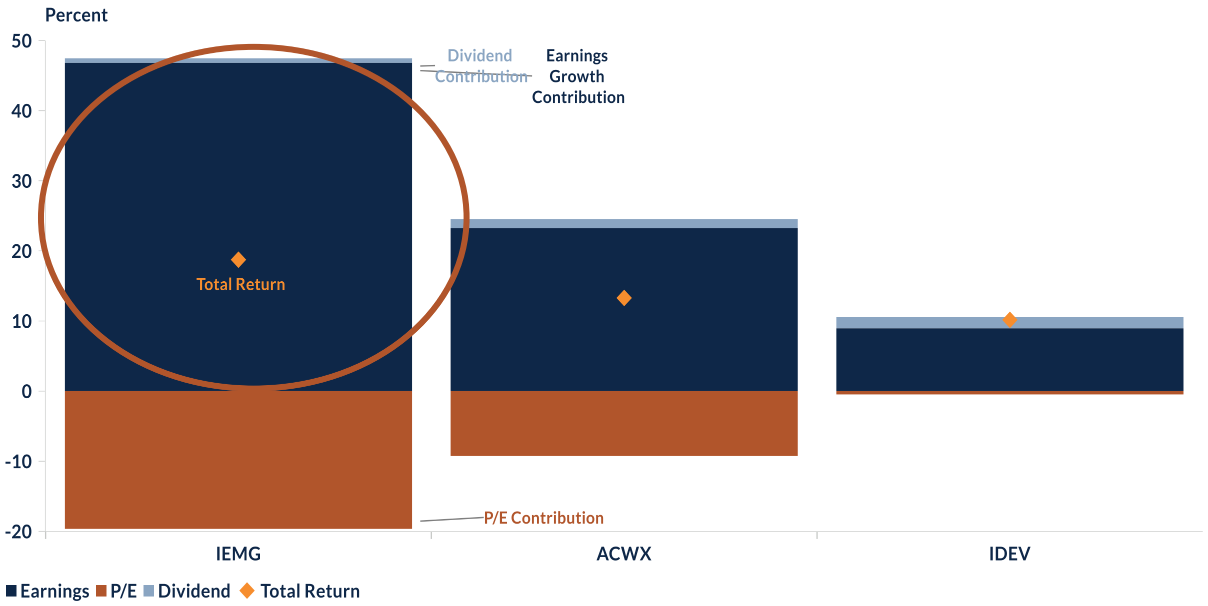


Source: Main Management, S&P Global, Macrobond. Data last updated: 7/21/2026

International Return Decomposition

International equities are outperforming the US in 2026 despite a roughly flat dollar – a critical distinction from 2025, when FX was a major tailwind. The drivers are now fundamental: European fiscal expansion, Asian capex recovery, and valuation re-rating from deeply discounted starting points. When outperformance is earnings-driven rather than FX-driven, it tends to be more durable. A large portion of the YTD return has been attributable to Earnings Growth, especially among Emerging Markets.

International ETF Return Decomposition YTD



Source: Main Management, FactSet, Macrobond. Data last updated: 7/21/2026

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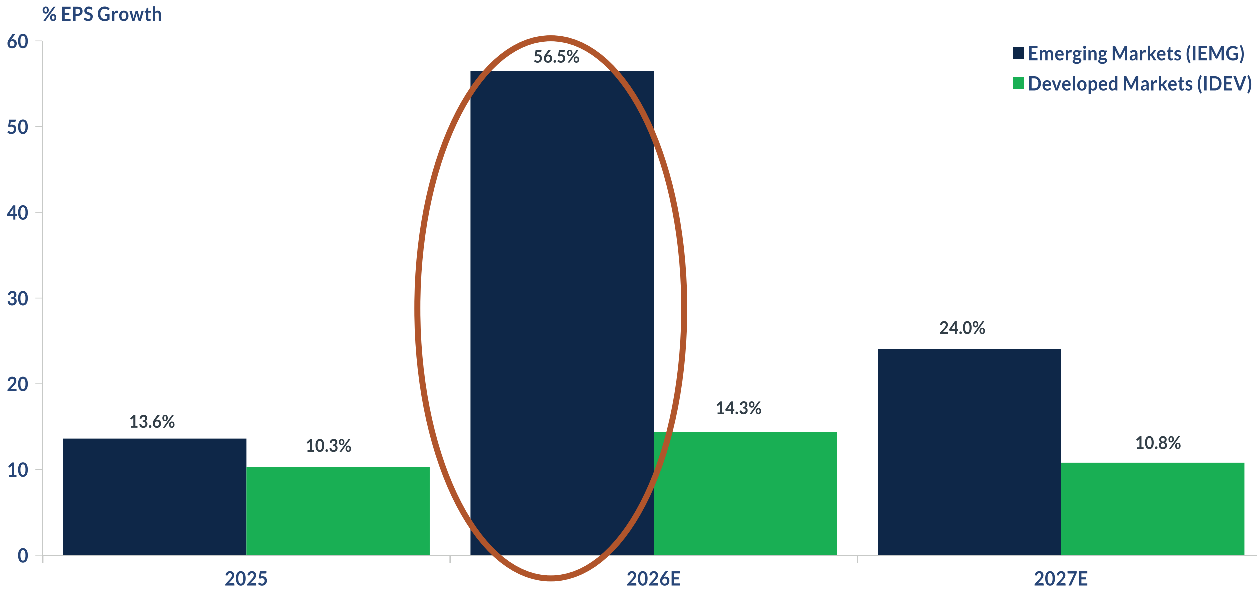
Annual EPS Growth Forecasts



Source: Main Management, FactSet, Macrobond. Data last updated: July 2026

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International Outperformance

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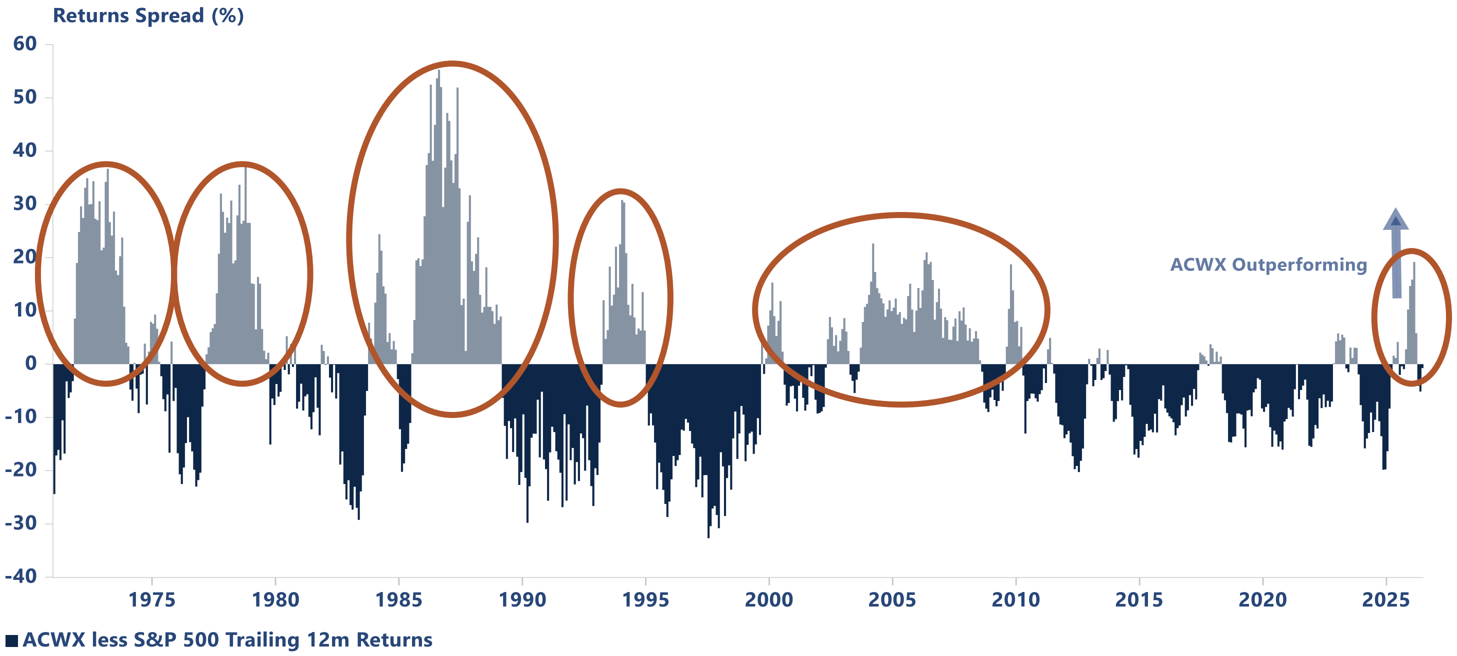
Since 1970, there have been four to five sustained regimes of international outperformance, each lasting multiple years. Past episodes have typically coincided with dollar weakness, but the current cycle is being powered by fundamentals even without currency help. We are currently 18 months into the current outperformance cycle, which based on history, would suggest that there is the potential for at least 2-3 more years of international outperformance.

12m Trailing Returns: % ACWX Over/Under Performance v S&P 500



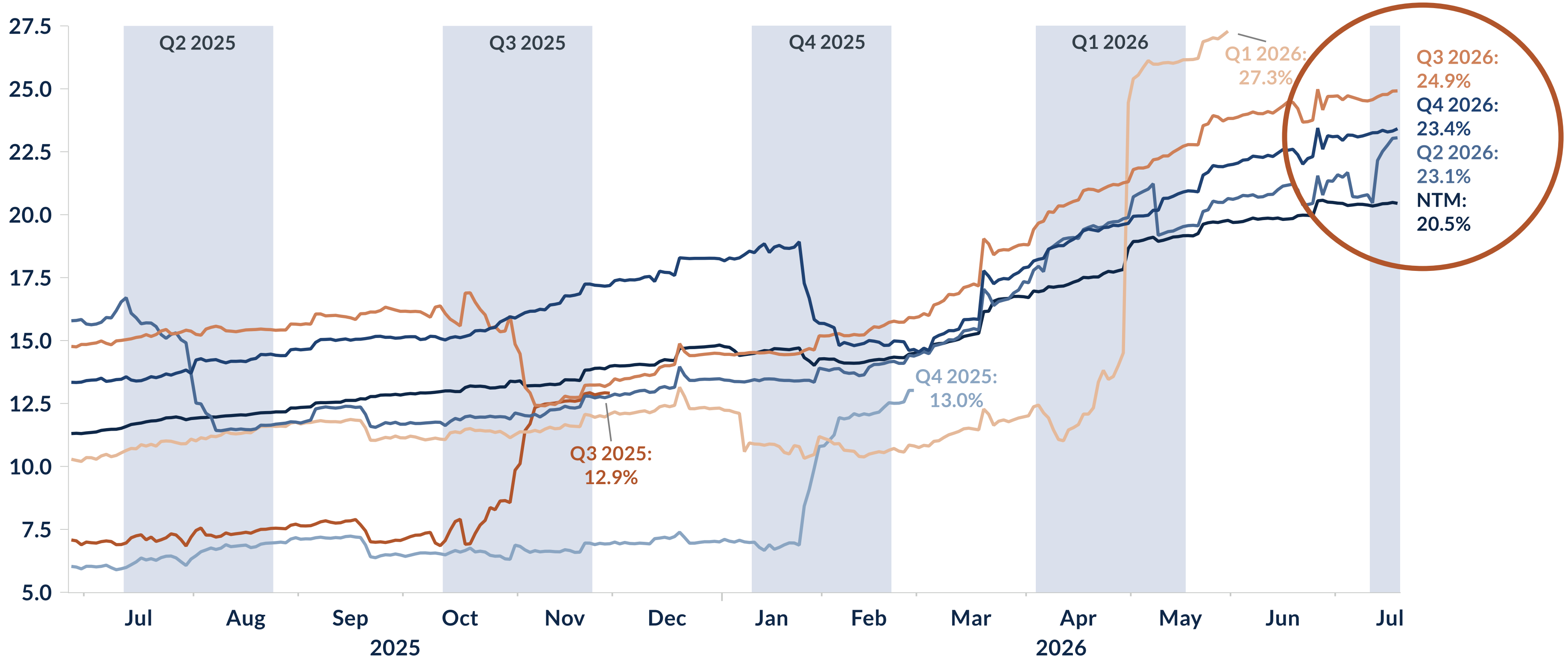
Source: Main Management, S&P Global, MSCI, Macrobond. Data last updated: 7/15/2026

Earnings Estimates

Forward twelve-month S&P 500 earnings growth has accelerated to +20.5%, with full-year 2026 estimates at 24.5% earnings growth and 10.4% revenue growth. Over the course of Q2, the upwards revisions were especially strong, largely due to the magnitude of earnings beats for Q1. The continued strength of earnings is indicative of a healthy bull market, but also sets a high bar for companies heading in Q2 earnings season.

S&P 500 Earnings Per Share Y/Y

Earnings Seasons are Shaded



Source: Main Management, FactSet, Macrobond. Data last updated: 7/20/2026

Peak Earnings Growth Implications

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Zooming out, 2027 growth is expected to slow to roughly +17% — still strong, but below 2026's standout +24.5%. The next-twelve-month growth rate has already begun to ease off its peak. That deceleration has not historically been a warning sign: at eight of the past nine turns in the NTM series since 2000, the S&P was higher a year later, a median +6%. The only loss was January 2008, ahead of a deep, sustained earnings collapse — the opposite of the soft step-down consensus expects for 2027.

S&P 500 Next-Twelve-Month Earnings Growth Forecasts

Source: Main Management, FactSet, Macrobond. Data last updated: 6/2026

Valuations Decomposition

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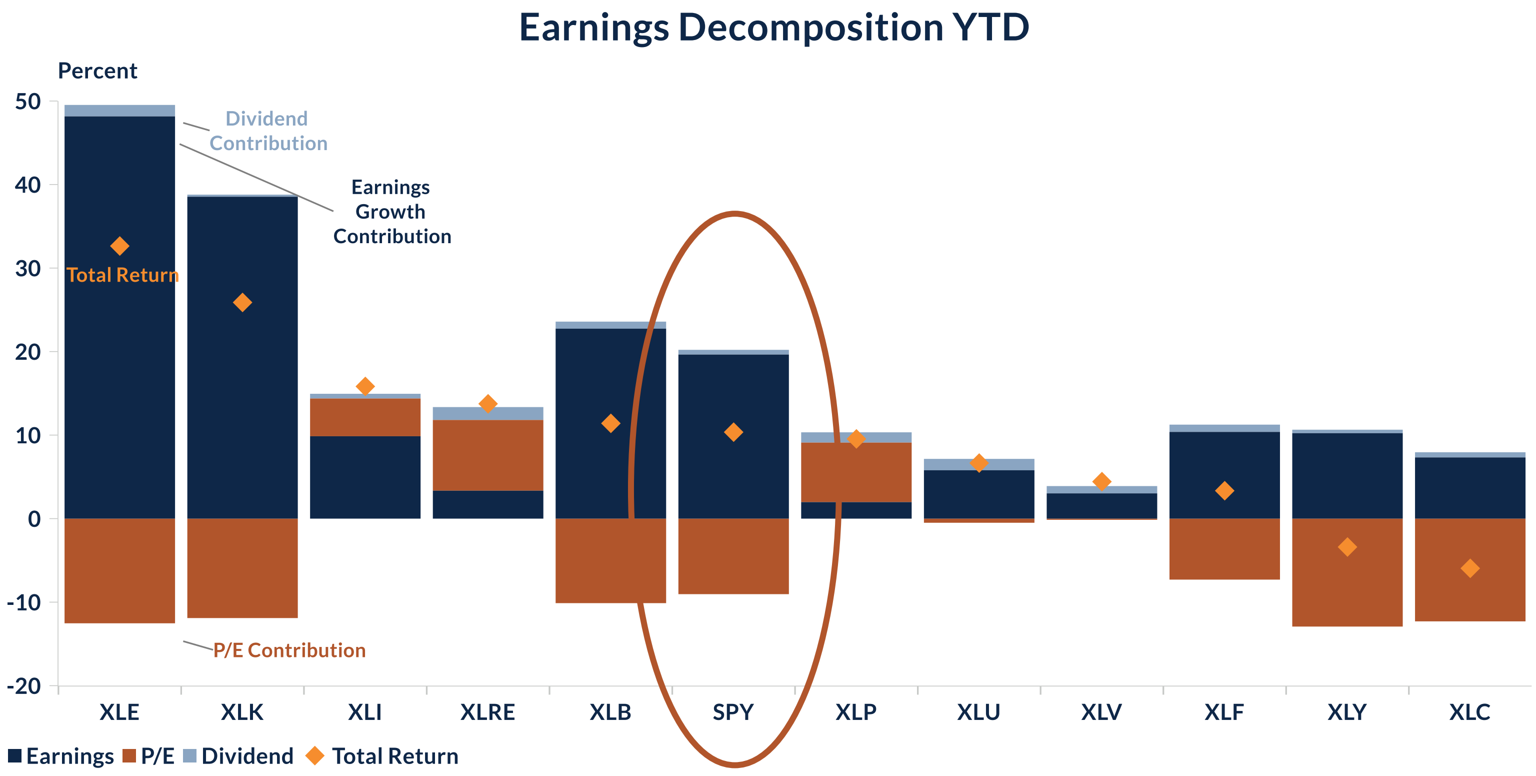
The S&P 500's forward P/E compressed from 22.0x at year-start to 19.1x at the March 30 low before drifting back to 20.0x by July. YTD, the index has delivered +19.4% from earnings growth, offset by –9.0% from multiple compression. As a result, the multiple remains below year-start levels, leaving an earnings-driven setup. XLK has seen one of the most extreme divergences: +38.5% from EPS offset by –11.9% in de-rating — the best fundamentals in the index, still trading at a discount to where it started the year.



Source: Main Management, FactSet, Macrobond. Data last updated: 7/21/2026

Recession Watch

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RECESSION START	INFLATION	CONSUMER	YIELD CURVE	HOUSING	SENTIMENT	AUTOS	EMPLOY-MENT	PMI	RETAIL SALES
NOV 1973	↓	—	—	↓	—	—	↓	↓	—
JAN 1980	↓	↓	↓	↓	↔	↓	↓	↓	—
JUL 1981	↓	↓	↓	↓	↔	↓	↓	↓	—
JUL 1990	↓	↓	↓	↓	↔	↓	↓	↔	—
MAR 2001	↔	↓	↓	↔	↔	↔	↓	↓	↔
DEC 2007	↓	↓	↓	↓	↔	↓	↓	↓	↓
JULY 2026	↓	↔	↑*	↔	↔	↔	↔	↑	↑
LAST CHANGE	BLUE MAY '26	GREEN APR '25	BLUE JAN '26	GREEN DEC '24	GREEN APR '25	RED JAN '25	RED JUL '25	BLUE JUL '25	BLUE DEC '24

↑ Positive ↔ Neutral ↓ Negative

Overall:

Inflation: Headline CPI. Source: St. Louis Fed. **Consumer**: Conference Board Consumer Confidence. Source: The Conference Board. **Yield Curve**: 10 year – 3 month Treasury spread. Source: FactSet financial data and analytics. **Housing**: Housing Starts & Existing Home Sales. Source: St. Louis Fed. **Sentiment**:. Conference Board Consumer Confidence, UMich Consumer Sentiment, State Street Investor Confidence, CEO Confidence, VIX, AAII **Autos**: Auto Sales. Source: St. Louis Fed. **Employment**: Initial Weekly Unemployment Claims & Nonfarm Payrolls. Source: St. Louis Fed. **PMI**: Markit US Manufacturing PMI & US ISM Manufacturing PMI & Chicago PMI. Source: Markit, ISM. **Retail Sales**: Advance Retail Sales. Source: St. Louis Fed. * 10 year – 3 month Treasury spread inverted on 5/23/19 and again on 1/30/20.

S&P 500 Earnings and Forecast

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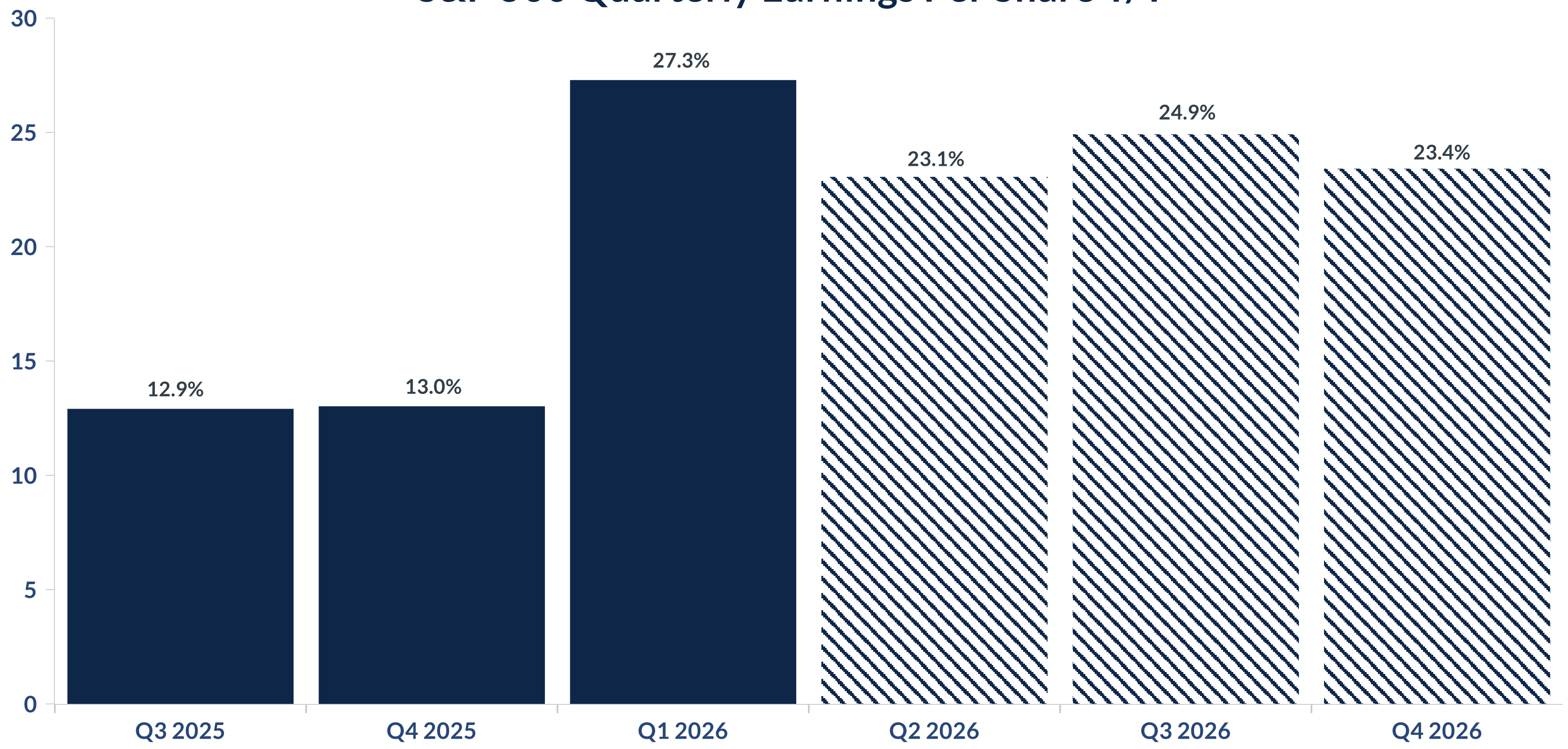
Forward S&P 500 range: 7,000 – 8,400

S&P 500 Quarterly Earnings Per Share Y/Y



Source: Main Management, FactSet, Macrobond. Data last updated: 7/20/2026

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NTM Est.	$366.00
Year Out Est.	$420.00[1]
6/30 S&P 500:	$7,499.36

NTM Downside		
$380.00[1] x	18.5[2]	= 7,000
NTM Upside		
$420.00[4] x	20.0[3]	= 8,400

[1] Low end of earnings estimate for year out
[2] Discount to current forward P/E if growth slows down
[3] Current multiple holds as earnings rise
[4] Consensus year-out earnings estimate

Questions?

Disclosures

Main Management, LLC ("Main Management", or the "Firm") is an investment adviser registered under the Investment Advisers Act of 1940, as amended. 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-adviser to third-party investment advisers & broker-dealers.

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