Q2 2026 – MAIN MANAGEMENT ACTIVE STRATEGY

SECTOR	OVER/UNDER	SECT WEIGHT	S&P 500 WEIGHT	RELATIVE
UTILITIES	OVERWEIGHT	6.0%	2.1%	2.8x
MATERIALS		4.0%	1.8%	2.2x
FINANCIALS		17.3%	11.3%	1.5x
INDUSTRIALS		12.0%	8.3%	1.4x
ENERGY		3.8%	3.1%	1.2x
INFO TECH		44.2%	38.5%	1.1x
CONS DISCRET	MARKET WEIGHT	10.0%	9.7%	1.0x
REAL ESTATE	UNDER WEIGHT	0.0%	1.8%	0.0x
HEALTHCARE		0.3%	8.3%	0.0x
COMM SERVICES		1.0%	10.4%	0.1x
CONS STAPLES		0.5%	4.5%	0.1x
TOTAL		100.0%	100.0%	--
SIZE / STYLE		0.0%	--	--
CASH		1.1%	--	--

Source: Morningstar Direct, Main Management

As it did in Q1, the Active Sector Rotation strategy (available in ETF format: SECT) continued to adapt to ongoing volatility in the market in Q2. In April, we re-initiated Energy and further trimmed Healthcare. Then, in mid-May, we initiated an overweight in Utilities which was funded by fully exiting our satellite positions in Homebuilders and Software. And finally, towards the end of May, we rebalanced our sector exposure by taking up our overweights in Financials, Industrials, and Tech to 1.6x, 1.5x, and 1.2x, respectively. Those increases were made possible by closing out our positions in Communication Services and Healthcare.

The move back into Energy is predicated on stronger fundamentals alongside higher earnings revisions, with the assumption that Brent Crude Oil will settle into a $75-85 range, which is a roughly $10 premium to the pre-conflict average. The U.S. is now a net energy exporter and a long-dated infrastructure investment cycle may support sustained producer economics. The relatively new Utilities overweight was based on an attractive P/E-to-margin ratio and, more importantly, we believe that the sector has become one of the cleanest second-derivative ways to express the AI buildout and broader re-industrialization theme that already sits behind our overweights in Materials, Industrials, and Energy. The incremental dollar of capex this cycle is flowing into data centers, grid capacity, and the power required to run them — owning the energy and capacity behind that demand is a more durable expression of the theme than continuing to add to satellites at current valuations. The position also brings a defensive barbell to the strategy, balancing the cyclical and growth tilts elsewhere in the portfolio. To fund the trade, we are eliminating our Homebuilders and Software satellites. The Homebuilders position was sized around the expectation of meaningful Fed easing this year; with the curve now pricing effectively no cuts and the next move arguably higher, the rate-driven case for the position no longer holds. Software was bought at a valuation discount after the SaaSpocalypse and the position has appreciated alongside the broader rebound in tech. The exit of Communication Services was based on the relatively inexpensive valuations being warranted rather than an opportunity and Healthcare was closed out as its proceeds were redistributed to other sectors with higher conviction.

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On an attribution basis, the strategy benefited most from its positions in Technology and Industrials. Utilities and Energy weighed on the strategy a bit but overall, the strategy outperformed the S&P 500 in Q2, helped by the relative underperformance of the Mag-7, which we are underweight relative to the S&P 500 benchmark.

The current portfolio employs a barbell approach: growth at a reasonable price on one side – including the Nasdaq-100 which has recovered from the Q1 pullback but remains attractive on valuations and select real-economy exposures on the other. Utilities is now our biggest relative overweight at roughly 2.9x, followed by Materials at 2.2x. Both sectors are supported by data center buildouts, defense modernization, and re-industrialization. Financials at 1.6x and Industrials at 1.4x stand to benefit from a continued de-escalation in the Middle East and the same structural capex cycle. Energy and Tech are both at 1.2x overweight, with Energy poised to benefit from increased producer efficiency and Tech remaining the driver of the broader market, especially from an earnings growth standpoint.

On an aggregate level, the portfolio trades roughly in line with the S&P 500 on forward earnings – a P/E NTM of 20.8x versus 20.4x, at a discount on P/B (5.0x vs 5.6x) – while offering meaningfully stronger growth: NTM EPS growth of 25% versus 20% for the S&P 500, and 2026 EPS growth of 30.0% versus 24.0%, putting the portfolio's PEG at 1.1x versus 1.3x. (All valuation metrics per FactSet Data.)

As has been the case since inception back in 2002, we run the Active Strategy in a tax-aware manner, so it may provide an appealing solution for non-qualified money in addition to qualified money, and the Active may be used for core or satellite U.S. equity exposure within a client's portfolio. The expense ratio on SECT currently stands at 0.69%, and we continue working to reduce costs for investors. We thank you for the ongoing partnership and encourage current and prospective investors to contact us with any questions regarding individual ETFs or our asset allocation.

Sincerely,

Kim David Arthur

CEO and Portfolio Manager