

Main International Strategy

Third quarter 2026 commentary

If there's been one consistent theme in the international space this year, it's been Iran, to no one's surprise. The continual on-again-off-again has resulted in heightened volatility and dispersion across international equity markets. The status of the Strait of Hormuz continues to remain in question and even when it is "open," traffic is a fraction of what it once was. The resulting shift in oil shipping methods out of the area has resulted in ongoing elevated prices which have in turn pushed up inflation around the globe and caused central banks to adopt a more hawkish tone in response. Brent Crude fell as low as \$71 at the very beginning of the quarter before moving choppy higher and closing the quarter out above \$100. As a result, companies are paying up for transport costs, resulting in higher prices for consumers. Developed Markets led Emerging Markets in Q3, rising +0.9% versus EM at -0.2%, as both trailed the S&P 500 which was up +2.3%. On a YTD basis, EM remains handily in the lead, up around +23.7%, well ahead of DM at +10.8% and the S&P 500 at +12.7%.

Despite the quarter of U.S. outperformance, we still believe that international equities have room for outperformance. When international equities have outperformed, they have done so for a period of around 3–4 years, which may indicate that we still have the potential for a couple more years of this sort of dynamic. The US Dollar dipped in August and early September before recovering to finish Q3 roughly flat. We continue to think the Dollar will remain largely rangebound, which while not necessarily a tailwind, is at least not a headwind to international equities. It's also important to note that the additional tailwinds of favorable valuations and continued earnings growth remain intact. International equities are still trading at roughly 12.6x versus U.S. Large Cap Value at 17.1x, which implies meaningful upside if that spread reverts toward historical levels. We still think we are moving into the earnings growth phase of the international bull market, meaning there may be further room to run.

As far as the portfolio itself is concerned, in mid-July, we re-initiated a position in China and opened a new one in South Korea, funded by selling our existing positions in Latin America and South Africa. We felt that China was at an attractive entry point, trading at the lower end of its valuation range and at a discount relative to the MSCI All Country World ex-USA Index. We think that narrowing of the AI gap, partly evidenced by the release of a cheaper yet near state of the art model (Moonshot's Kimi K3), could be the catalyst needed to see Chinese equities move back higher. South Korea sold off more than 20% from its high as the semiconductor/AI trade lost some steam, but we think it will continue to drive returns in international equities due to the memory shortage. Overall, the moves helped shift the portfolio towards countries with more tech exposure and away from existing overweights in more materials-heavy economies where ongoing geopolitical uncertainty could continue to be a headwind.

In Q3, our positions in Canada and broader Emerging Markets were the biggest positive contributors while our South Korea and South Africa (which we exited in mid-July) positions were the biggest drags. At a higher level, we remain overweight Emerging Markets with a higher concentration in Asia and are most underweight Developed Europe, which continues to face growth-impeding regulatory headwinds and elevated energy prices which become increasingly important as we head into winter. The strategy trades at a slight valuation discount to the ACWI ex-US with favorable growth forecasts.

We continue to work to reduce costs for investors, as evidenced by the contractual expense cap on the ETF that runs the strategy (INTL), which limits its net expense ratio to 0.79% from October 1, 2026, until at least February 29, 2028. Attached, please find the updated fact sheet with a comparison to the MSCI All Country World ex-USA Index benchmark and the Morningstar Foreign Large Blend Category. We encourage our current and prospective investors to contact us with any questions regarding individual ETFs or our asset allocation.

Important disclosures

All metrics from Morningstar Direct, Macrobond, and FactSet Financial Data and Analytics.

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Investors should carefully consider the investment objectives, risks, charges and expenses of the Main International ETF. This and other important information about the Fund is contained in the prospectus, which can be obtained by calling 1-866-383-9778. The prospectus should be read carefully before investing. The Main International ETF is distributed by Northern Lights Distributors, LLC, Member FINRA/SIPC. Main Management ETF Advisors, LLC is not affiliated with Northern Lights Distributors, LLC.

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