

Main Active Sector Rotation Strategy

Third quarter 2026 commentary

Sector positioning vs. the S&P 500

Sector	Portfolio weight	S&P 500 weight	Relative (× benchmark)	Over / under (percentage points)
Overweight				
Utilities	5.5%	1.9%	2.9x	+3.6 pp
Materials	4.0%	1.7%	2.4x	+2.3 pp
Industrials	11.9%	7.9%	1.5x	+4.0 pp
Financials	15.5%	11.4%	1.4x	+4.1 pp
Information Technology	46.7%	39.7%	1.2x	+7.0 pp
Underweight				
Health Care	8.5%	9.2%	0.9x	-0.7 pp
Consumer Discretionary	4.5%	8.6%	0.5x	-4.1 pp
Energy	0.5%	3.4%	0.1x	-2.9 pp
Communication Services	1.4%	9.7%	0.1x	-8.3 pp
Consumer Staples	0.5%	4.3%	0.1x	-3.8 pp
Real Estate	0.0%	1.7%	0.0x	-1.7 pp
Cash	1.0%	–	–	
Total	100.0%	100.0%		

Active Sector Rotation SMA composite look-through as of 9/30/2026. Relative is the portfolio weight divided by the S&P 500 weight. Source: Morningstar Direct.

As was the case for much of Q1 and Q2, geopolitical and macroeconomic developments continued to overshadow markets in Q3 and yet were unable to overcome the positive earnings revisions which are enabling markets to climb the “Wall of Worry” once again. The Active Sector Rotation strategy (available in ETF format: SECT) made a few changes in response to the ever-evolving environment. In August, we eliminated our position in Energy after oil ran once again, taking profits at an attractive level. We initiated a position in the MAGS ETF for some additional exposure to the Magnificent 7 stocks, adding an area of the market where we remain meaningfully underweight. Subsequently, in early September, we initiated a new position in Healthcare with an eye towards building it up to an overweight in the coming weeks. In order to initiate the Healthcare position, we cut Consumer Discretionary basically in half to a 0.5x weight, and trimmed Financials, taking some profits, but remain overweight at 1.4x.

The addition of the targeted Mag-7 exposure came as the forward earnings multiple contracted to roughly 24x, about a 20% premium to the S&P 500 at the time and near its lowest level since the MAGS ETF’s April 2023 inception. It also provides us with some exposure to the Communication Services sector, which has been one of our largest underweights, but without the legacy telecom names that have kept us out of the sector as a whole. The Healthcare position was put on as we see solid upside to the sector, boosted by 2027 earnings estimates which currently stand around 22% for the sector and are at a sizeable premium to the 15% estimates for the S&P 500 as a whole. Furthermore, it’s one of only 3 sectors forecasted to

outgrow the market next year and it's coming off the lowest growth of any sector this year. As mentioned above, we cut Consumer Discretionary basically in half, as the sector was a play on lower interest rates and with the Fed's first hike in mid-September and markets pricing in roughly one more by year-end, higher rates could prove to be a strengthening headwind to the consumer and we don't feel the reward is worth the risk.

As was the case last quarter, we are still overweight Utilities, Materials, and Industrials, as we believe that these are the cleanest second-derivative ways to express the AI buildout and broader re-industrialization themes. Capex dollars continue to flow into data centers and the power grid required to run them. We feel that owning the energy delivery and capacity behind that demand is still a more durable expression of the theme than adding to satellites in the Tech and Comm Services sectors. Financials and Info Tech also remain in the overweight basket. We feel that Financials stand to benefit from AI efficiency gains and Tech is hard to ignore as it continues to contribute the lion's share of earnings to the market as a whole. On an attribution basis, the largest contributors in Q3 were Tech and Energy (which we exited in August after a strong run), along with the new MAGS position. Industrials, Utilities, and Consumer Discretionary weighed on the strategy, causing it to lag the S&P 500 in Q3.

The portfolio continues to employ a barbell approach, with growth at a reasonable price on one side and real-economy exposures on the other. Utilities remains our biggest relative overweight at roughly 2.9x, followed by Materials at 2.4x. Both sectors are supported by data center buildouts, defense modernization, and re-industrialization. Utilities had a sizeable P/E contraction thanks to rising rates and regulations, both of which we think have been overly discounted. Industrials (1.5x) and Financials (1.4x) stand to benefit from the same structural capex cycle. Industrials also had a considerable P/E contraction of around 13% while earnings remain very supportive. Tech is still a 1.2x overweight as well. Healthcare, now roughly market weight at 0.9x as we build the position, is one of the sectors we think stands to gain the most from AI productivity, given how little the industry has adopted it so far. On an aggregate level, the portfolio trades roughly in line with the S&P 500 on forward earnings – a P/E NTM of 19.6x versus 19.0x, at a discount on P/B (4.5x vs 4.6x) – while offering meaningfully stronger growth: NTM EPS growth of 27% versus 20% for the S&P 500, putting the portfolio's PEG at 0.7x versus 1.0x.

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.

Valuation metrics per FactSet Data.

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 Sector Rotation 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 Sector Rotation 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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