

Main Thematic Innovation Strategy

Third quarter 2026 commentary

As was the case for much of Q2, Q3 continued to see some marked dispersion among tech names. We feel this dispersion is largely representative of the current stage of the AI cycle where markets are trying to sniff out the winners and the losers. The geopolitical overhang continues to be an issue, but it has been more or less put on the back burner, especially in the tech sector where oil prices are not nearly as much of an issue as they are for other sectors. The status of the Strait of Hormuz is in flux and as oil companies are finding new ways to get their product out of the region, the result has been higher for longer prices that are pushing up inflation around the world. As a result, central banks are becoming more hawkish, with several larger ones (including the U.S. Fed) raising rates in an effort to combat it. This higher interest rate environment raises the hurdle for smaller, growthier companies, which weighed on the Thematic strategy in Q3, though it remains ahead of both the ARK Innovation ETF (ARKK) and the Vanguard Mid-Cap Growth ETF (VOT) for the year.

We made no theme changes to the portfolio in Q3, allowing the moves we made back in Q2 to begin to play out. However, we did rebalance the exposure, adding to Enabling Defense, Critical Minerals, and Precision Healthcare. Those additions were funded by trimming Cybersecurity and exiting holdings that no longer screen well with the themes to which we added. Within the portfolio, the top-performing themes in Q3 were Cybersecurity and Precision Healthcare. Cybersecurity is coming more into focus as investors are getting worried about security concerns, especially as it pertains to Artificial Intelligence. The worst performers in Q3 were Power & Grid and Robotics & Automation.

The themes in the portfolio remain: AI Infrastructure, Cybersecurity, Robotics & Automation, Precision Healthcare, Power & Grid, Enabling Defense, and Critical Minerals. On the valuation front, the strategy trades at a 25.2x forward P/E with 40.3% earnings growth and 20.6% sales growth, for a PEG of 0.63x. By comparison, the Nasdaq-100 trades at 22.8x with 33.8% earnings growth and lower sales growth of 17.7%, for a PEG of 0.67x. ARKK trades at a negative P/E with negative expected earnings (all based on next-twelve-month analyst consensus estimates.) While the re-rating in parts of the space was significant, the core story remains intact – this may be the sort of environment where total returns can be impressive, when the market has repriced and the fundamentals haven't changed.

We continue to work to reduce costs for investors, as evidenced by the contractual expense cap on the ETF that runs the strategy (TMAT), which limits its net expense ratio to 0.79% from October 1, 2026, until at least February 29, 2028. As it has since inception, the Thematic aims to capture high-potential growth stocks that may complement an index like the Nasdaq that sits considerably higher up the market cap spectrum. As with all of our strategies, we manage the Thematic in a tax-aware manner. Attached, please find the updated fact sheet. We encourage our current and prospective investors to contact us with any questions.

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 Thematic Innovation 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 Thematic Innovation ETF is distributed by Northern Lights Distributors, LLC, Member FINRA/SIPC. Main Management ETF Advisors, LLC is not affiliated with Northern Lights Distributors, LLC.

601 California St., Suite 300 | San Francisco, CA 94108 | (415) 217-5800 | info@mainmgt.com | www.mainmgt.com

October 10, 2026
