



## Q4 2025 – MAIN MANAGEMENT MARKET RECAP

ASSET CLASS RETURNS	Q4 '25	YTD 2025
FOREIGN DEVELOPED EQUITY	4.9	31.9
EMERGING MARKET EQUITY	4.8	34.4
US EQUITY	2.7	17.9
FIXED INCOME	1.1	7.3
COMMODITIES	1.0	7.1

SECTOR	Q4 '25	2025
HEALTHCARE	11.7	14.6
COMM SVCS	7.3	33.6
FINANCIALS	2.0	15.0
ENERGY	1.5	8.7
INFO TECH	1.4	24.0
MATERIALS	1.1	10.5
INDUSTRIALS	0.9	19.4
CONS DISCRET	0.7	6.0
CONS STAPLES	0.0	3.9
UTILITIES	-1.4	16.0
REAL ESTATE	-2.9	3.2

As we leave 2025 behind us, the markets and U.S. economy appear poised to continue the positive momentum into 2026. With the Q3 GDP reading at a very robust +4.3%, Q4 is currently forecasted to be up another +3.0% (per GDPNow), boosted by what we anticipate being solid continued consumer spending and increasing productivity gains, especially in the private sector. If that 3% figure is indeed correct, that would put 2025 GDP growth at around 2.65% and we think that may be what 2026 will bring as well, likely falling within the 2.5 – 3.0% range. While productivity gains can be more challenging to calculate given their relatively intangible nature, with GDP growth humming along and hours worked basically flat, one may infer that productivity is accelerating.

If 2026 GDP slows to 2.5%, the 10yr Treasury Yield may be somewhere around 4.25%, supported by the continuation of solid economic growth. Historically, the 10yr is around 1% above the Fed Funds Rate (FFR, currently 3.50 – 3.75%), so with 1 additional cut forecasted by the FOMC dot plot, that would bring the target range to 3.25 – 3.50% and the 10yr moving in lock step to its historical relative level. With the FFR above inflation (Headline CPI: 2.71%, Core CPI: 2.62%), the Fed does have some room to make additional cuts if the labor market softens. We think that the breakeven for the unemployment rate at its current level of 4.6% is somewhere around +25k jobs per month. The good news is that we think most of the government drag on the labor market is behind us. The November reading was +64k while the October reading was -105k, one of the biggest monthly drops in recent years. The headline Unemployment Rate hit 4.6%, the highest since September 2021, but the Labor Force Participation Rate also increased, meaning more folks are engaged in the labor force and looking for work, which is a good development. The headline payrolls figures have been weighed down by the Government sector, which has averaged a decline of -27,300 jobs per month for the last 6 months while private payrolls have averaged +44,000 jobs over that same time.

Markets, supported by rate cuts (both in the U.S. and abroad), moved higher in Q4, with Developed Markets posting the strongest return at +4.9%, followed by Emerging Markets up +4.8%. A major storyline in 2025 was the strong outperformance of international equities relative to the U.S., with Emerging Markets leading the way up over +34% in 2025, followed by Developed Markets up around +32%, and then the S&P 500 at +18% (total return). Our forward target for the S&P 500 is around 7,500 for the end of 2026, which would be a return of around +10%. We are forecasting a relatively stable US Dollar against Developed Markets but likely a bit weaker relative to Emerging Markets. As a result, we have positioned our International strategy (available in ETF format: [INTL](#)) to be overweight EM with 10% EPS growth forecasted and the potential for P/E expansion. INTL currently trades at 14.5x versus US Large Cap Value (which has historically been a good proxy for international equities) at 18.9x, which is a +15%



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potential if that delta moves back towards historical levels. Within the sectors, Healthcare was the strongest performer in Q4 and we think this performance could potentially continue into 2026. As a result, it is the biggest relative overweight in our Active Sector Rotation strategy (available in ETF format: [SECT](#)). The Healthcare sector as a whole is trading at a discount to the S&P 500 and combined with 10% EPS growth forecasts, we see upside potential of around 15%. On the fixed income side of things, the U.S. Aggregate Bond Index (Agg.) delivered a solid +7.3% return for the full year and is currently yielding 4.2%, which may be the return figure for all of 2026 for the Agg. In comparison, our BuyWrite strategy (available in ETF format: [BUYW](#)) yields right around 6% and targets mid-to-high single digit returns for a calendar year aided by covered calls written mostly in the money to provide downside protection while bringing in premiums. Another area in which we see potential for a reversion to the mean is in the mid-cap growth space, which is trading at a discount to the S&P 500 on a forward P/E basis relative to historical levels. This reversion could benefit our Thematic strategy (available in ETF format: [TMAT](#)) which is trading at less than 5x price-to-sales-growth in comparison to 2021 when it was trading at nearly double that. (All valuation metrics per FactSet Data.)

As we look to 2026, we see continued, steady economic growth. Markets will likely respond well to further rate cut(s) and a solid earnings backdrop. As always, we would like to remind investors that time IN the market is what we feel matters most, not timing the market. Here at Main Management, we firmly believe that our investors should keep more of their returns. We hope that you and your loved ones are healthy and safe and please let us know if we can answer any questions that you may have.

Sincerely,

Kim David Arthur

CEO and Portfolio Manager

Performance Data from Morningstar Direct and FactSet Financial Data and Analytics, and the following indices: Commodities – S&P GSCI TR USD, US Equity – S&P 500 TR USD, Fixed Income – Bloomberg US Agg Bond TR USD, Foreign Developed Equity – MSCI EAFE GR USD, Emerging Market Equity – MSCI EM GR USD, Communication Services – S&P 500 Sec/Commun Services TR USD, Cons Discret – S&P 500 Sec/Cons Disc TR USD, Cons Staples – S&P 500 Sec/Cons Staples TR USD, Energy – S&P 500 Sec/Energy TR USD, Financials – S&P 500 Sec/Financials TR USD, Healthcare – S&P 500 Sec/Healthcare TR USD, Industrials – S&P 500 Sec/Industrials TR USD, Info Tech – S&P 500 Sec/Information Technology TR USD, Materials – S&P 500 Sec/Materials TR USD, Real Estate – S&P 500 Sec/Real Estate TR USD, Utilities – S&P 500 Sec/Utilities TR USD. Main Management, LLC (“Main Management”, or the “firm”) is an investment adviser registered under the Investment Advisers Act of 1940. 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-advisor to third-party investment advisors & broker-dealers. The information contained herein was prepared using sources that the firm believes are reliable, but the firm does not guarantee its accuracy. The information reflects subjective judgments, assumptions and the firm’s opinion on the date made and may change without notice. The firm is not obligated to update this information. Nothing herein should be construed as investment advice or a recommendation to purchase or sell securities. The information is not intended as an offer to provide advisory services in any state or jurisdiction where such offer would not be permitted under applicable registration requirements. All equity investing entails risk of loss. The firm cannot assure any potential client that it will achieve the investment objectives discussed in these materials. In addition, potential clients should not assume that their returns, if any, will be comparable to returns that the firm earned in the past. The firm and its clients, affiliates and employees may, from time to time, have long or short positions in, and buy or sell, the securities or derivatives (including options) thereof, of the ETFs mentioned in these materials and may increase or decrease their positions. Upon request, Main Management will furnish additional information regarding the firm’s policies for calculating and reporting returns. Past performance does not guarantee future results. Indices are unmanaged and do not take transaction costs or fees into consideration. It is not possible to invest directly in an Index. Performance figures assume reinvestment of dividends and capital gains.