



## Q1 2026 – MAIN MANAGEMENT MARKET RECAP

ASSET CLASS RETURNS	Q1 '26	2025
COMMODITIES	40.0	7.1
EMERGING MARKET EQUITY	-0.1	34.4
FIXED INCOME	-0.1	7.3
FOREIGN DEVELOPED EQUITY	-1.1	31.9
US EQUITY	-4.3	17.9

SECTOR	Q1 '26	2025
ENERGY	38.3	8.7
CONS STAPLES	7.7	3.9
UTILITIES	8.3	16
INDUSTRIALS	4.6	19.4
MATERIALS	9.7	10.5
REAL ESTATE	2.8	3.2
COMM SVCS	-6.9	33.6
INFO TECH	-9.1	24
HEALTHCARE	-4.9	14.6
CONS DISCRET	-9.2	6
FINANCIALS	-9.4	15

Q1 2026 is in the books and we're not even sure where to begin to address all that's already happened this year, so let's just take it on a chronological basis. The Trump Administration wasted no time starting the year off by launching a military operation into Venezuela on January 3, capturing their president, Nicolas Maduro and his wife, as well as targeting key infrastructure via airstrike. February then saw the killing of high-profile Mexican cartel leader Nemesio Oseguera, "El Mencho," which was quickly pushed out of the headlines by the start of Operation Epic Fury on February 28. The conflict in Iran has dominated the news cycle since, with the near-total closure of the Strait of Hormuz driving the most significant macroeconomic effects of the quarter.

The clear beneficiary from the oil increase has been the Energy sector, which is up almost 40% so far this year. Oil prices came into the year trading around \$60, jumped to \$120 at the beginning of the conflict in Iran, and have since come back in a bit to around \$90–100. The bigger concern here is how long this increase in oil prices lasts. The longer the duration, the more likely we are to see it show up in the inflation figures, which are already running higher than the Fed's 2% target. It's one thing if this proves to be a fairly limited event in scope, but if it draws out longer than anticipated, the risk shifts from a supply-driven inflation shock to outright demand destruction – a more challenging economic outcome. Outside of the Energy sector, Utilities and Consumer Staples are the best performing sectors, signaling a clear defensive positioning in U.S. markets. The growth and software space saw a meaningful re-rating as fears around AI disruption and monetization took hold, with the Tech-Software ETF (IGV) down over 24% and the broader Tech sector (XLK) down nearly 8%. Ongoing concerns in the private credit space have also weighed on Financials, which finished the quarter down over 9%.

Here is what we think is worth keeping in perspective. The S&P 500's forward P/E compressed from 22.0x at the start of the year to 19.1x at quarter-end – a 13.1% decline in the multiple. But the index itself was down only about 4%. That gap exists because forward EPS estimates actually *rose* during the quarter, from +14% to +17%, and forward margins sit at all-time highs. Prices went down while earnings went up. That is a fundamentally different setup than a market rolling over on weakening fundamentals. The S&P 500's peak-to-trough drawdown of roughly 9% is also consistent with what we typically see in the fourth year of a bull market, where drawdowns have historically averaged right around 10% – well below the broader historical average of approximately 14%.

Domestically, the Fed kept rates unchanged at 3.50–3.75% at its March meeting. Chair Powell noted that risks to the labor market are to the downside while risks to inflation are to the upside – a difficult line to walk, especially with his term as chair expiring in May when Kevin Warsh is expected to take over. Market pricing has shifted from expecting 2–3 cuts coming into 2026 to now pricing in zero cuts, with perhaps even a chance of a hike depending on how long the Iran conflict persists. The 10-year Treasury closed the quarter around 4.3%, up from below 4% at the end of February, as yields moved broadly higher on rising inflation fears. It's worth keeping in mind that basically all of the economic data we have was released prior to the Iran conflict – the full effects have yet to flow through.

GDP forecasts for Q1 are running at a solid 2.0–2.5%. Q4 2025 came in weaker than expected at just +0.7%, but that was almost entirely due to the government shutdown – consumer spending remained solid and that drag should reverse in Q1. Productivity gains continue to accelerate, boosted by increasing AI adoption in the private sector. With GDP growth holding steady and hours worked basically flat, one may infer that productivity is doing more of the heavy lifting.

As we move further into 2026, we see steady economic growth despite the headlines. Earnings continue to provide a solid backdrop, and the multiple compression this quarter has created what we view as a more attractive setup for long-term investors – the S&P 500 now trades at 19x with forward earnings growth of 17% and margins at all-time highs. The current volatility has brought valuations in areas of the market that were being called a bubble just a few months ago back to levels that look reasonable relative to fundamentals. As always, we would like to remind investors that time in the market is what matters most, not timing the market. We encourage current and prospective investors to contact us with any questions regarding individual ETFs or our overall asset allocation.

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/Communication 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.