

The Mainsail View

Quarterly Market Commentary | Entering 4Q 2026

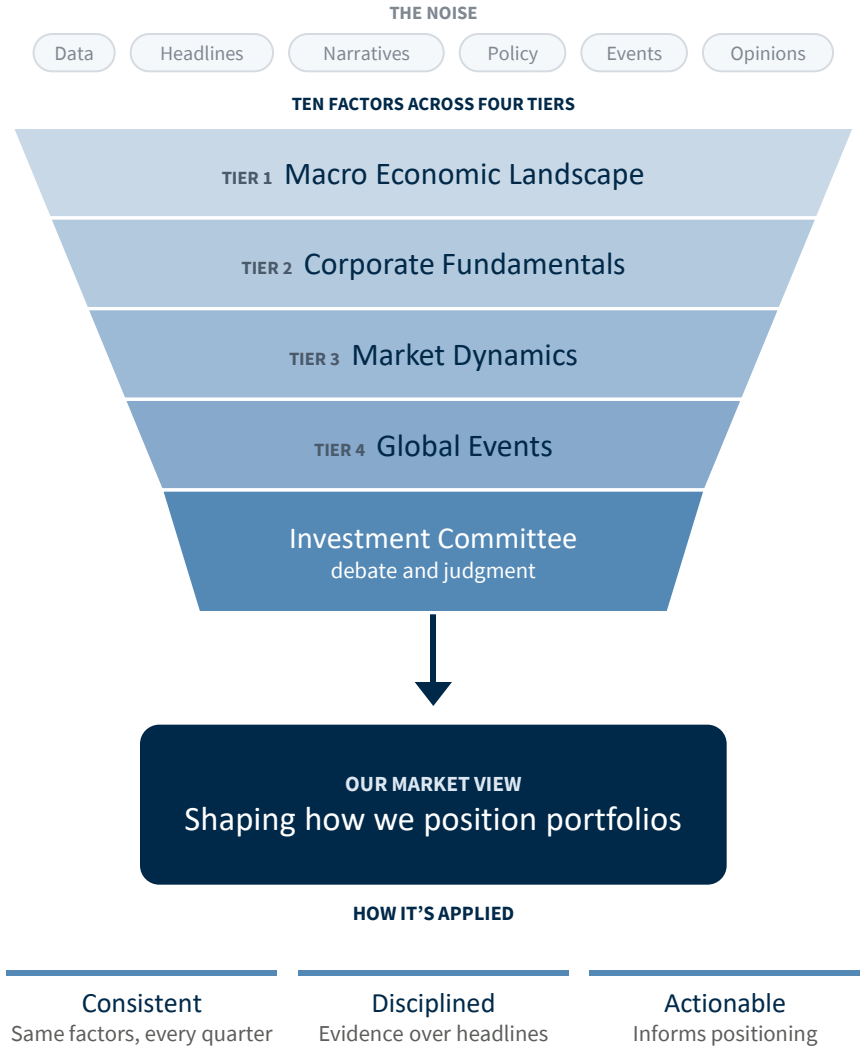
Mainsail
WEALTH ADVISORS

Headlines tell you what happened.
They rarely tell you what moves your portfolio.

Every quarter brings a flood of new data, narratives and noise, and the loudest story is seldom the most important.

Rather than react to the daily news cycle, our Investment Committee continuously relies on the same disciplined framework to shape our views and make portfolio decisions: **ten core factors, evaluated and weighed by their lasting impact on investment returns.**

> *The pages that follow show where each factor stands today, what has changed, and what it means for your portfolio.*



Views are those of the Mainsail Investment Committee and are subject to change.

Mainsail WEALTH ADVISORS

Contents | What's Inside

Select a section to go straight to it.

01	Our Approach	How we build our market view, and how signals turn into action	
02	At a Glance	This quarter's summary and our ten-factor scorecard	
03	The Macro Landscape	Economic Review | Monetary/Fiscal Policy | Interest Rates & Inflation	TIER 1
04	The Corporate Engine	Fundamentals | Corporate Activity | Valuations	TIER 2
05	Market Dynamics	Sentiment & Expectations	TIER 3
06	Policy & Global Events	Politics & Regulation | Geopolitics | Natural Disasters	TIER 4
07	What It Means for Portfolios	Positioning across equities, fixed income and alternatives	
08	What We're Watching	Key dates and catalysts for the quarter ahead	

Mainsail WEALTH ADVISORS

Our Process | How We Build Our Market View

The investment landscape is complex and always changing. We organize the ten factors we track into four lenses, moving from the broad economy to the shocks that could disrupt it.

TIER 1
The Macro Landscape

1. **Economic Review**
2. **Monetary/Fiscal Policy**
3. **Interest Rates & Inflation**

What is money costing, and where is the cycle?

TIER 2
The Corporate Engine

4. **Fundamentals**
5. **Corporate Activity**
6. **Valuations**

Are companies growing, investing and priced well?

TIER 3
Market Dynamics

7. **Sentiment & Expectations**

Is the market too optimistic or too pessimistic?

TIER 4
Policy & Global Events

8. **Politics & Regulation**
9. **Geopolitics**
10. **Natural Disasters**

What shocks could upset our baseline?

Our Process | From Data to Decisions

01
ASSESS

Where does the evidence point?

What has changed in the data, policy or sentiment, and how the balance of evidence compares with prior trends and expectations.

02
WATCH

What are we watching?

The risks, opportunities and catalysts that could shift our view, and the leading indicators that confirm or challenge it.

03
ACTION

What does it mean for portfolios?

Whether positioning, allocation, sector exposure or risk should change, and which tactical moves fit our long-term strategy.

Conclusions shape our strategies: company and sector positioning, asset allocation exposures, and the balance between equities and fixed income

- MAINSAIL Rising Dividends
- MAINSAIL Core Equity
- MAINSAIL Asset Allocation
- MAINSAIL Retirement Income
- MAINSAIL Strategic Bond

Mainsail WEALTH ADVISORS

At a Glance | Entering the Fourth Quarter

Our view: Balanced but tilting cautious. Record earnings and corporate activity are offsetting a Fed that has resumed hiking, above-target inflation, 10-year yields near 5% and an energy shock tied to the Middle East conflict.

3 Positive	3 Caution	3 Negative
Economic Review	Valuations	Monetary/Fiscal Policy
Fundamentals	Sentiment & Expectations	Interest Rates & Inflation
Corporate Activity	Politics & Regulation	Geopolitics

What changed since last quarter

- **Deteriorated:** Monetary/Fiscal Policy and Interest Rates & Inflation moved from Caution to Negative after the Fed's first rate hike since 2023 and a 10-year yield of 5.24%.
- **Improved:** Valuations reset as earnings outpaced prices (forward P/E 19.2x from 20.4x); Sentiment moved from Negative to Caution.
- **Unchanged:** Earnings remain the anchor, with Q2 EPS growth of 52.2% and Q3 estimates rising. Politics & Regulation also remained unchanged.

Signals reflect the Mainsail Investment Committee assessment as of late September 2026.

Our Scorecard | Where We Stand Entering 4Q26

Overall Read: **3 Positive** | **3 Caution** | **3 Negative**. The backdrop is balanced but tilting cautious: record earnings and corporate activity are offsetting a Fed that has resumed hiking, sticky inflation, long-term yields above 5% and an oil shock from the Middle East conflict. Since last quarter, Monetary Policy and Rates have deteriorated while Valuations have improved.

Factor	Current Read	Last Quarter	Direction	Takeaway
1. Economic Review	Positive	Positive	Moderating	Expanding at a strong pace; hiring and housing are cooling
2. Monetary/Fiscal Policy	Negative	Caution	Deteriorating	Policy has turned restrictive, with more hikes priced
3. Interest Rates & Inflation	Negative	Caution	Deteriorating	Above-target inflation is pushing long-term yields higher
4. Fundamentals	Positive	Positive	Improving	Strongest earnings backdrop since 2021; growth moderates in 2027
5. Corporate Activity	Positive	Positive	Improving	Corporate confidence is high; heavy issuance funds AI spend
6. Valuations	Caution	Caution	Improving	Headline multiple has drifted lower, but little premium over bonds
7. Sentiment & Expectations	Caution	Negative	Mixed	Retail fear is a contrarian plus; crowded positioning is a risk
8. Politics & Regulation	Caution	Caution	Deteriorating	Divided government likely; shutdown and tariff risk ahead
9. Geopolitics	Negative	Negative	Deteriorating	Energy shock is the key tail risk; higher commodity prices pose upside risk to inflation and rates.
10. Natural Disasters	Monitoring	Monitoring	—	No market-wide disruption currently tracked

Current Signal reflects the balance of evidence across each factor. Last Quarter is the Mainsail Investment Committee signal entering 3Q26 (July 2026).

The Macro Landscape

TIER 1 | ECONOMIC REVIEW, MONETARY/FISCAL POLICY, INTEREST RATES & INFLATION

01 | Economic Review

Positive | Moderating

Expansion re-accelerated on AI investment; hiring is firming but consumers are stretched

- Real GDP grew 3.4% annualized in Q3, up from 2.2% in Q2, led by AI-related business investment (+18.5%) and steady consumer spending
- ISM Manufacturing rose to 55.5 in October (10th straight month above 50) and Services held at 54.5, pointing to expansion in both sectors
- Payrolls rose a revised 60K in September with unemployment at 4.2%: hiring is slow but steady, and the labor market is cooling, not cracking
- The saving rate fell to 3.8% in Q3 from 4.4% and card charge-offs remain above pre-pandemic norms, leaving households less cushion

What we are watching: durability of AI capex and the falling saving rate; a weaker consumer would be the first test of the expansion.



Source: LSEG Datastream, as of 08/15/26

Source: BEA, BLS, ISM, bank filings; AlphaSense broker research (BNP Paribas, Evercore ISI, Deutsche Bank). Readings reflect data available as of September 30, 2026.

Mainsail WEALTH ADVISORS

02 | Monetary/Fiscal Policy

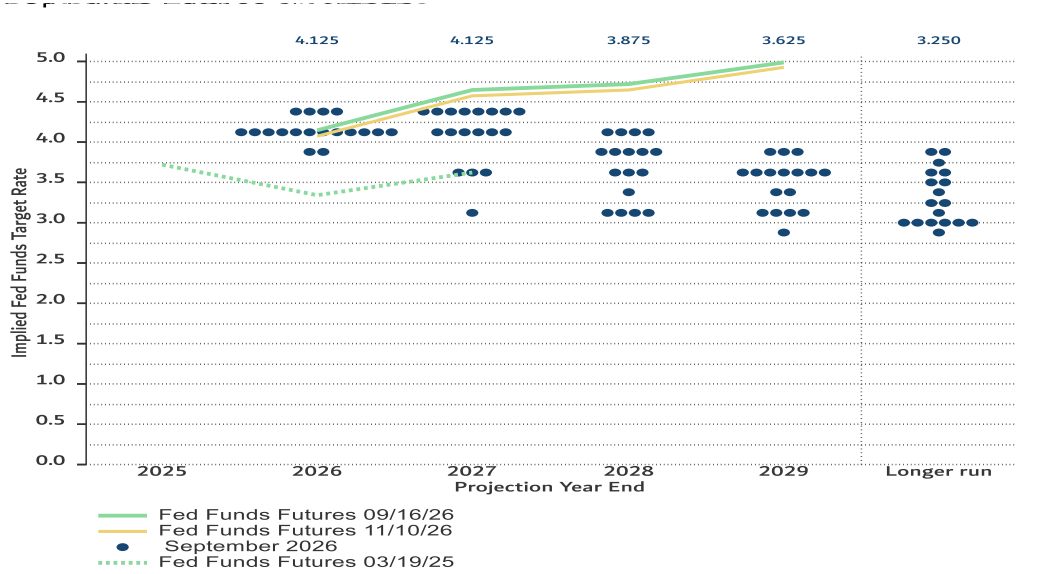
Negative | Deteriorating

The Fed has turned restrictive, with more hikes expected

- On Sept. 16 the Fed raised rates 25 bp to 3.75–4.00%, its first hike since 2023, on a unanimous 12–0 vote
- Median projections now sit at 4.1% for year-end 2026 and 2027: one more hike this year and no cuts until 2028
- Markets agree, pricing ~90%+ odds of at least one more hike by December
- An FY2026 deficit of $2.0T through 11 months, with net interest now exceeding defense spending, keeps pressure on long-term yields

What we are watching: the December Fed decision and whether officials follow through on one more hike this year.

FOMC Dot Plot



Source: LSEG Datastream, as of 08/15/26

Source: Federal Reserve, CME FedWatch, CBO, Deutsche Bank, Raymond James. Readings as of late September 2026.

Mainsail WEALTH ADVISORS

03 | Interest Rates & Inflation

Negative | Deteriorating

Above-target inflation is pushing long-term yields higher

- Core PCE, the Fed's preferred gauge, rose 3.4% y/y in August, well above the 2% target
- Producer prices are up 5.4% y/y (energy +24.4%), signaling cost pressure still working toward consumers
- The 10-year Treasury yield reached 5.24%, its highest since 2007; 30-year mortgage rates are near 7%
- Credit spreads remain tight by history (IG ~75 bp, HY ~264 bp) but are widening from multi-year lows

What we are watching: pass-through of producer prices into core inflation, and whether the 10-year holds above 5%.



Source: LSEG Datastream, as of 09/29/26

Source: BLS, BEA, Federal Reserve, University of Michigan, Freddie Mac, Deutsche Bank, PNC, Evercore ISI. Readings as of September 30, 2026.

Mainsail WEALTH ADVISORS

The Corporate Engine

TIER 2 | FUNDAMENTALS, CORPORATE ACTIVITY, VALUATIONS

04 | Fundamentals

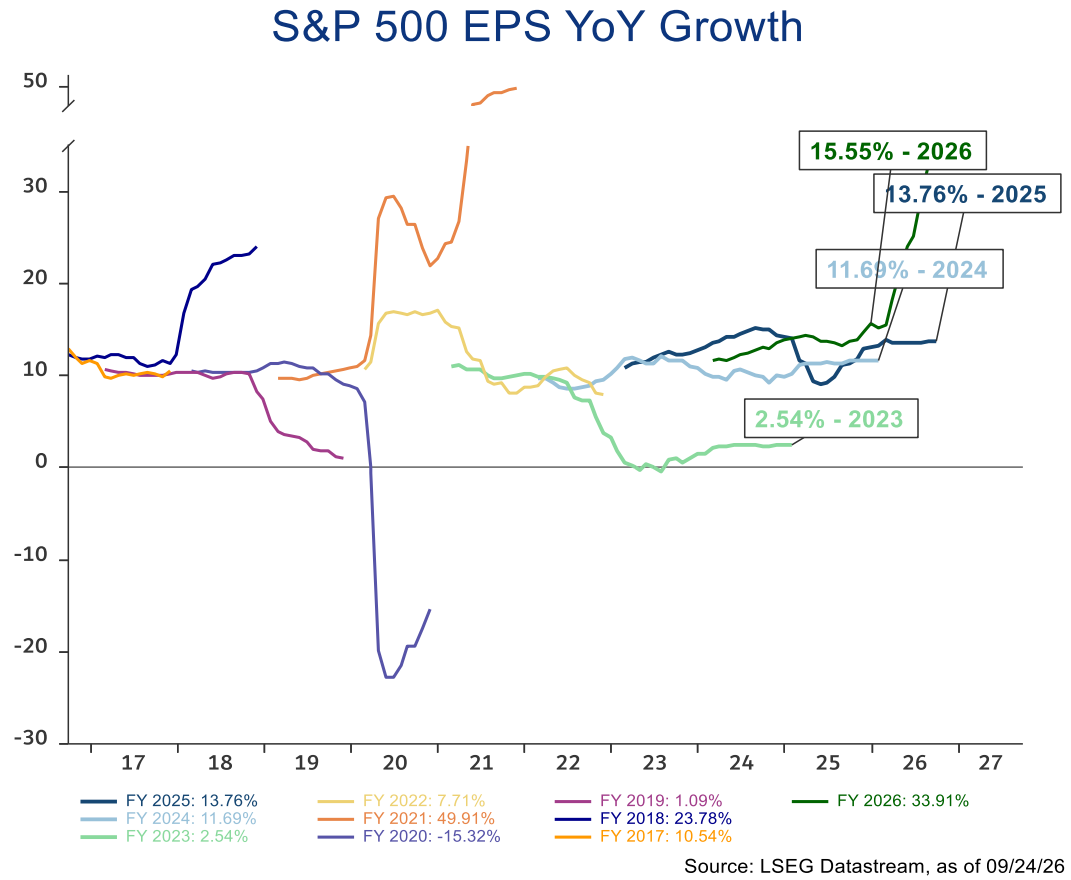
Positive | Improving

The strongest earnings backdrop since 2021

- Q2 S&P 500 EPS grew 52.2%, the fastest since Q2 2021; 86% of companies beat estimates vs. a 78% five-year average
- Analysts raised Q3 estimates during the quarter: expected growth is now 29.1%, up from 26.7% on June 30
- Net profit margin reached a record 17.0% in Q2, and all 11 sectors are expected to grow Q3 earnings
- Growth is expected to slow from 33.9% in 2026 to 15.4% in 2027: still healthy, but about half the pace

What we are watching: Q3 reporting season and 2027 guidance as growth is expected to slow toward 15%.

Source: FactSet Earnings Insight, September 25, 2026.



Source: LSEG Datastream, as of 09/24/26

Mainsail WEALTH ADVISORS

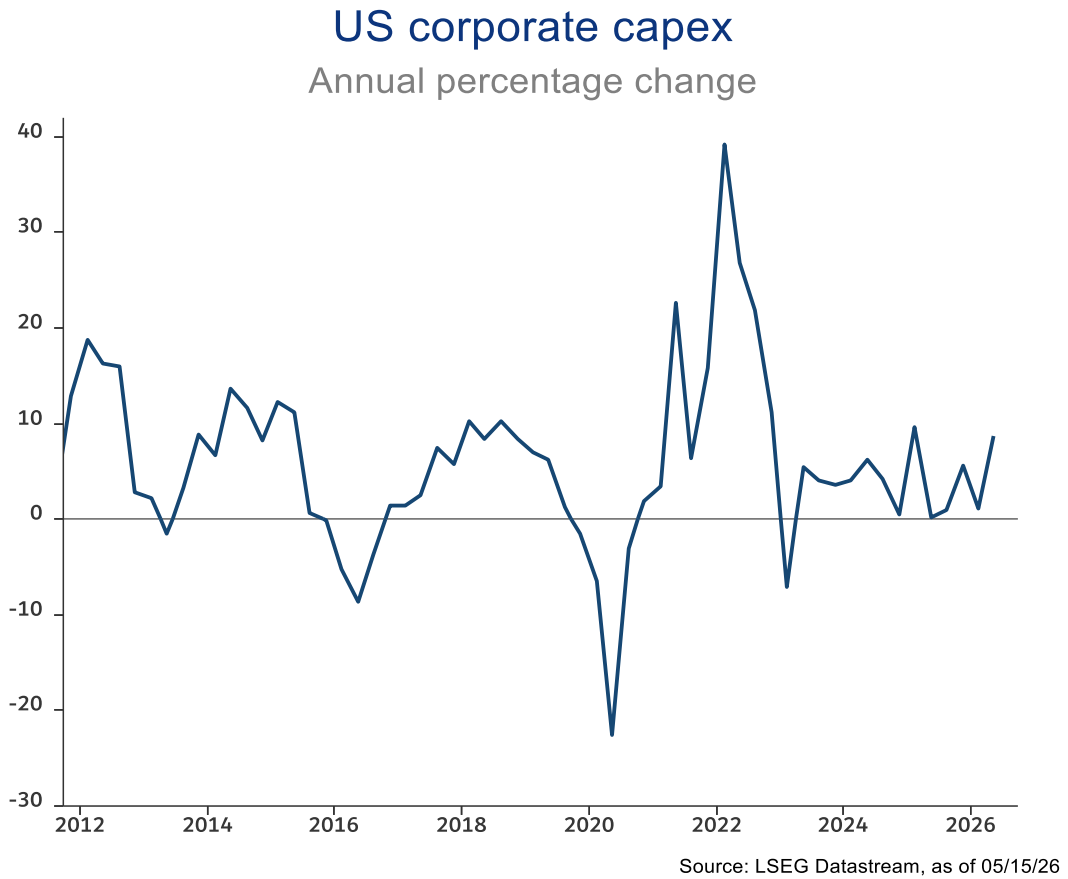
05 | Corporate Activity

Positive | Improving

Corporate confidence is high

- S&P 500 buybacks are at record levels: a record $300B in Q1 and record authorizations of $989B
- A record $146B in 2026 IPO proceeds marks the strongest IPO market since 2021
- Hyperscalers are on track to spend ~$700–800B on capex in 2026 (~$449B in 2025), with >$1.1T expected in 2027
- The trade-off: heavy stock and bond issuance to fund AI spending, while sponsor-backed M&A still lags (−3% YTD)

What we are watching: AI capex relative to operating cash flow, and the pace of new stock and bond issuance.



Source: LSEG Datastream, as of 05/15/26

Source: FactSet Earnings Insight (Sept. 25, 2026), Renaissance Capital, Deutsche Bank, Goldman Sachs, Morgan Stanley, PwC. Readings as of late September 2026.

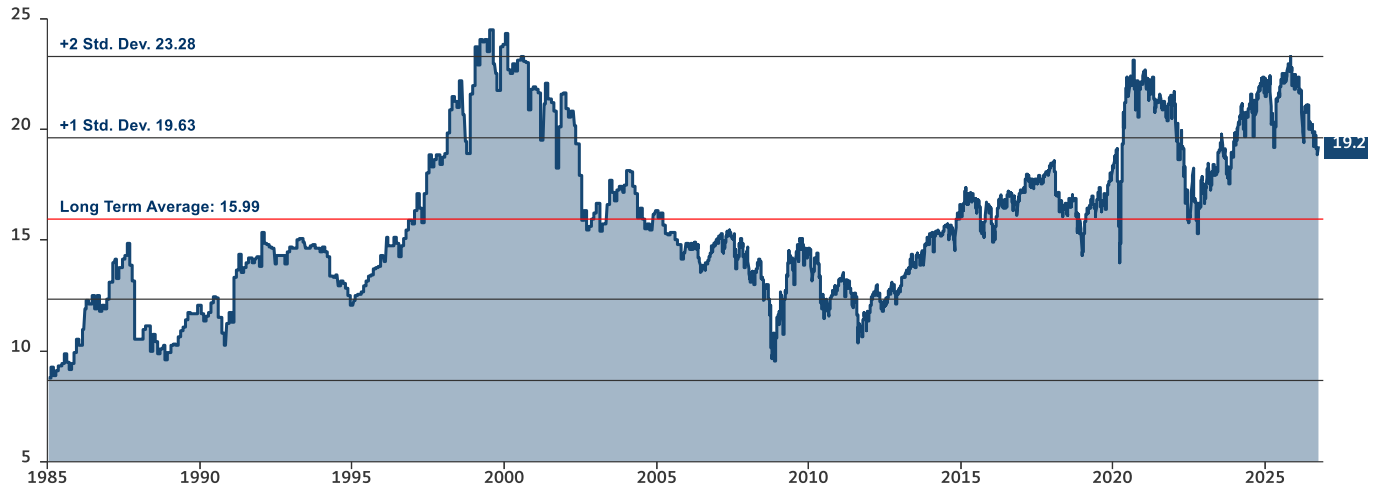
Mainsail WEALTH ADVISORS

06 | Valuations

Caution | Improving

Multiples have reset, but stocks offer little premium over bonds

- The forward P/E fell to 19.2x from 20.4x on June 30 as forward EPS (+8.9%) outpaced price (+2.7%), in line with the 19.0x 10-year average though still higher than the 40-year average of 15.9x.
- The U.S.–Europe P/E gap narrowed to 4.9x from a 9.0x peak, improving the relative case for non-U.S. equities
- An earnings yield of ~5.2% roughly equals the 10-year Treasury at 5.24%, leaving little equity risk premium



Source: LSEG Datastream, as of 09/24/26

19.2x
S&P 500 forward P/E

19.0x
10-year average forward P/E

5.24%
10-year Treasury yield

Source: FactSet Earnings Insight (Sept. 25, 2026), Deutsche Bank, Evercore ISI, T. Rowe Price. Chart: S&P 500 forward P/E.

Mainsail WEALTH ADVISORS

Back to contents

Market Dynamics

TIER 3 | SENTIMENT & EXPECTATIONS

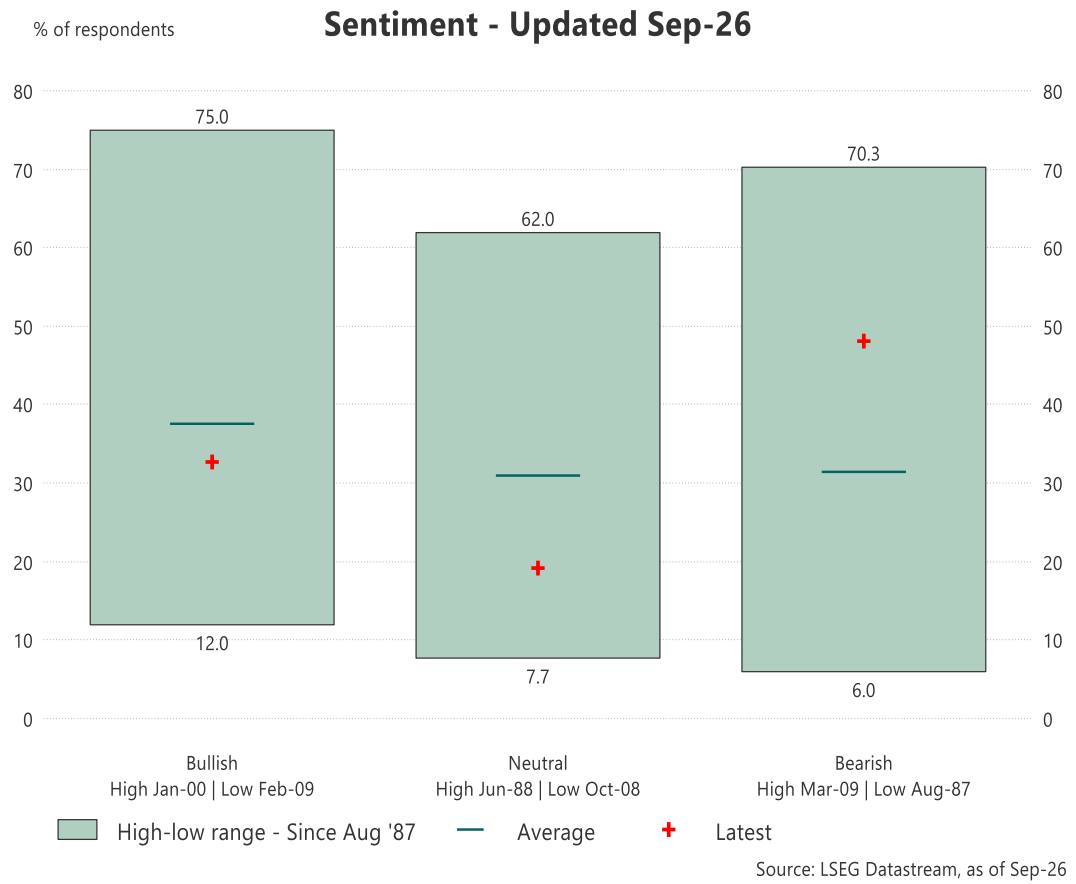
07 | Sentiment & Expectations

Caution | Mixed

Individual investors are fearful; professionals are fully invested

- AAII bearish readings hit 48–53% in September, the highest since May 2025, historically a contrarian positive
- CNN Fear & Greed sits at 36 (Fear) even as the S&P 500 trades near all-time highs
- Fund managers hold a record equity allocation with cash at ~3.5%, limiting fresh buying power
- The VIX at 14.9 (vs. an 18.2 one-year average) prices little risk despite rising yields

What we are watching: crowded professional positioning; a negative surprise could trigger a volatility spike.



Source: LSEG Datastream, as of Sep-26

Source: AAII, CNN, CBOE, BofA Global Fund Manager Survey, University of Michigan. Readings as of late September 2026.

Mainsail WEALTH ADVISORS

Policy & Global Events

TIER 4 | POLITICS & REGULATION, GEOPOLITICS, NATURAL DISASTERS

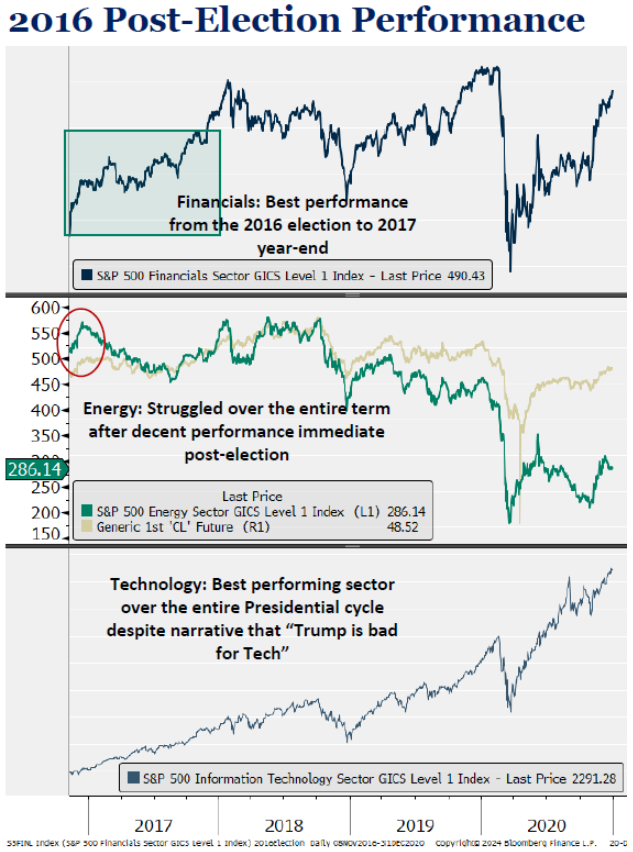
08 | Politics & Regulation

Caution | Deteriorating

Divided government likely; shutdown and tariff risk ahead

- Markets are pricing a likely divided government after the Nov. 3 midterms: gridlock, but fewer new legislative shocks
- Government funding expires Dec. 11, and a split Washington raises the risk of a shutdown
- Tariffs remain fluid after the Supreme Court struck down IEEPA tariffs; Section 301 tariffs of 10–12.5% took effect July 24
- History helps: the S&P 500 rallied in Q4 in 21 of the last 23 midterm years and has averaged +15.4% in the 12 months after a midterm since 1950

What we are watching: the Dec. 11 government funding deadline.



Source: FactSet and Bloomberg

Source: Deutsche Bank, Evercore ISI, Stifel, Nuvama (Polymarket), WSJ poll, Pi Securities; chart: FactSet and Bloomberg, S&P 500 sector performance after the 2016 election. Readings as of late September 2026. Risk reflects potential market impact, not a political view.

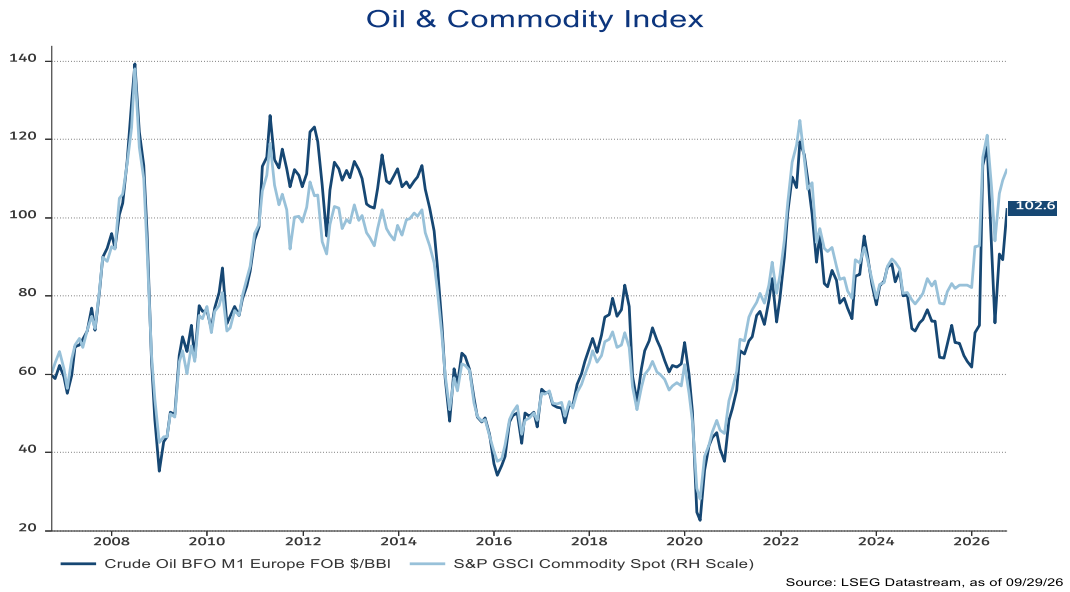
Mainsail WEALTH ADVISORS

09 & 10 | Geopolitics & Natural Disasters

Negative | Deteriorating

The energy shock is the key tail risk

- Brent is near $105/bbl vs. ~$70 before the Iran conflict, with Strait of Hormuz transits down 94%
- The U.S.–China truce on chip and rare-earth export controls expires Nov. 10; markets expect an extension
- History: a typical geopolitical event has driven a ~6% S&P 500 drawdown, usually recovered within about 39 days



Natural Disasters — Monitoring. No market-wide disruption to infrastructure, commerce or supply chains is currently tracked.

Source: Deutsche Bank, Evercore ISI, Huatai Research, Arete Securities, World Gold Council, BlackRock. Readings as of late September 2026. Chart: Oil & commodity index.

Mainsail WEALTH ADVISORS

Putting Our Views to Work

WHAT IT MEANS FOR PORTFOLIOS | WHAT WE'RE WATCHING THIS QUARTER

What It Means for Portfolios

Our view: Fundamentals remain supportive, but the margin for error has narrowed. We favor an emphasis on quality, valuation discipline and diversification rather than large directional bets.

Equities

- **Be selective:** favor companies whose expectations look achievable over those priced for perfection
- **Emphasize quality:** look for companies supported by durable cash flows, strong balance sheets and consistent earnings
- **Broaden exposure:** diversify beyond the largest names across size, sector and region

Fixed Income

- **Income is back:** A 10-year yield above 5% provides income levels not seen in nearly two decades
- **Anchor with quality:** a core of high-quality bonds may help cushion equity drawdowns
- **Balance duration:** look for attractive yields without overextending interest rate risk

Alternatives & Income Diversifiers

- **Relative Value:** returns may be less tied to the direction of stocks and bonds
- **Covered Calls:** convert part of equity upside into current income and with an aim to dampen volatility
- **High Yield Bonds:** attractive income, but stay selective on credit quality as growth moderates

Across every strategy: the Investment Committee maintains ongoing oversight, adjusting positioning as conditions evolve and ensuring each decision reflects a portfolio's specific objectives and constraints.

What We're Watching Into 2027

Date	Event	Why it matters
December 8–9	**Fed meeting**	Markets price ~79% odds of a 25 bp rate hike
December 11	**Government funding deadline**	Risk of a shutdown during a lame-duck Congress
January 10, 2027	**U.S.–China truce expiry**	Chip and rare-earth export controls are on the table
Mid-January 2027	**Q4 earnings season**	Tests whether ~32% expected EPS growth can keep offsetting higher rates
January 26–27, 2027	**First Fed meeting of 2027**	Gauges how far the tightening cycle extends as a new inflation data arrives
Ongoing	**Oil and the Strait of Hormuz**	The main channel from geopolitics into inflation and rates

Dates and market pricing as of mid-November 2026.

Important Information

This commentary reflects the views of the Mainsail Investment Committee as of the date shown and is subject to change without notice. It is provided for informational purposes only and is not a recommendation to buy or sell any security. Forecasts and market expectations cited are not guarantees of future results. Past performance does not guarantee future results.

Third-party data and charts are from sources believed to be reliable but are not guaranteed for accuracy or completeness.

S&P 500: This index is a broad-based measurement of changes in stock market conditions based on the average performance of 500 widely held common stocks. It consists of 400 industrial, 40 utility, 20 transportation, and 40 financial companies listed on U.S. market exchanges. This is a capitalization-weighted calculated on a total return basis with dividends reinvested. The S&P represents about 75% of the NYSE market capitalization.

Treasury securities are direct obligations of the United States Government. Bond prices and yields are subject to change based upon market conditions and availability. If bonds are sold prior to maturity, you may receive more or less than your initial investment. U.S. government bonds are issued and guaranteed as to the timely payment of principal and interest by the federal government. Treasury notes are certificates reflecting intermediate-term (2 - 10 years) obligations of the U.S. government. Interest payments are paid semi-annually.

CBOE Volatility Index (VIX) is a key measure of market expectations of near-term volatility conveyed by S&P 500 stock index option prices.


Mainsail
WEALTH ADVISORS