

BWC Founders Fund – February 2026 Investor Update

To our valued investors and friends,

Market Overview and Fund Performance

February delivered exceptional performance driven by the strategic opportunities we were well positioned for, with the broader S&P 500 posting a return of **-0.8%**. The BWC Founders Fund delivered **+4.6% net of fees** in February — once again significantly outpacing the benchmark by **5.3 percentage points**. This brings our YTD net returns to **+12.5%** compared to the benchmark's **+0.7%**, representing **11.9 percentage points of outperformance** in the first two months of the year.

	BWC Founders Fund	S&P500 Total Return (SPXTR)	Δ Vs. (SPXTR)
February 2026	4.6%	(-0.8%)	5.3%
YTD 2026	12.5%	0.7%	11.9%
Cumulative Net Return (Since Inception)	45.3%	19.1%	26.2%

The Fund's cumulative net return of 45.3% since inception in March 2025 now exceeds the S&P 500's 19.1% by 26.2 percentage points—more than doubling the benchmark's return over the same period. This sustained outperformance reflects the consistent value of our systematic approach. Importantly, this alpha generation has been achieved with superior risk management and enhanced risk-adjusted performance metrics.

Strategy Insights

Following multiple years of above-trend returns and a brief consolidation period, February, similarly to January, exhibited increased dispersion across sectors, geographies, and asset classes. While realized volatility in the S&P 500 increased modestly in February, the primary narrative centered on increased dispersion in US equities, and continued strength in European and Emerging Markets.

Our systematic strategies performed with discipline through this heightened market dispersion. The month's results underscore the crucial role of diversification and strict model adherence during periods of volatility and sector rotation.

Momentum Strategies: Performance in this cohort remained mixed as US equities continued to consolidate near all-time highs. Rotation away from technology leadership continued during the month driven by fears of potential AI impacts to software, jobs, and the broader economy. Our

models further reduced exposure to US equities during the month and increased hedging resulted in net negative realized Beta of (.11) and negative correlation of (.11) versus our benchmark. This is one of very few months where the models have realized negative beta and correlation over an entire month, a telling indication of the increased stress and uncertainty in the markets.

Consequently, we, once again, achieved a downside capture rate of negative 75.4%—meaning on the average down day for the S&P 500, the portfolio generated a net gain. Our Emerging Markets strategies, as they did in January, successfully captured the sharp continuation of 2025's uptrend, with the region resuming its robust performance during the month. As of the time of this letter, Emerging Markets are experiencing significant turmoil driven by the war in Iran and disruption to regional oil supply chains. Should these conditions persist, we expect elevated volatility in Emerging Markets and the systematic signals in EM warrant close monitoring. Our models are prepared to adapt positioning as conditions evolve.

Mean Reversion & Volatility-Based Strategies: Despite a modest uptick in market volatility, broader US equity markets did not trigger significant mean reversion opportunities. These strategies increased hedging during the month, and this disciplined restraint prevented the Fund from forcing tactical trades in a range-bound market. The result was further reduction in both realized Beta and correlation with the broader market.

Multi-Asset Strategies:

Gold Strategy: Gold and Silver dominated market attention during January, delivering both spectacular gains and historic volatility. While volatility in February reduced somewhat, it remains extremely elevated. Gold gained approximately 9% during the month, and our strategies continue to remain constructive capturing this upside trend.

Emerging Markets Strategy: Emerging Markets continued its outperformance of US equity markets in February, with the iShares MSCI Emerging Markets ETF (EEM), an ETF we use to track and benchmark our EM strategies, gaining approximately 5.8% compared to the S&P 500's negative return of -.8% during the month. Our EM strategy delivered significant outperformance during the month, generating approximately **+18%** — successfully capturing the sustained uptrend throughout most of the month while capitalizing on the increased volatility in US equity markets.

Performance Metrics

Performance metrics are calculated on a Daily Gross Basis before fees and expenses for the purpose of illustrating the portfolio's strategy performance relative to the benchmark. Cumulative monthly and annual returns are reported on a Net Basis.

Monthly Performance Metrics for February 2026:

	BWC Founders Fund	S&P500 Total Return (SPXTR)
Volatility (Annualized)	13.5%	13.5%
Sharpe Ratio	5.27	(.68)
Sortino Ratio	8.01	(.99)
Daily Win Rate	68.4%	47.4%
Upside Capture Rate	4.8%	—
Downside Capture Rate	-75.4%	—
Beta (SPXTR)	(.11)	—
Correlation (SPXTR)	(.11)	—

Key Achievements:

- **Superior Risk-Adjusted Returns:** A Sharpe Ratio of 5.27 versus (.68) for the benchmark, and a Sortino Ratio of 8.01 versus (.99), demonstrate that outperformance was achieved in spite of negative relative performance from the benchmark.
- **Favorable Capture Ratios:** An Upside Capture Rate of 4.8% combined with a Downside Capture Rate of -75.4% reflects the model's ability to rotate and hedge effectively during periods of market uncertainty and increased dispersion.

These results validate the core tenets of our investment philosophy: systematic discipline, multi-factor diversification, and dynamic risk management. The Fund's ability to navigate diverse market conditions—from momentum-driven rallies to volatility spikes and periods of consolidation—underscores the robustness of our rules-based approach.

Market Outlook: Increased Geopolitical Risk and Economic Uncertainty

This letter would not be complete without addressing the geopolitical developments that began in early March. The onset of the US/Israel military campaign against Iran introduces a material and rapidly evolving risk variable into global markets, one that warrants measured caution and close systematic monitoring. As a manager of a systematic hedge fund, it creates additional complexities and risk in managing systems that limited historical direct precedent or context to navigate these events that create extreme dislocations in price and dispersion. Through the first week of March, the Fund's strategies have navigated the elevated volatility with discipline. The systematic framework has thus far avoided significant adverse exposure to the market swings driven by the

geopolitical disruption. We continue to monitor positioning and model signals closely to ensure execution remains aligned with predefined parameters.

As we move through the remainder of 2026, the market now faces an even more complex backdrop of risks and uncertainty. Already, in the first week of March, we have seen oil prices spike more than 35% in a week, the largest weekly gain in history of the crude oil futures markets, followed by a nearly 30% crash in prices over the following weekend. This level of volatility is unprecedented and will be the primary driver of US equity markets for some time. Should oil prices remain elevated, risk to the macro-economic environment will increase and potential for recessionary conditions become likely. China, and the broader Asian markets are reliant on oil imports from Iran and the Middle East region at large, with nearly 20% of global oil production being transported through the Strait of Hormuz that is now blocked because of the war. Jet Fuel pricing in the Asian markets saw price increases greater than 150% in the first week of the war following the blocking of the Strait. This will have immediate, and dramatic, effects on travel, transport, and manufacturing in China and other Asian markets. This will be something to look closely at in future inflation reports as well as economic reports on US growth. The potential for a Stagflationary environment has increased significantly and will make the job of the Federal Reserve difficult in trying to navigate their dual mandate of maximum employment and stable prices. This war has the potential to impact both sides of that mandate negatively if it persists and is something to monitor closely.

Additionally, the AI-fueled rally has entered a new phase of extreme dispersion amongst technology leadership, with software companies that are at risk of disruption from AI, and the semiconductor manufacturers dislocating aggressively. The iShares Software Sector ETF (CBOE: IGV) is down -18% YTD as of today, significantly underperforming both semiconductors and the broader tech indexes, as well as the S&P500 on a YTD basis. This increased dispersion across tech will likely lead to increased volatility at the index levels as the market tries to figure out the winners and losers in the new age of AI. Job losses as a result of AI have now started to creep in to the narrative as well, with Block (NYSE: XYZ) announcing a 40% reduction in headcount as result of reduced labor needs as AI takes center stage in the development of code across technology companies. This dynamic will be something to monitor closely for signs it's impacting the broader labor market.

That said, long-term trends continue to remain intact, albeit weakening, and consensus estimates for 2026 earnings growth continue to remain strong, hovering near 10%. However, as we have noted in previous letters, after such a powerful multi-year advance, elevated valuations and potential regime shifts warrant measured caution. Resurgent geopolitical risks, economic uncertainty, evolving monetary policy, and the possibility of changing market leadership all present risks that cannot be dismissed and need to be watched closely.

The Systematic Advantage:

As always, our conviction, however, lies not in macro-forecasting, but in the disciplined execution of objective, rules-based logic. This systematic framework provides a critical advantage in uncertain environments:

- **Remain Fully Invested:** Our models will not prematurely abandon a defined uptrend based on short-term noise or speculative predictions. As long as systematic signals remain constructive, we remain positioned to capture continued gains.
- **Dynamic Risk Control:** Should market conditions deteriorate and our models signal a sustained trend reversal, we are prepared to systematically increase hedging and reduce exposure. This flexibility allows us to adapt to shifting regimes without relying on subjective judgment.
- **Disciplined Opportunism:** Periods of elevated dispersion and intermittent volatility—precisely the conditions we may face in 2026—are environments where systematic, multi-strategy frameworks excel. Our momentum, mean reversion, and volatility strategies are designed to monetize these dynamics while controlling risk.

February's results exemplify the power of this approach.

This disciplined, adaptive approach has delivered exceptional results through the opening months of 2026, significantly outperforming the benchmark, and positions the Fund to navigate whatever market conditions the year may bring. We remain confident in the robustness of our systematic framework.

Thank you for your continued partnership.

BWC Founders Fund