

BWC Founders Fund – January 2026 Investor Update

To our valued investors and friends,

Market Overview and Fund Performance

Welcome to 2026. January delivered exceptional performance driven by the strategic opportunities we were well positioned for, with the broader S&P 500 posting a return of +1.5%. The BWC Founders Fund delivered +7.6% net of fees in January—one of our strongest monthly performances since inception—significantly outpacing the benchmark by 6.2 percentage points.

	BWC Founders Fund	S&P500 Total Return (SPXTR)	Δ Vs. (SPXTR)
January 2026	7.6%	1.5%	6.2%
Cumulative Net Return (Since Inception)	38.9%	20.0%	18.9%

The Fund's cumulative net return of 38.9% since inception in March 2025 now exceeds the S&P 500's 20.0% by 18.9 percentage points—nearly 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, January exhibited increased dispersion across sectors, geographies, and asset classes. While realized volatility in the S&P 500 increased only modestly, the primary narrative centered on extraordinary volatility in precious metals, and continued strength in 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 consolidated near all-time highs. Rotation away from technology leadership into defensive sectors triggered more defensive positioning within our models. This reduced growth exposure and increased hedging resulted in exceptionally low realized Beta of 0.08 and correlation of 0.07 versus our benchmark.

Consequently, we achieved a downside capture rate of negative 103%—meaning on the average down day for the S&P 500, the portfolio generated a net gain. Our Emerging Markets strategies successfully captured the sharp continuation of 2025's uptrend, with the region resuming its robust performance during the month.

Mean Reversion & Volatility-Based Strategies: Despite a modest uptick in market volatility, broader US equity markets did not trigger significant mean reversion opportunities. However, 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: Alpha Generation in Gold and Emerging Markets: Gold and Silver dominated market attention during January, delivering both spectacular gains and historic volatility. Following very strong performance in 2025, both metals extended their rally with extraordinary momentum—Gold surging over 25% and Silver climbing an eye-popping 65% during the month—before reversing course in equally spectacular fashion on the final trading day. Silver plummeted over 30% and Gold declined over 10% in a single session, marking truly historic intraday moves.

Gold Strategy: Our Gold strategy delivered exceptional results, generating a gain of approximately 45% for the month by capitalizing on both the extreme momentum rally and the subsequent historic mean reversion. While our mean reversion logic is primarily deployed for hedging and volatility reduction—not necessarily to capture value in both directions—the extreme, historical overbought conditions in both metals triggered our models to establish fairly aggressive short positions that were ultimately rewarded.

Mean reversion does not always manifest in explosive single-day moves of this magnitude. However, the asymmetrical risk-return opportunity present during these extreme periods is precisely why we integrate mean reversion logic across our systematic strategies.

Emerging Markets Strategy: Emerging Markets significantly outperformed US indices in 2025, with the iShares MSCI Emerging Markets ETF (EEM), an ETF we use to track and benchmark our EM strategies, gaining approximately 34% compared to the S&P 500's return of approximately 18%.

January saw EM resume its strong performance with a monthly gain of approximately 7.7%. Our EM strategy delivered solid outperformance with a gain of approximately 18% during the month. This outperformance resulted from successfully capturing a sustained uptrend throughout most of the month, followed by a meaningful mean reversion opportunity at month-end that we captured effectively. Our Emerging Markets strategy has been among our best-performing strategies since inception.

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 January 2026:

	BWC Founders Fund	S&P500 Total Return (SPXTR)
Volatility (Annualized)	11.3%	10.4%
Sharpe Ratio	9.83	1.79
Sortino Ratio	52.58	2.38
Daily Win Rate	65.0%	60.0%
Upside Capture Rate	95.0%	—
Downside Capture Rate	-103.6%	—
Beta (SPXTR)	0.08	—
Correlation (SPXTR)	0.07	—

Key Achievements:

- **Superior Risk-Adjusted Returns:** A Sharpe Ratio of 9.83 versus 1.79 for the benchmark, and a Sortino Ratio of 52.58 versus 2.38, demonstrate that outperformance was achieved with disciplined risk management, not excessive volatility.
- **Favorable Capture Ratios:** An Upside Capture Rate of 95.0% combined with a Downside Capture Rate of -103.6% reflects the asymmetric return profile that a diversified portfolio of systematic strategies are designed to deliver—participating meaningfully in rallies while mitigating, or in the case of January, gaining even during pullbacks.

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: Cautious Optimism and Dynamic Positioning

As we move through 2026, the market faces a complex backdrop. The AI-fueled rally enters its fourth year, and January saw artificial intelligence and the "Magnificent 7" underperform other sectors for the first time in recent history. With the Mag7 comprising a material percentage of the cap weighted indexes, the sustainability of broader index gains may depend on whether mega-cap technology stocks resume leadership—a dynamic worth monitoring closely throughout 2026.

Long-term trends continue to remain intact, with momentum signals staying positive and consensus estimates for 2026 earnings growth hovering near 10%. However, as we noted in our December letter, after such a powerful multi-year advance, elevated valuations and potential

regime shifts warrant measured caution. Economic uncertainty, evolving monetary policy, and the possibility of changing market leadership all present risks that cannot be dismissed.

The Systematic Advantage:

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.

January's exceptional results exemplify the power of this approach. The 45% gain in our Gold strategy and the negative 103% downside capture ratio were not the product of market predictions, but rather the systematic execution of rules-based logic across extreme market conditions.

This disciplined, adaptive approach has delivered exceptional results through the opening month of 2026 and positions the Fund to navigate whatever market conditions the year may bring. We remain confident in the robustness of our systematic framework and excited about the opportunities ahead.

Thank you for your continued partnership.

BWC Founders Fund