BLACKWORKS
CAPITAL

BWC Founders Fund – May 2025 Investor Update

To our valued investors and friends,

Fund Performance
May is complete and continued to provide some exciting market action, the month saw the continuation of the extremely rapid recovery of the post tariff selloff with the benchmark S&P 500 Total Return Index, (the **SPXTR) Posting a 6.3% gain** during the period while the **BWC Founders Fund returned a .9% gain** during the month. Given the extreme volatility and rapid recovery in the markets, we are pleased with the funds strategies ability to navigate the correction then immediate, historical, recovery. Modeling corrections and recoveries is a very difficult challenge given no two corrections and recovery periods look the same and we are happy with the performance across this event.

When looking at the total period spanning the start of the correction and subsequent recovery, the **BWC Founders Fund strategies returned a ~9% gain** from April 2nd, to today, while the benchmark **SPXTR returned ~2%** over the same period while the fund saw a drawdown of ~8.5% compared to the SPXTR drawdown of ~12.2%. The strategies produced larger gains and lower drawdown during extreme periods of volatility, and we are very pleased with this performance.

Market Overview
May 2025 was a strong recovery month for global equity markets, driven by short covering and rapid re-allocations of risk capital to the markets after the tariff induced selloff and almost immediate softening of the policy stance by the administration. Although the outcome of the trade negotiations remains uncertain and the impact of current and future tariffs has yet to be felt by consumers and companies alike, the market staged a full recovery of the selloff and is nearing all-time highs once again.

As is normally the case with systematic investment strategies, and the market in general, what worked the month prior may not be what drives performance the following month. In May, Trend Following strategies once again performed best and strategies that were faster to pivot to bullish positioning delivered higher returns than strategies that remained hedged or net short following the selloff. The goal of the fund is to maintain a diversified portfolio of strategies that perform well across all market conditions, and that means some will work better than others at various points.

Strategy Insights

- **Return of Momentum Strategies**: In an almost cinematic story straight out of the movies, May saw the dramatic return of trend following strategies to lead the funds best performing strategies. By the end of April and into early May most market indexes had regained critical levels and continued to deliver gains, these types of market dynamics are common in “normal” times, although a little out of the ordinary was the speed of recovery and reset to what we’d consider more typical bull market behavior.

- **Mean Reversion & Volatility-Based Strategies**: There were limited opportunities for Mean Reversion trades during the month as the market moved from extreme levels of oversold in April to more typical levels in May but were never in extreme conditions during the month.

- **Hedging Framework**: Our hedge components in the core strategies which helped reduce volatility and generate profit in March and April led the funds underperforming strategies in May. As discussed in the April letter, I am very pleased with the reduced volatility the hedge program provided. History shows that during periods of high levels of volatility and breakdowns of the market below key Moving Averages, the best strategy is to stay hedged, and we remain pleased with the performance both during the selloff as well as the recovery.
- **Multi-Asset Exposure**: Diversification into commodities, bonds, and currencies contributed positively in April by reducing exposure to broader equity markets but underperformed in May as the equity markets staged impressive period of returns that other assets did not experience. Maintaining diversification in both asset classes and system logic is a critical component of systematic investing, what works one month can quickly change and the only real way to manage risk is by maintaining diversification.

Performance Metrics

After three months of history, the performance metrics are starting to trend towards longer term expected values. During the month of May, daily volatility and Beta compared to SPXTR was lower than benchmark, this was expected and is in line with what we expect under "normal" market conditions. We expect long term Beta and Correlation to the benchmark to trend lower, the goal of the fund remains to have lower than market Beta and Volatility and have low correlation to the broader equity markets.

The following performance metrics are tracked on a Gross Basis, prior to management fees and expenses which we believe provides the best information as to the daily performance of the fund's strategies. We will continue to report cumulative monthly and annual returns on a Net Basis.

Cumulative Performance Metrics as of May 31, 2025:

	BWC Founders Fund	SPXTR
Sharpe Ratio	**1.10**	**.33**
Sortino Ratio	**3.14**	**.51**
Information Ratio	**1.54**	
Alpha (SPXTR)	**42%**	
Beta (SPXTR	**1.02**	
Correlation (SPXTR)	**.77**	

Risk & Volatility

The fund exhibited realized volatility lower than the markets over the course of the month. The fund experienced annualized volatility of **6.8% during the month** compared to **SPXTR** at **16.7%.** This lower than market volatility highlights the reduced exposure that the strategies employed as a result of the recent market turmoil. When evaluating Beta and Correlation for the month, the strategies had ***negative*** Beta of .22 and ***negative*** Correlation to SPXTR of .55. The strategies maintained defensive posture even while delivering positive total gains on the month, we are very happy with the strategies' performance with respect to risk and volatility management during the month.

Market Outlook and Final Thoughts

Given persistent macroeconomic, and now **increasing geo-political uncertainty**, we anticipate continued volatility across all asset classes for the foreseeable future. As of the day of writing this, the USA has joined Isreal in direct military conflict with Iran, I'm not even going to try to discuss the potential impacts of this development on the markets and to be quite honest, it's impossible to say what the impacts will be. One of the main reasons to invest systematically in the first place is to remove personal opinions about what is going to happen from investing. We believe our systematic approach remains well-positioned to reduce volatility and generate Alpha during times such as these and we are optimistic about the remainder of the year despite the challenging current market conditions.

We thank you for your trust with your capital and look forward to another productive month.

BWC Founders Fund, LLC

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Performance: Performance data represents past performance and is no guarantee of future results. The returns presented reflect the performance of an investor who invested from inception. Gross Returns represent the performance of the funds applicable strategies including the reinvestment of dividends but prior to any fees or expenses. Net Returns reflect the reinvestment of dividends and earnings and the deduction of all expenses and fees (including the highest management fee and incentive allocation charged, where applicable). The Performance Statistics are based on the Gross Returns of the strategies on a daily basis and do not accrue for Management or Performance Fees and is solely intended to provide information related to the performance of the strategies of the fund and not the fund itself. An actual client's results will vary due to the timing of capital transactions, high watermarks, and performance. Performance should not be indicative of the skill of Blackworks Capital and clients may experience a loss. The BWC Founders Fund follows a systematic trading strategy with actively managed systems and strategies. The strategy employs the use of leveraged ETFs, inverse ETFs, and Volatility ETFs and can experience significant volatility and loss of capital.

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