

# BWC Founders Fund — April 2026 Investor Update

Systematic Discipline | Enduring Alpha



To our valued investors and friends,

## Fund Performance

April marked a sharp reversal in equity markets, with the S&P 500 rebounding **+10.5%** as investors aggressively bought on positive Q1 earnings and faded the geopolitical and stagflation fears that defined March. Against that backdrop, the BWC Founders Fund delivered **+5.3% net of fees**—a strong absolute month, but one that captured roughly half of the index's upside. The same systematic posture that preserved capital in March's drawdown participated more selectively in April's rebound. That symmetry is by design.

|                                         | BWC Founders Fund | S&P 500 Total Return (SPXTR) | Δ Vs. (SPXTR) |
|-----------------------------------------|-------------------|------------------------------|---------------|
| April 2026                              | +5.3%             | +10.5%                       | (-5.2%)       |
| YTD 2026                                | +18.8%            | +5.7%                        | +13.1%        |
| Cumulative Net Return (Since Inception) | +53.4%            | +25.0%                       | +28.4%        |

Through the first four months of 2026, the Fund has compounded to **+18.8% net of fees** against the S&P 500's **+5.7%**—**+13.1 percentage points** of YTD outperformance. Since inception in March 2025, the Fund's cumulative net return of **+53.4%** exceeds the benchmark's **+25.0%** by **+28.4 percentage points**, a multiple of more than 2.1x over the same period.

## Case Study: The Iran Conflict Period (2/28/26 – 4/30/26)

A systematic risk framework is best evaluated through a defined stress window. The two months from the outbreak of the Iran conflict on February 28 through April 30 provide exactly that—a sharp single-month drawdown, an unprecedented oil-price spike, a sustained energy supply shock, and a sharp reversal rally driven by a ceasefire and Q1 earnings and AI-capex revalidation. Across the full cycle, the Fund strategies returned **+6.7% gross** (prior to fees and expenses) against the S&P 500's **+5.0%**—**+1.7 percentage points** of cumulative outperformance, achieved with materially less risk on every measurable dimension.

The Fund's realized risk over the window was materially lower than the benchmark's: annualized volatility of **12.3%** vs. the S&P's **16.2%**, and a peak-to-trough drawdown of **-3.5%** vs. **-7.7%**. The mechanism behind that capital preservation is structural—realized Beta of **0.39**, Upside Capture of **36.6%**, and Downside Capture of just **3.9%**, meaning that on the average down day for the S&P 500 across this window, the Fund effectively did not participate. Integrated across return and risk, the result is a Sharpe Ratio of **3.11** vs. **1.82**, Sortino of **7.00** vs. **3.00**, Calmar of **13.26** vs. **4.28**, and Annualized Alpha of **30.7%**—roughly two to three times the benchmark's return per unit of total risk, downside risk, and drawdown.

This is the trade-off in practice: in months like March, we avoided some of the market's pain; in months like April, we participate in the rebound at a more cautious pace. The same pattern held through the prior major stress episode of the Fund's history—the tariff-driven correction in March and April 2025, the largest S&P 500 drawdown of our inception-to-date period—where the Fund similarly outperformed by absorbing less of the downside while participating meaningfully in the recovery. Across complete cycles, that exchange has compounded into absolute outperformance with a fraction of the benchmark's downside participation. *For detailed performance statistics, risk metrics, and monthly returns, please refer to the enclosed Summary Factsheet.*

## **The Five Forces — April Through a Systematic Lens**

At Blackworks Capital, every investment decision is filtered through our **Five Forces Framework**—a systematic taxonomy of the primary drivers of market prices: macroeconomic conditions, technical price action, derivatives positioning, fundamental valuation, and human psychology. Rather than reacting to headlines or forecasting outcomes, we translate these forces into measurable, objective signals that govern portfolio positioning. In April, two forces dominated: a still-tense macro backdrop that kept our defensive strategies engaged, and a fundamentally constructive earnings season that allowed momentum strategies to re-engage risk.

### **Force 1: The Macroeconomic Imperative**

The macroeconomic environment improved in tone but not in substance. The US/Israel military campaign against Iran continued, the Strait of Hormuz disruption remained unresolved, and oil prices stayed structurally elevated above pre-conflict ranges while bond yields rose alongside them as markets repriced the inflation impulse from sustained energy costs. The equity rebound was not built on the resolution of March's risks; it was built on the market's growing comfort that those risks could be absorbed. The distinction matters. The probability of a stagflationary regime—slowing growth coupled with persistent inflation—has not meaningfully receded, and the Federal Reserve's dual-mandate tension remains acute. Should oil remain elevated and yields continue to grind higher, the risk of a delayed monetary response becomes the dominant macro variable for the back half of 2026.

**Systematic Translation:** Force 1 kept multiple sleeves of the portfolio defensive in April. Our macro strategies anchored on oil-price momentum maintained reduced equity exposure, and our bond-versus-equity momentum strategies held a hedged posture as yields rose with energy prices. These signals did exactly what they were designed to do—they did not extrapolate the equity rebound into a broad risk-on conclusion. Our models followed the data rather than the tape.

### **Force 4: Fundamental Valuation**

Force 4 provided the most clearly constructive signal of the month. With ~89% of S&P 500 companies reported, ~84% have beaten EPS estimates and the blended year-over-year earnings growth rate stands at ~27.7%—the highest reported by the index since Q4 2021, and roughly double the ~13.1% consensus growth estimate at the start of the quarter. Hyperscaler capital expenditure guidance was reaffirmed and AI

infrastructure demand re-validated. AI capex continues to function as the largest fundamental demand signal in U.S. equities, providing a multi-year revenue anchor for the semiconductor and infrastructure complex, even as software dispersion—the disruption narrative that hurt the iShares Software Sector ETF (CBOE: IGV) into March—remains unresolved. The fundamental picture is bifurcated: clear winners in AI enablement, ongoing uncertainty in AI-vulnerable business models.

**Systematic Translation:** Force 4 enabled our momentum strategies to re-engage quickly once price action confirmed key levels had been reclaimed. This is the role momentum is designed to play—not to predict that earnings will validate a rebound, but to add exposure when price and breadth signals confirm participants are pricing in that validation. By mid-April, the portfolio had rebuilt directional risk in the sectors with the most durable fundamental support, while macro-sensitive sleeves remained intentionally hedged.

## Outlook & The Systematic Advantage

Entering May, the market sits at the intersection of three competing forces: a sharp rebound whose internals do not yet confirm a clean regime change, an unresolved geopolitical and energy backdrop that continues to pressure the macro environment, and a Q1 earnings cycle providing a real fundamental tailwind.

The most important qualifier on April's rebound is the texture beneath it. The advance occurred on below-average volume with leadership heavily concentrated in mega-cap technology and semiconductors—from the late-March S&P 500 low through April 30, SOXX returned ~+48% and QQQ ~+19.5%. Beneath that leadership, however, the equal-weight S&P (RSP) gained only ~+8.0% and the equal-sector ETF (EQL) just ~+7.3% against the cap-weighted SPY's ~+13.6%—the average stock and the average sector captured roughly half of what the headline index suggests. Rebounds of this character—index strength masking sub-surface weakness—historically warrant caution rather than full re-engagement, and several of our strategies remain defensive precisely because their internal breadth and participation signals have not confirmed the rally.

Behind that rally, the macro backdrop has not eased. The US/Israel-Iran conflict has returned to dominate headlines with the ceasefire at a fragile state, oil remains structurally elevated, Asian transport and manufacturing continue to absorb higher energy costs, and the inflation impulse has yet to fully show up in CPI. The monetary-policy overhang remains, with a durable resolution or fresh escalation as the two meaningful catalysts in opposite directions. Against that backdrop, Q1 earnings strength and reaffirmed AI capex guidance are the principal tailwind carrying the market—fundamentals, for now, doing the work the macro environment is not.

Our conviction lies not in macro-forecasting, but in the disciplined execution of objective, rules-based logic:

- **Selective Re-Engagement:** Our momentum strategies added exposure in April as price and breadth signals confirmed key levels were reclaimed. The portfolio captured a meaningful share of the rebound where signals supported participation, and held defensive posture where they did not.
- **Dynamic Risk Control:** Our macro sleeves anchored on oil and bond-versus-equity momentum remain hedged. Should the energy and rate complex resolve constructively, those sleeves will re-engage. Should conditions deteriorate, the hedges will absorb downside as they did in March.

- **Disciplined Opportunism:** Periods of high index-level volatility, narrow breadth, and earnings-driven dispersion are exactly the environments where our momentum, mean reversion, and volatility-focused strategies are designed to monetize price dislocations while controlling risk.

The two-month stress window from February 28 through April 30 illustrates the Five Forces framework working as designed: protecting capital through the initial geopolitical and energy shock, then selectively re-engaging into a fundamentally supported rebound. The result was an overall outperformance with reduced volatility and less than half the peak drawdown of the benchmark through that window.

This Fund was built to manage the Founder's own capital. Every dollar of investor capital sits alongside ours, facing the same risk, the same drawdowns, and the same rules. That alignment is why risk management is never an afterthought; it is the reason the Fund exists. When geo-political events like the US/Iran war create stress in the markets, our strategies respond to protect capital, when the market recovers our strategies respond to participate in the recovery. Over the course of the full cycle our strategies prove their worth by reducing risk, managing volatility, and achieving significantly stronger risk adjusted returns than our benchmark.

We invite qualified investors to join us as we continue to navigate this complex market environment with the discipline, transparency, and alignment that define Blackworks Capital.

Thank you for your continued partnership.

***BWC Founders Fund***

**Rogan McGillis**

Founder & Fund Manager