BWC Founders Fund — July 2026 Investor Update

Systematic Discipline | Enduring Alpha

BLACKWORKS CAPITAL

To our valued investors and friends,

Fund Performance

The S&P 500 finished July down one tenth of one percent. The **BWC Founders Fund returned +0.7% net of fees**. July was the second consecutive month the index has gone essentially nowhere while enormous amounts of capital moved underneath it. Away from the index the month was anything but quiet. The technology-heavy Nasdaq fell roughly 7%, its worst month since March 2025, and semiconductors had their worst month since 2008.[1]

	BWC Founders Fund	S&P 500 Total Return (SPXTR)	Δ Vs. (SPXTR)
July 2026	**+0.7%**	-0.1%	**+0.8%**
YTD 2026	**+20.2%**	+10.1%	**+10.0%**
Cumulative (Since Inception)	**+55.1%**	+30.3%	**+24.8%**

Year-to-date the Fund is +20.2% net of fees against the S&P 500's +10.1%, roughly double the benchmark's return with five months of the year remaining. Since inception in March 2025 the Fund has compounded to +55.1% against the benchmark's +30.3%.

Detailed performance statistics and monthly returns are in the enclosed Summary Factsheet.

The Five Forces: July Through a Systematic Lens

Our Five Forces Framework filters market activity through macro conditions, technical price action, derivatives positioning, fundamental valuation, and human psychology. Three dominated July: a technical rotation that turned inward on the technology complex, a macro backdrop that gave our systems more noise than signal, and a volatility picture in which the calm reading on the surface described almost nothing of what was happening underneath it.

Force 2: Technical Price Action

July's rotation continued to roil the technology sectors. In June, money leaving the large technology platforms moved toward the chipmakers supplying them. In July that refuge became the epicenter of chaos. Semiconductors fell 19%, their worst month since 2008, while energy and financials led the market higher.[2] Second-quarter earnings were strong across the market and the technology complex was sold anyway.[3]

Systematic Translation: At the index level, July was quieter than a typical month, ending essentially where it started. Direction formed and reversed inside the month rather than persisting, and our momentum

[1] Nasdaq, "July 2026 Review and Outlook," 2026; CNBC, "Chip stocks shed more than $1 trillion as selloff hits companies powering AI boom," July 29, 2026. Nasdaq 100 monthly decline and semiconductor sector performance (VanEck Semiconductor ETF, SMH).

[2] Nasdaq, "July 2026 Review and Outlook," 2026; Benzinga, "Energy Overtakes Tech As 2026's Best Sector," July 2026. The Energy Select Sector SPDR (XLE) rose 9% in July against a 6.8% decline in the Technology Select Sector SPDR (XLK).

[3] FactSet, "S&P 500 Earnings Season Update: July 31, 2026." 86% of S&P 500 companies reporting had exceeded EPS estimates, against a five-year average of 78%, with 61% of the index reported.

strategies spent July with little to work with. What kept the book positive was the mean-reversion character in parts of the portfolio, which is suited to exactly this kind of choppy, back-and-forth tape.

Force 1: The Macroeconomic Imperative

The Federal Reserve held rates steady in late July, but three of its members voted to raise them, the most dissents pointing the same direction since 2016.[4] Long-term interest rates finished the month at their highest level of the year, which is another way of saying bonds fell.[5] Oil spent July round-tripping on headlines out of the Middle East.[6]

Systematic Translation: We do not forecast the direction of interest rates or of the Federal Reserve. What matters to us is a relationship rather than a level, and that relationship has not repaired. Bonds continue to move with equities rather than against them, which means they have lost their effectiveness as a hedge. That is not only a portfolio problem, it is a signal problem. Several of our defensive strategies read the behavior of bonds relative to equities to decide when to reduce risk, and while the two move together those readings carry less information than they normally would. The weakness in bonds is a large part of what has kept the portfolio more conservative over the past three months.

Force 3: Derivatives Positioning

The market's most-watched volatility gauge, the VIX, spent July telling investors nothing was wrong. It finished the month near 16, a reading that historically describes a calm and unremarkable market.[7] At the index level that was accurate. Underneath it, individual stocks were moving with the kind of violence normally seen in genuinely turbulent markets, and the index looked still only because those moves were pointed in opposite directions and cancelled one another out. Given what July did to semiconductors and the technology indexes, the striking thing is what the VIX did not do: it never traded above 21 at any point in the month, and it finished July lower than it began.

Systematic Translation: Our defensive signals read volatility at the index level, and at the index level July was calm, so none of them called for reducing risk. What protected the portfolio was structural rather than tactical. We invest at a higher level than the rotation that was doing the damage, and our defensive and sector rotation strategies are built to move between risk-on and risk-off rather than to choose among growth sectors. A market swinging violently between the two was hedged by design rather than by judgment.

The Rotation Regime: An Update on What We Said We Would Watch

In mid-July we published an article that discussed our measurement of this rotation and, more usefully, the specific things that would tell us whether it was healthy or something worse.[8] I want to follow-up on that so here is where those readings stand.

We studied every comparable episode since 1999, periods in which the major sectors stopped moving together to an unusual degree. Most resolved uneventfully, and the market's existing trend was still intact three months later in roughly four of every five cases. The exception is not a small one. The odds of a

---

[4] CNBC, "Divided Fed holds interest rates steady, but three members voted to hike," July 29, 2026; Bloomberg, "Fed Holds Rates Steady as Three Officials Dissent in Favor of a Hike," July 29, 2026; PNC Economics, "Three FOMC Dissents in Favor of a Rate Hike," July 29, 2026. The target range was held at 3.50%-3.75% on a 9-3 vote.

[5] Advisor Perspectives, "Treasury Yields Snapshot: July 31, 2026."

[6] CNBC, "Strait of Hormuz crude flows recover, Trump's Iran tariff push," July 31, 2026; Al Jazeera, "Oil prices hit 1-month high as US-Iran attacks dim Strait of Hormuz outlook," July 14, 2026. Brent settled at $90.12 and WTI at $84.67 on July 31, 2026.

[7] Cboe Global Markets, VIX Index historical data. The VIX closed July 2026 at 15.99, having ranged between 15.03 and 20.66 during the month.

[8] Blackworks Capital, "A Violent Rotation In A Quiet Market," July 15, 2026, blog.blackworkscapital.com/insights.

materially bad quarter following these episodes run several times higher than normal, and the last two major market tops began from exactly this configuration. The base case is continuation. The tail deserves respect.

Two things separate the episodes that became tops from those that resolved higher. The first is the market's three-month trend rolling over while sectors are still moving independently. That reading weakened through July and then recovered to new highs in the first days of August, so it has not triggered.[9] The second is sectors abruptly beginning to move together again while the size of individual moves stays extreme, the point at which a rotation stops being a rotation. July went the other way. The offsetting intensified rather than eased, which is why the index was quieter in July than in June even as semiconductors fell 19%.

It is too early to tell how this period of rotation resolves, and we say that as a measurement rather than as a hedge. In the data, healthy rotations and major tops begin from the same place and separate only later. What we can say is that neither of the indicators we are watching has triggered.

One development that is not a warning sign, though it feels like one, is that leadership changes hands in these regimes. The sectors leading going in usually do not lead coming out. That churn is a property of the environment rather than evidence of breakage.

Outlook & The Systematic Advantage

We enter August with the strategies aligned with the market's longer-term uptrend, though carrying less conviction than they did earlier in the year. Bonds that will not hedge, oil that moves on headlines, and an index without a short-term trend all argue for holding something back. None of that makes the systems bearish. It makes them patient.

- **Selective Participation:** Our systems engage when trends form and macro-economic signals align and hold back when they do not. July offered little worth following and they did not force it. That posture scales up if durable trends and conditions appear and steps down if the rotation broadens into a decline.
- **Dynamic Risk Control:** Individual stocks are moving as much as they do in genuinely turbulent markets, and the index looks settled only because those moves are offsetting one another. That offsetting is not permanent, and when it fades volatility rises on its own with no new bad news required. Our risk-off signals read the index, which means a shift of that kind is precisely what would activate them.
- **Disciplined Opportunism:** The advantage of a rules-based framework in a market like this one is that it does not need to know how the rotation resolves in order to act when it does. We are not waiting for a view to be confirmed, we are waiting for direction to return. July asked for the patience to wait while the tape offered nothing, which is the harder half of that discipline.

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.

We invite qualified investors to join us as we continue to navigate this market with the discipline, transparency, and alignment that define Blackworks Capital. Thank you for your continued partnership.

BWC Founders Fund

Rogan McGillis

Founder & Fund Manager

[9] CNBC, "Dow surges 900 points, S&P 500 closes above 7,700 for first time in booming Wall Street rally," August 3, 2026; CNN Business, "The S&P 500 is back at a record high and the Dow just hit 54,000," August 4, 2026.