

BWC Founders Fund — June 2026 Investor Update

Systematic Discipline | Enduring Alpha



To our valued investors and friends,

Fund Performance

The S&P 500 slipped -1.0% in June, a calm headline that hid extreme volatility beneath the surface as capital rotated sharply out of mega-cap technology. The **BWC Founders Fund posted -0.7% net of fees**, modestly ahead of the benchmark in our first monthly decline in seven months. Sector dispersion rose dramatically while trend disappeared at the index level, a difficult combination for strategies built to primarily follow trends.

	BWC Founders Fund	S&P 500 Total Return (SPXTR)	Δ Vs. (SPXTR)
June 2026	-0.7%	-1.0%	+0.3%
YTD 2026	+19.3%	+10.2%	+9.0%
Cumulative (Since Inception)	+53.9%	+30.4%	+23.6%

Year-to-date, the Fund is **+19.3% net of fees** against the S&P 500's **+10.2%**, a **+9.0 point** lead at the halfway mark of the year, nearly double the benchmark's return. Since inception in March 2025, the Fund has compounded to **+53.9%** against the benchmark's **+30.4%**, roughly 1.75x its return over the same period.

The trailing three months deserve a special note. The Fund is +5.6% against the benchmark's +15.2%, a gap opened during the extreme tech rally that followed Q1 earnings, an advance our strategies did not chase while bond and commodity signals stayed stubbornly defensive. When our systems positioned for potential volatility near the end of the rally, they read the risk correctly but timed the turn imperfectly. We own that stretch and keep it in perspective: not every rally or correction will be timed perfectly. Our goal is to be right more often than not over time and to stay diligent about managing risk.

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

The Five Forces: June Through a Systematic Lens

Our **Five Forces Framework** filters market activity through macro conditions, technical price action, derivatives positioning, fundamental valuation, and human psychology. In June, three forces dominated: a violent rotation that erased trend at the index level, bonds failing to hedge equity risk, and a fundamental picture split between concentrated AI-driven growth and a merely resilient broader economy.

Force 2: Technical Price Action

June marked a dramatic increase in sector dispersion as capital rotated out of mega-cap technology. The Magnificent 7 shed roughly \$2.3 trillion in market value; Microsoft fell 20%, Nvidia 13%, Apple and Amazon 8% each, and all seven are now negative for 2026. On the other side, semiconductors gained 6% and small caps extended their lead. At the index level these flows netted out to a flat tape, no trend and no momentum, the calm headline number hiding the extreme volatility underneath.

Systematic Translation: Our strategies weight toward the cap-weighted index, and a trendless index gives trend and momentum signals little to work with. Extremes in the tech-led indexes produced a defensive lean with a raised expectation of volatility. The market rotated rather than corrected, though, and with the VIX suppressed, realized volatility at the index level came in below what our systems positioned for.

Force 1: The Macroeconomic Imperative

The macro backdrop shifted in June without resolving. The mid-month memorandum of understanding raised the prospect of an end to the Iran conflict, and oil gave back much of its conflict premium before late-month strikes renewed doubts about a durable reopening of the Strait of Hormuz. Rates and inflation remain elevated. Most consequential for us, bonds' positive correlation to equities persisted, leaving treasuries unable to hedge equity risk.

Systematic Translation: Our defensive signals draw on the macro complex, specifically oil-price momentum and bond-versus-equity momentum. With bonds moving alongside equities rather than against them, the bond-derived signals carried less information than usual and our defensive sleeves underperformed somewhat. This is a known regime risk; the signals re-normalize as the correlation does.

Force 4: Fundamental Valuation

The fundamental picture bifurcated in June. The selling in mega-cap technology was a repricing of the AI capex thesis, as investors grew less patient with hundreds of billions in spending yet to produce commensurate profits, and capital rotated toward the suppliers already booking orders. The standout of the month, and now the year, is small caps: the Russell 2000 is up roughly 20% year-to-date, about ten points ahead of the S&P 500 and the widest small-cap lead since 2003.

We find the small-cap signal curious. The economy's growth drivers are concentrated in AI, semiconductors, and data center construction; the broader economy remains resilient, but resilient is not the same as robust. AI-related investment accounted for roughly three quarters of first-quarter GDP growth; strip it out and the quarter grew at roughly half a percent annualized, matching the fourth quarter of 2025.¹ That buildout, at roughly 2.45% of GDP this year and set to pass US defense spending in 2027, is both the growth engine and the concentration risk.² With rates and inflation still high, small caps carry the heaviest financing burden and the least pricing power, which makes their leadership an outlier against our expectation.

Systematic Translation: Our systems do not trade these opinions. Fundamentals reach the portfolio only through price: momentum captures earnings-driven trends, and credit-versus-equity strength confirms or vetoes risk appetite. If small-cap leadership persists, the rules follow it; if it breaks, they step aside.

International Equities: One Benchmark, Three Stories

The year's most striking dispersion sits inside the international benchmarks. The broad emerging markets index is up roughly 23% year-to-date, yet the headline is carried almost entirely by the North Asian AI complex: Korea's Kospi has rallied roughly 90% this year and Taiwan roughly 50%, with Samsung and SK Hynix now a record 42% of the Kospi and TSMC alone more than 40% of Taiwan's market capitalization.³

On the other side of the same benchmark sits one of the least discussed stories in markets this year. Chinese large caps have given back most of a strong 2025: MSCI China is down roughly 9% year-to-date, the flagship large-cap ETF (FXI) slid through June to roughly 24% below its 52-week high, and a major mainland gauge approached bear market territory.⁴ The pressures are domestic: a deepening property downturn, with more

¹ Bureau of Economic Analysis, Q1 2026 GDP third estimate, June 25, 2026. AI contribution is analyst-derived from BEA NIPA sub-components (information processing equipment and intellectual property products), per TFTC, "AI Capex Drove 74% of U.S. GDP Growth in Q1 2026," June 25, 2026.

² Morgan Stanley analysis of Congressional Budget Office data, per OfficeChai, "AI CapEx Spending To Be Greater Than US Defence Spending In 2027," July 6, 2026.

³ CNBC, "AI boom reshuffles global stock market pecking order as South Korea and Taiwan surge," May 20, 2026; Bloomberg, "Samsung, TSMC-Led AI Stock Boom Puts Korea, Taiwan in Spotlight," 2026.

⁴ Bloomberg, "China Stock Gauge Nears Bear Market on Weak Growth, Tech Slide," June 2026; Yahoo Finance, iShares China Large-Cap ETF (FXI), July 2026.

than sixty developers in default or restructuring, and escalating government action against the corporate sector, including the securities regulator's June crackdown on technology-themed speculation.⁵

Europe sits between the two. The Stoxx 600 finished the half roughly in line with the S&P 500, but the region has carried the sharpest energy cost of the Iran conflict, with gas prices surging as much as 45% on halted Qatari LNG shipments.⁶ The international complex bears the most direct Hormuz exposure; China alone routes roughly 40% of its oil imports through the strait.⁷

Systematic Translation: The Fund maintains a meaningful allocation to international equity strategies, trend-gated and governed by the same macro signals that gate our US strategies. The bifurcation beneath these benchmarks is one more version of the dispersion defining this year, and our systems treat it the same way in every region.

Outlook & The Systematic Advantage

Entering the second half, we treat elevated dispersion and volatility as the operating environment rather than a passing event. Our posture is closer to neutral than defensive, with conflicting signals keeping the systems from leaning hard in either direction, and the conditions for fuller re-engagement are explicit: a re-formed trend at the index level, breadth that confirms the new leadership, and a macro complex in which oil normalizes and the bond-equity correlation eases.

The Q2 earnings cycle will test the AI capex thesis directly, and the durability of the Iran de-escalation will set the tone for oil and yields. Our momentum strategies re-engage quickly if trends re-form and breadth confirms; hedges and defensive sleeves remain positioned if the rotation broadens.

- **Selective Participation:** Conflicting signals hold our systems near neutral entering July, the tech correction having worked off the overbought extremes at the index level. That posture is built to engage in either direction: scaling up if a new trend forms and confirms, stepping down if the rotation broadens into a correction.
- **Dynamic Risk Control:** We expect volatility within the market to remain above what a suppressed index level VIX implies. The question is whether the heightened implied volatility seen in individual equities becomes realized volatility and an increase in the VIX index.
- **Disciplined Opportunism:** Extreme dispersion, a crowded unwind in mega-cap technology, and divergences building between small caps and parts of the international equities complex are conditions our multi-factor frameworks are built to monetize over time.

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

⁵ Atlantic Council, "China's Property Slump Deepens," 2026; CNBC, "China securities regulator warns against speculating on 'tech hype,'" June 17, 2026; South China Morning Post, "CSRC's crackdown on cross-border trading involves US\$32 billion in Hong Kong assets," June 2026.

⁶ World Economic Forum, "Beyond Oil: 9 Commodities Impacted by the Strait of Hormuz Crisis," April 2026.

⁷ CNBC, "Strait of Hormuz Closure: Which Countries Will Be Hit the Most," March 3, 2026.