

BWC Founders Fund — May 2026 Investor Update

Systematic Discipline | Enduring Alpha



To our valued investors and friends,

Fund Performance

The S&P 500 advanced +5.0% in May as Q1 earnings strength and the AI capex narrative continued to dominate sentiment. The **BWC Founders Fund posted +1.0% net of fees**, a positive but cautious month. Our strategies held back broader participation as the Nasdaq pushed further into overextended territory and market breadth deteriorated beneath the headline tape.

	BWC Founders Fund	S&P 500 Total Return (SPXTR)	Δ Vs. (SPXTR)
May 2026	+1.0%	+5.0%	(-4.0%)
YTD 2026	+20.1%	+11.0%	+9.1%
Cumulative (Since Inception)	+55.0%	+31.3%	+23.7%

Year-to-date, the Fund is **+20.1% net of fees** against the S&P 500's **+11.0%**, a **+9.1 point** lead through five months. Since inception in March 2025, the Fund has compounded to **+55.0%** against the benchmark's **+31.3%**, roughly 1.75x its return over the same period.

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

The Five Forces — May 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 May, three forces shaped portfolio posture: a constructive fundamental tape that drove the leadership higher, an unfavorable macro backdrop that kept our defensive sleeves engaged, and technical conditions that capped how aggressively our momentum strategies could participate.

Force 4: Fundamental Valuation

Q1 earnings closed with blended EPS growth near 27.7% year-over-year, the strongest quarter since Q4 2021 and roughly double the consensus estimate entering the period. Hyperscaler capex guidance was reaffirmed and AI infrastructure demand re-validated, anchoring the bullish case for the leadership cohort. Software dispersion remains unresolved, but the AI-enabler complex continued to draw capital through the month.

Systematic Translation: The fundamental impulse from Q1 earnings shows up in our portfolio through momentum, which captures earnings-driven trends when the underlying indexes are not stretched. For most of May, however, the indexes sat at extended levels, capping how aggressively our exposure could scale. The Fund captured a portion of the earnings-led advance; it did not fully participate because the price structure carrying it was already extended.

Force 1: The Macroeconomic Imperative

The macro backdrop did not improve in May. The Iran conflict remains unresolved and the Strait of Hormuz disruption continues. Oil stayed structurally elevated above pre-conflict ranges, bond yields ground higher as markets repriced the inflation impulse, and consumer sentiment softened further under the weight of higher energy costs and higher rates. The probability of a stagflationary outcome has not receded.

Systematic Translation: Force 1 is the source of the Fund's defensive positioning this month. Our macro signals, specifically oil-price momentum and bond-versus-equity momentum, maintained reduced equity

exposure and hedged posture across the macro-sensitive sleeves. The cost of that discipline was visible in May's relative return; the benefit shows up if/when the macro tape resolves to the downside, as it did in March.

Force 2: Technical Price Action

May's advance was narrow at the sector level. Leadership concentrated in mega-cap technology and semiconductors, while sector breadth weakened; the equal-sector ETF (EQL) trailed the cap-weighted SPY by a meaningful margin, and the Nasdaq closed the month at extended levels versus its longer-term trend with short-term momentum oscillators flashing exhaustion. Narrow sector participation alongside index strength is historically associated with elevated reversal risk, not durable trend continuation.

Systematic Translation: Force 2 produced the most nuanced result of the month inside the portfolio. Our trend-following strategies captured meaningful value from the index level advances and were the principal driver of the Fund's positive return. At the same time, our mean reversion logic, activated by the overextended conditions in the leadership sector, moved against parts of that trend exposure and nullified some of the gains. The interaction is intentional: trend-following participates in the move, mean reversion fades the extremes, and the net result reflects both signals working as built.

Outlook & The Systematic Advantage

Entering June, the same forces remain active and pulling in opposite directions. Fundamentals and AI capex remain the dominant constructive driver. The macro backdrop continues to deteriorate at the margin, and the technical structure of the leadership cohort shows increasing strain. In this configuration, our strategies will continue to participate selectively while keeping defensive sleeves engaged against the macro-overhang.

The Q2 earnings cycle, the trajectory of oil and yields, and the resolution of the Iran conflict will set the tone for the months ahead. Our momentum strategies are constructed to re-engage quickly if the macro complex resolves constructively and breadth broadens. Hedges and defensive sleeves are positioned to absorb downside if conditions deteriorate.

- **Selective Participation:** Trend-following captured value from the markets advance; mean reversion faded extremes inside the same complex. The two signals working in tension is the design, not a bug.
- **Dynamic Risk Control:** Macro signals on oil strength and treasury yields rising kept our defensive sleeves hedged. Those hedges are calibrated to absorb downside if the macro-overhang converts into broader risk-off price action.
- **Disciplined Opportunism:** Narrow sector leadership, overextended indexes, and earnings-driven dispersion are conditions our momentum, mean reversion, and volatility strategies 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. When geo-political events 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 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