

BWC Founders Fund – October 2025 Investor Update

To our valued investors and friends,

Market Overview and Fund Performance

October delivered a robust performance period for the BWC Founders Fund. Our diversified portfolio of systematic strategies demonstrated its value by effectively navigating a month marked by **heightened volatility** and sideways trading in the broader US equities market. The rules-based nature of our approach enabled the successful execution of **tactical hedging** on multiple occasions, which served to **mitigate downside risk** while capturing opportunistic returns through diversification.

	BWC Founders Fund	S&P500 Total Return (SPXTR)
October 2025	10.0%	2.3%
Cumulative Net Return (Since Inception)	29.2%	17.9%

Since inception, the Fund has generated a net return of 29.2%, significantly outpacing the S&P500's total return of 17.9% over the corresponding period. Furthermore, this outperformance has been achieved while maintaining a lower total maximum drawdown and generating positive Alpha, validating the core value proposition of our systematic, risk-aware investment framework.

Strategy Insights

Our systematic strategies performed cohesively during the month, contributing to the strong absolute and relative returns:

- **Momentum Strategies:** Performance in this cohort was **mixed**. Momentum stalled in US equities due to the consolidation phase following the mid-month pullback. Similarly, Gold and Emerging Markets experienced a deceleration in their trending behavior, leading to a neutral contribution from these models.
- **Mean Reversion & Volatility-Based Strategies:** These strategies activated effectively multiple times during the month across all asset classes in the portfolio. After contributing to outperformance in September, the increased exposure to the Volatility Index (VIX), our Mean Reversion strategies again provided substantial returns and mitigated drawdown and volatility in October.
- **Multi-Asset Strategies:** Our rigorous, systematic multi-asset logic proved crucial for alpha generation in October.
 - **Gold Strategy:** Despite Gold's sharp 10% reversal after an early rally (ultimately finishing up 3.5%), our strategy successfully utilized its tactical Mean Reversion component to **defensively clip exposure and mitigate drawdown** on multiple occasions, yielding an **8%+** gain for the month.

- **Emerging Markets (EEM) Strategy:** The increased intra-month volatility in Emerging Markets, which tracked US performance but with greater dispersion, provided an ideal environment for our systematic models. Our strategies leveraged this volatility to generate **24%+** returns, significantly exceeding the EEM benchmark's **3.5%** gain.

Sector Commentary

October saw significant shifts in sector dynamics, prompting a cautious outlook.

Consumer Staples (XLP): Continuing the trend noted in August and September, the Consumer Staples sector declined by 2.7% in October. This underperformance was exacerbated by weaker-than-expected sector earnings. While technical weakness in defensive sectors can signal a "risk-on" environment, the concurrent deterioration in earnings quality and broader technical fragility across other segments suggests underlying market vulnerabilities, justifying a more cautious expectation about the extension of the rally.

- **Utilities (XLU) and the AI Narrative:** The traditionally defensive Utilities sector exhibited mid-month volatility following a robust start. Despite a late-month reversal, XLU remains up over 20% year-to-date, significantly outperforming the S&P 500. The sharp reversal, however, suggests the sector's outsized, AI-driven momentum may be nearing a consolidation phase.
- **Financials (XLF) and Liquidity Concerns:** The most pressing concern arose from the Financials sector, which lagged the broader market with a 2.8% decline. This weakness coincided with a sharp repricing of risk in the opaque Private Credit markets, evidenced by multiple defaults. This stress contributed to widening overnight funding spreads (SOFR) and, notably, a surge in bank utilization of the standing Fed REPO facility. The increased demand for official sector liquidity may have influenced the Federal Reserve's decision to pause its Quantitative Tightening (QT) program, highlighting systemic fragility.

Performance Metrics

The success of the Mean Reversion strategies and multi asset diversification led to meaningful outperformance of the portfolio's strategies during the month while maintaining volatility in line with the market.

New Performance Metric: Upside/Downside Capture Rate

We are pleased to introduce the **Upside/Downside Capture Rate** to enhance the transparency of our risk management. This metric quantifies the degree to which the Fund participates in market movements, specifically measuring the percentage of the benchmark's gains captured on up days (Upside Capture) versus the percentage of the benchmark's losses incurred on down days (Downside Capture). This metric is similar to Beta in that it is attempting to provide visibility in to directional participation, the main difference being that Beta does not differentiate between up days and down days and, over time, can provide a false sense of muted volatility in a Fund that utilizes long/short and hedge logic periodically. Beta of a strategy may be lower than the benchmark over time, but higher than the benchmark day-to-day. Differentiating between up days and down days provides an additional lens in to both total volatility and hedge effectiveness.

This metric provides a clear window into how our systematic Mean Reversion and hedging strategies are operating. In October, for instance, our downside mitigation was highly effective, resulting in an average loss of effectively zero on days when the market experienced a decline. Our long-term objective is to sustain an

Upside Capture Rate that exceeds our Downside Capture Rate, supported by a competitive Daily Win Rate, which taken together create a recipe for sustained market outperformance and Alpha.

Performance metrics are calculated on a Daily Gross Basis before fees and expenses for the purpose of illustrating the portfolios strategy performance relative to the benchmark. Cumulative monthly and annual returns will continue to be reported on a Net Basis.

Monthly Performance Metrics for October 2025:

	BWC Founders Fund	S&P500 TR (SPXTR)
Volatility (Annualized)	13.6%	13.6%
Sharpe Ratio	8.93	1.93
Sortino Ratio	22.95	3.41
Daily Win Rate	78.3%	65.2%
Upside Capture Rate	136.8%	
Downside Capture Rate	-.9%	
Beta (SPXTR)	.55	
Correlation (SPXTR)	.55	

Market Outlook: Capitalizing on Dispersion and Uncertainty

As we articulated in September, the market continues to exhibit signals—such as deteriorating breadth and specific sector stress—that point toward a potential period of consolidation or tactical pullback.

The precise timing of any such correction is, by definition, unknowable. This fundamental uncertainty, however, underscores the key benefit of our systematic approach.

- **Rules over Emotion:** Our portfolio management is dictated by objective, rules-based logic rather than subjective macro-predictions or emotional reactions to market noise. This critical discipline allows us to remain fully invested and tactically active, identifying and capturing opportunities in volatility while concurrently controlling risk.
- **The Systematic Edge:** The current environment, characterized by elevated dispersion and intermittent volatility, is precisely when a systematic, multi-strategy framework excels. As witnessed in October, our Mean Reversion and Volatility strategies are designed to monetize the short-term fluctuations that often accompany market indecision.

Our conviction lies not in the forecast, but in the process. We remain well-positioned to dynamically adjust to a shifting regime, whether the market extends the rally or enters a period of heightened consolidation.

Thank you for your continued partnership.

BWC Founders Fund