

Portfolio Manager Commentary Third Quarter 2025

Portfolio / Index	Q3-25 Return	YTD Return	1-Year Return	2-Year CAGR	3-Year CAGR	Since Inception CAGR
Focused Growth Composite	-0.9%	+5.3%	+8.2%	+23.5%	+28.8%	+13.1%
S&P 500 Total Return Index	+8.1%	+14.8%	+17.6%	+26.6%	+24.9%	+14.5%

Returns are net of fees as of 9/30/25 and annualized if period is greater than 1 year; Q3-25 returns are preliminary

Dear Client,

The third quarter of 2025 was a frustrating quarter, no two ways about it. Despite earnings reports that ranged from solid to exceptional, our portfolio did not participate in the broader market rally that occurred during the third quarter. Second quarter adjusted weighted average revenue and EPS growth was 19% and 21% respectively for our portfolio during the quarter. Regardless, our portfolio was stuck in neutral during the third quarter. As we have noted many times before in this letter, we believe that over time stock prices will follow earnings growth. Nothing about this belief has changed. Still, we feel the frustration that comes with a quarter like this last one. With the dear diary portion of this letter out of the way, it's a good idea to take stock of what has been an incredibly active year thus far from a public policy standpoint and assess the outlook going forward now that the rules of the road for the next four years have largely been put in place. The first year of a new administration is typically a year of material change and even more so when the balance of political power shifts between parties to the extent things did last November. Still, the first nine months of Trump 2.0 have been a whirlwind. Between April and September, the terms that governed international trade for several generations have been rewritten in a manner that is much more favorable to US domestic production. The negotiations that took place during the Spring and Summer of 2025 are the reason people don't line up to watch sausage being made before sitting down for a nice bratwurst meal. Still, it is only fair to acknowledge that the tariffs put in place during the last six months have yet to materially impact consumer prices and, thus far, have largely been absorbed in other parts of the supply chain. President Trump 1, Economists 0. The one outstanding trade deal that must be resolved is the largest with the US and China arguing like a divorced couple and our sweet Nvidia playing the role of the 8 year old child caught in the middle. I'm an optimist and as such, I assume a deal will be reached and when one is that it will include a path for Nvidia to return to the Chinese market in earnest. Another component of the trade negotiations beyond the tariffs is the massive amount of investment in US based manufacturing that has been committed to by some of the world's largest corporations. With the new terms of global trade agreed to and massive new manufacturing investments secured, the last essential piece of the puzzle that had to be secured was stable tax policy with competitive global corporate tax rates. This was done

by a razor thin margin in Congress in July with the passage of President Trump's One Big Beautiful Bill. When you combine the trade deals, the investment commitments, and the tax bill with the administration's promise to reduce regulation, what we have is a massive bet on growth placed by the Trump administration. This is the bet that is going to define the next several years and it is one that we think is conducive to strong performance in the equity markets. Throughout this process, we have been anxious for the set of broad rules that would govern the next four years to be put into effect, confident in the belief that once this process was completed that our portfolio companies would be able to excel. We still believe that to be the case and look forward to evaluating the performance of our portfolio companies in this new, pro-growth environment.

I want to take some time to talk about controversies because every stock in the market is embroiled in at least one major controversy. Even our own portfolio that contains some of the highest quality, industry leading firms in the world, is littered with hotly disputed controversies. I've often contended that if you can answer 2 or 3 questions correctly about any stock, you are going to have a winning investment. As a fundamental investor, our focus is first on identifying the key controversies facing a stock and then determining how these debates are going to resolve over time. Each part of this equation is equally challenging and equally important. While you obviously don't want to be wrong on the key fundamental questions facing a company, you also better make sure that you are focused on answering the right question or else you are in for a world of frustration when earnings come in as you had hoped but the stock response is contrary to your expectations. The more questions facing a particular stock and the greater the disagreement over the answers to these questions leads to greater risk for those who are wrong and greater reward for those who get it right. Over the years, we have absolutely nailed these controversies on some stocks while driving the hammer squarely into our collective thumbs on others. That's life and that's investing. If you come across someone who has proven strangely clairvoyant on any prior stock debate you ask him about, you are either talking to an insufferable Monday morning quarterback, a liar, or both. During the third quarter, the prevailing market wisdom regarding the durability of the business models of some of our enterprise software holdings in the age of AI turned decidedly against our view. We will examine this debate in detail and explain the thought process behind our currently out of consensus opinion. We will also take a look at cable, which is an area where our focus on earnings and cash flow has proven irrelevant in the face of declining broadband subscriber trends. The goal is to provide greater clarity as to our current thinking in software while shedding some light on a recent portfolio action in cable.

Third Quarter Detractors:

Table 1:

Notable Q3-25 Performance Detractors	
Company	Performance
Salesforce.com	-13.1%
ServiceNow	-10.5%
Comcast	-12.0%
Charter	-32.7%

Right now, the biggest question to answer in software is whether AI is going to drive increased adoption at higher prices of the products offered by leading enterprise software companies or if it is going to allow their Fortune 2000 client base to bypass them altogether in favor of using AI to create internal custom applications. We have been steadfast in our belief that platform software companies like Service Now and Salesforce will be critical partners to Fortune 2000 enterprises when it comes to driving AI based solutions that unlock massive productivity gains and valuable business insights. While we still believe that will be the case, the market consensus has been otherwise and these stocks have traded as though an existential threat to their businesses has developed. Even if in-house AI solutions don't prove to be an outright replacement for off the shelf enterprise software, there is concern that AI driven efficiency gains will lead to fewer employees at client companies. This means fewer subscription software licenses to sell. This has led to painful multiple compression that has overwhelmed the consistently strong earnings growth these companies have delivered. Regarding the outright replacement of legacy enterprise software licenses with in-house options, we don't think that makes sense from the customer point of view. The AI race in the Fortune 2000 is in its very early days and the winners will be the companies that stay ahead of, or at a minimum keep up with their competition in a space that is innovating at an incredible pace. ServiceNow and Salesforce collectively spend \$7B per year in research and development to maintain their innovation leadership in AI. If I were the CEO of a Fortune 2000 company, I would think long and hard about my ability to not only deliver a working AI solution that meets my current needs, but also my ability to deliver market leading innovation year after year before I replaced my existing software vendors with an in-house option. On this topic, we are watching customer renewal rates closely. Currently, renewal rates remain 98% at ServiceNow and are holding steady in the low-90% range for Salesforce. To us, this indicates no widespread move on the part of clients to exit these relationships at the present time.

The part of the bear case regarding subscription license pressure due to lower headcount at client companies is admittedly a trickier assertion to combat. We have been quite vocal in our view that artificial intelligence is

going to be an incredible productivity driver. Part of the increase in productivity will come from substituting capital (software) for labor in certain fields. Given that enterprise software companies have historically priced their products on a per seat basis, a case can certainly be made that replacing human employees with AI agents will reduce the number of seats sold and thereby weigh on results. The problem with this analysis is that it assumes that the software companies are not going to be able to price for the innovation they are delivering to clients. We don't think that is going to be the case. Indeed, both ServiceNow and Salesforce are tinkering with their business models to incorporate a consumption pricing structure on their AI modules to protect against this scenario. We believe that this is a prudent move and expect that over time, both companies will be compensated for the innovation and value they bring to clients. However, debunking the fewer seats/less revenue theory can only be done via the delivery of results and as we are in the early days of the AI offerings for both companies, it is going to take some time for our thesis to prove correct. If we are correct, we will see better than expected revenue growth reported with AI products serving as a meaningful driver. ServiceNow is ahead of Salesforce on this metric as not only did second quarter results show an acceleration in revenue growth to 21.5% in constant currency terms, but the guidance for the remainder of the year was increased on better than projected strength in the AI infused suite of products. Salesforce exceeded expected second quarter revenues by \$100M in large part due to strength in its AgentForce offerings, but managed to blunt any share price momentum related to the earnings release by issuing what we believe will prove to be overly conservative guidance for the remainder of the year. We think this was a case of management trying to be too cute by setting an unreasonably low bar so they can triumphantly "exceed" expectations next quarter. Unfortunately, this little gambit fails to realize that the "set a low bar/beat earnings game" that they have historically played currently plays right in to the hands of the ever growing chorus of detractors that use the weak guidance as proof of AI driven cracks in the business model. The battlelines are drawn and while the early days of this debate have not gone our way on the scoreboard, we think that AI will ultimately prove additive to results. When it does, these stocks are not only positioned to appreciate in-line with earnings growth from current levels (mid-teens for Salesforce, mid-20s for ServiceNow) but in our view will be able to recoup some of the valuation premium that has been lost during this period of uncertainty.

While enterprise software is a space where the bull/bear debate is pretty clear, cable is an area where we have been focused on the wrong question. Our focus has been on earnings growth, free cash flow generation and the long-term winner in a world of converged telecommunications services when it should have been on the quarterly direction of broadband subscribers. At the close of the third quarter of 2021, Comcast traded at \$56 per share with an earnings multiple of 17.3x 2021 EPS of \$3.23. At the close of the third quarter of 2025, Comcast traded at \$31 and boasted an earnings multiple of 7x on expected 2025 EPS of \$4.42. Domestic broadband

subscribers were 29.4M as of Q3-21 and have fallen to 29.0M as of Q2-25. Charter traded at \$735 on 2021 EPS of \$24.47 at the close of Q3-21 and closed out Q3-25 with a share price of \$275 expected 2025 EPS of \$39. Charter's broadband subscribers fell from 28.0M as of Q3-21 to 27.9M as of Q2-25. Both companies have free cash flow yields in the mid-teens. Despite solid earnings and cash flow growth over the past several years, these stocks have performed atrociously as the compression in the PE multiple afforded these businesses has collapsed. The reason for the collapse has been disappointing broadband subscriber trends. While this was obviously an issue we incorporated into our thesis and earnings model, it is clear that this was the singular controlling issue for these stocks and that no amount of ARPU growth, margin gains, or share repurchase was going to overcome weakness in subscriber numbers. As we've come to terms with this realization, we decided to reduce our exposure to this sector. We sold Charter towards the end of the third quarter. This decision was driven in part by the need to raise funds to add Micron to the portfolio (more on this later) and in part due to Charter having the weaker balance sheet of the two holdings we had in a sector where we were reducing exposure. While I hate selling a stock at such a depressed valuation level, I can't point to a near-term catalyst for Charter that would warrant a re-rating higher and the heavy debt levels and pure-play focus on domestic cable made it the logical choice to sell. We continue to hold Comcast for the time being, but admittedly our patience is wearing thin. Strength in the NBC Universal and Business Services divisions which account for 30% of profits, an impending divestiture of cable network deadweight (Versant), and a 4.2% dividend yield are enough to give Comcast a temporary reprieve while we wait another quarter or two for tangible proof that a more aggressive bundled offering of mobile and broadband is enough to reverse the underwhelming trends in domestic broadband subscriber growth. Absent that, Comcast's eulogy will be written in an upcoming edition of this letter.

Happily, we aren't always wrong when it comes to identifying and resolving these issues facing our portfolio companies. For example, Nvidia has climbed a wall of worry the past couple of years as concerns that their lead in large language model training would give way once inference replaced training in the data center as the driver of workloads, how much the hyperscalers would/could continue to invest behind AI, and whether they would replace Nvidia chips with in-house silicon. Visa and Mastercard have long faced fears of disruption, first from Fintech competitors and more recently from the threat of Stablecoins. Finally, I'll point out that there was a time 4 years ago at \$90 per share when the consensus of the investment community was that Mark Zuckerberg was destroying Meta with his aggressive investment behind AI and the Metaverse. This view overwhelmed the fact that the company had over 3 billion people who interacted daily with at least one of Meta's apps. My hope in writing this section is that not only will it provide greater insight into our thinking as to the current controversies that are driving the performance of our portfolio, but also to help frame future conversations we might have around sharp share price movements in our holdings and why we continue to hold certain stocks

and not others. One of the great things about the stock market is that the investor gets to decide which questions they try to answer. We currently have 21 different battles we have chosen to fight and there are always several interesting debates outside our portfolio that draw our attention. I have often said that if you are making a trade and don't feel at least a tad bit nauseous, you probably haven't thought things through carefully because identifying the right questions and arriving at the correct answers to those questions is one hell of a challenge.

Third Quarter Contributors:

Table 2:

Notable Q3-25 Performance Contributors	
Company	Performance
ASML	+20.8%
BWX Technologies	+28.0%

Having covered some of the issues and individual stocks that served as a drag to performance in the third quarter, let us now shift gears to a couple of notable positive contributors- ASML and BWX Technologies.

ASML: For a company with a total monopoly in the highest end of lithography equipment that is essential for making semi-conductors, ASML's stock has more than its fair share of volatility. The reason for this is the different holding periods of the ASML investor base. Our investment is based on a belief that Extreme Ultraviolet Lithography (EUV) machines are going to be a critical component in the production of the high end chips (GPU and memory) required to make the promise of artificial intelligence a reality. As such, we maintain a long-term core position in this business. This is not a particularly controversial view. The controversy for ASML is the timing on when these expensive machines will be deployed and more recently fears around the impact of US placed restrictions on the deployment of their technology (no EUV for China) on the basis of geopolitical concern. Near-term visibility for ASML is low as customers are adjusting to new tariffs and new rules related to technology restrictions. In fact, as part of its second quarter earnings release, ASML pulled guidance for 2026 due to these uncertainties. We had a sharp correction in the share price in July but during August and September, the news flow around new capital investment by key foundry partners became the controlling issue for the stock which led to a sharp rebound in the shares as the lack of 2026 visibility gave way to a surge in 2027 optimism (lithography machine placements have a long lead time). This is one of those times when I feel for managers whose strategies require shorter-term time horizons. Big picture, our thesis on ASML remains intact and a lot of the investment in the semiconductor supply chain that we expected to get underway a year or two ago is

finally showing up. As such, ASML will remain a core holding in our portfolio for the foreseeable future although we may make periodic tactical adjustments to the weighting.

BWX Technologies: Shares of BWX Technologies continued their scorching 2025 run by gaining 28% during the third quarter. This was one of those simple cases where second quarter earnings came in 22% ahead of consensus expectations and the stock responded to the results with its own 22% move. If only life could more often deliver such satisfying cause and effect. While the earnings story at BWXT has certainly been solid, the real story for this company is occurring underneath the surface with massive growth in the long-term backlog. Backlog at the end of the second quarter was \$6B, up roughly 70% from the \$3.5B backlog for the quarter ending in June of 2024. There is a lot of activity around nuclear, particularly regarding its place in the long-term future in power generation. If you listen to Jensen Huang, and we do, he will tell you that the biggest constraint on the AI data center buildout is power. The Trump administration has taken an all of the above approach as it relates to energy which is going to be needed if we are going to supply the energy necessary to maintain our leadership in AI while keeping the lights and AC on across the country. It is estimated that we are going to need to bring on 100 gigawatts of additional capacity over the next five years and if that need is going to become a reality, nuclear is going to be part of the solution. This means more storage of waste, more maintenance of nuclear facilities and hopefully the deployment of small module nuclear reactors. BWXT stands to benefit from the urgent need for increased power generation. That said, these deals will be lumpy and we expect the stock to be volatile as investors wrestle with just how much of the long-term outlook to bake into the current stock price. Still, the overall trend is positive which explains the strong share price performance of BWX Technologies in recent months.

Third Quarter Portfolio Activity:

Table 3:

New Purchases / Additions	Eliminations / Reductions
Micron Technology	Charter Communications

As noted earlier in this letter, we liquidated our position in Charter Communications to fund a new position in Micron Technology during the third quarter. We explained our reasoning behind the Charter sale above so we will now discuss the rationale for our Micron purchase.

Micron: We made our first foray into the sometimes treacherous world of memory chips with our purchase of Micron during the third quarter. Memory has historically been an extremely volatile space with boom bust periods of performance that could be triggered by relatively slight shifts in market share or demand. Micron, SK

Hynix and Samsung are the primary players in the space and competition is fierce. Three large players, high fixed costs, volatile end markets and long lead times for new supply have contributed to an unstable pricing environment in memory. The intense cyclicality of this space has made us content to observe the roller coaster ride from a distance over the years. So what has changed in memory and why Micron? What has changed is AI data center demand has added a massive structural component to high bandwidth memory demand and we think Micron is poised to gain share with the launch of Vera Rubin in the second half of next year. AI data center demand has been booming for several years but the high bandwidth memory component of these chip sets has increased with each successive generation of Nvidia products and the HBM market has increased from \$8B in 2023, to \$12B in 2024, to \$20B in 2025 with expectations that it will exceed \$30B in 2026. During this time, the market has gone from one dominated by SK Hynix to one in which Micron has a 20% share in 2025 that we think will increase. Because Nvidia chips are basically sold out for the next 12+ months and have been that way for a couple of years, the pricing dynamic for the high bandwidth memory needed for these chip sets is much more stable than other areas of the memory market. This makes what has historically been a hyper cyclical business more tolerable in our eyes. The 2025 market share breakdown between the big 3 competitors in HBM is 60-20-20 with SK Hynix holding the dominant share. The reason for that is that they were first to the game in high bandwidth memory and both Micron and Samsung have been playing catch-up when it comes to meeting the technological requirements for inclusion first into Hopper and more recently into Nvidia's Blackwell systems. Simply stated, SK Hynix has had a technological edge and as such a first mover advantage in an area where Nvidia can't afford mistakes. As we look towards the Vera Rubin launch in the second half of 2026, Micron has already received technological approval from Nvidia as has SK Hynix. Samsung is running a touch behind. Micron is starting from a much better relative position for Rubin than it did for Blackwell or Hopper. Further, we think it is in Nvidia's interests to cultivate a more equal playing field for its HBM suppliers and would expect Micron to be a beneficiary of this desire. It is also worth noting that Micron is the only US based HBM supplier to the extent currying favor with the Trump administration plays into Nvidia's calculus. Finally, because high bandwidth memory for data center is growing at such an explosive rate and already generates operating margins well above corporate averages, this is where the overwhelming majority of memory related CAPEX is being spent. This should keep things nice and tight as it relates to supply/demand in the other areas of the business and as such have a favorable impact in the areas where pricing is unstable. We are not so naïve as to declare memory's days of cyclicality to be over. However, we do think that the current cycle will prove longer than is currently appreciated which will be beneficial to Micron. We added Micron at a 3% position during the third quarter.

While the third quarter of 2025 was frustrating in the sense that the near-term performance of our portfolio lagged the underlying fundamental strength of our portfolio companies' businesses, the third quarter was a time

where the trade, regulatory and tax policy rules that will govern the next several years came into clearer focus and we view that as a major positive for equity markets. With policy now largely set, it is up to our portfolio companies to execute under the updated set of rules. This is the terrain on which we are more comfortable fighting. We thank you for the confidence and trust you place in us. As always, don't hesitate to reach out if you have any questions or topics you would like to discuss in greater detail.

Regards,

A handwritten signature in black ink, appearing to read "Ken Burke".

Ken Burke
Chief Investment Officer

Disclosure

The Burke Wealth Management Focused Growth Composite, created on October 1, 2018, contains fully discretionary large cap equity accounts that is measured against the S&P 500 Total Return Index. Results are based on fully discretionary accounts under management, including those accounts no longer with the firm. The Burke Wealth Management Focused Growth Strategy invests exclusively in a portfolio of high-quality companies.

The S&P 500® Total Return Index is a widely recognized, unmanaged index of 500 common stocks which are generally representative of the U.S. stock market as a whole. Ordinary dividends are reinvested across the index and accounted for in the Total Return index calculations.

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