BURKE WEALTH MANAGEMENT

INVESTOR LETTER

First Quarter 2026

Portfolio / Index	Q1-26 Return	1-Year Return	3-Year CAGR	Since Inception CAGR
Focused Growth Composite	**-10.6%**	**+4.6%**	**+16.8%**	**+10.8%**
S&P 500 Total Return Index	-4.3%	+17.8%	+18.3%	+13.2%

Returns are net of fees as of 3/31/26 and annualized if period is greater than 1 year.

✶ INVESTOR LETTER HIGHLIGHTS ✶

- **Q1 2026 in Review:** The worst quarter for equities since 2022. War with Iran and the resulting oil shock overwhelmed an otherwise strong earnings backdrop.
- **War with Iran:** U.S. and Israeli military action beginning in February achieved air superiority and significantly degraded Iran's nuclear program, but the fate of the Strait of Hormuz remains unresolved — keeping oil above $100/barrel and markets on edge.
- **Federal Reserve:** Kevin Warsh nominated as next Fed Chair. His advocacy for a smaller Fed balance sheet and AI-driven rate flexibility marks a clear policy departure. The nomination faces meaningful bipartisan friction.
- **Supreme Court & Tariffs:** A 6–3 ruling struck down IEEPA-based blanket tariffs but preserved most of the 2025 trade reset with no refund mechanism for importers — a largely status quo outcome for markets.
- **Enterprise Software Headwinds — CRM, CRWD, NOW, SNOW:** Strong earnings and accelerating guidance have not mattered. Valuations are at 10-year lows. We believe the market's indiscriminate AI-disruption sell-off has gone too far and is nearing its conclusion.
- **Positive Contributors — ASML & Micron:** ASML +24% on record $13B Q4 bookings (56% memory tools). Micron +18% as FY27 consensus EPS soared from $19 to $93, reflecting AI's insatiable demand for high bandwidth memory.
- **Our Outlook:** Exogenous events have overwhelmed strong fundamentals. We expect war resolution and greater AI clarity ahead. Corporate earnings strength will ultimately prevail. The portfolio is built for exactly this kind of turbulence.

Dear Client,

The first quarter of 2026 was the worst quarter in the equity market since 2022 with the S&P 500 falling -4.3% and growth indices down double digits. Our Focused Growth portfolio fell -10.6% during the first quarter. War with Iran and a corresponding spike in oil prices overwhelmed strong corporate earnings reports during the first quarter. S&P 500 earnings increased 14% in the fourth quarter of 2025 led by 30% growth from the technology sector. Ironically, technology stocks were among the worst performers in the first quarter and many of the largest, fastest growing technology stocks now trade at a discount to the broader market. We believe that this is an aberration that will be corrected as the year plays out. Beyond the overhang of uncertainty that comes with war, there is tremendous angst in the investment community over the impact of the AI revolution. This manifested itself during the first quarter in some sort of perverse cognitive dissonance as the near-term stock action implied that a handful of private AI companies were going to take over all digital businesses yet somehow the companies building out the compute power needed to make artificial intelligence a reality are operating in a return destroying bubble. We don't believe that either of these scenarios will ultimately prove to be the case but is it too much to ask for some intellectual consistency while the market wrestles with a new AI infused future? In addition to the war and general AI uncertainty, President Trump announced the nomination of Kevin Warsh as the new Federal Reserve Chair and the Supreme Court issued a ruling on the legality of certain Trump tariffs. There were a lot of moving parts in the first quarter. As we look out to the remainder of the year, we expect a resolution to the war and greater clarity as it relates to AI's future against a backdrop of continued strength in corporate profits. This is a favorable backdrop for equities but getting from point A to point B may be a little bumpy. This is a good time to remember that the balance sheet strength of our portfolio companies uniquely positions this portfolio to weather periods of near-term uncertainties while remaining positioned to benefit from the long-term opportunities presented by the AI revolution.

KEVIN WARSH & THE FEDERAL RESERVE

In a normal quarter, either the naming of a new Chairman of the Federal Reserve or a Supreme Court ruling on the legality of the Trump administration's ambitious tariff policies would have been more than enough to qualify as the top non-company specific market story. However, the war with Iran that began in early March, and subsequent closing of the Strait of Hormuz clearly ranks as the top exogenous event of the first quarter of 2026. Still, each of these events warrants discussion so we will begin sequentially with the nomination of Kevin Warsh to replace Jay Powell as Fed Chair in May.

President Trump has been a vocal critic of Jay Powell's for the better part of the last ten years. This criticism is rooted in the belief that Jay Powell is responsible for artificially keeping interest rates high, which in turn increases the interest payments we must make on our $38 trillion national debt. As I've stated before, I think the recent criticism of Jay Powell with regard to the current level of the Fed Funds rate has been largely unfair. Outside of the horrific error of holding the Fed Funds rate at zero for way too long in late 2021 and early 2022 that contributed to a generational spike in inflation, I think the Federal Open Market Committee (FOMC) under Powell's leadership has done a reasonably good job. Further, I think Jay Powell's influence is overstated, which likely stems from the fact that he is the only member of the FOMC that most casual observers can name. The power of the Fed Chair is overestimated for two key reasons: First, the Fed Chair is one of 12 voting members on the FOMC. The Chair sets the agenda and speaks last during FOMC meetings but at the end of the day, still only gets one vote. Second, and most importantly, the FOMC doesn't set interest rates. They set the Fed Funds Rate which is the rate that banks charge each other for overnight loans. While this influences overall interest rates across the yield curve, I dare say that the bond market has a much greater voice in the matter. All that notwithstanding, President Trump's nomination of Kevin Warsh to succeed Jay Powell as Fed Chair was an important announcement for the stock market in the first quarter of 2026.

Before we analyze what a Warsh led Fed might look like, I want to make one thing clear from the start: Kevin Warsh is qualified to serve as Chairman of the Federal Reserve. That doesn't mean that confirmation is assured, far from it. Presently, he faces opposition from key players on both sides of the aisle. Republican Senator Thom Tillis, previously best known for being the master of ceremonies for the Senate's annual dog parade, has refused to even consider the Warsh nomination until the Justice Department drops its investigation into Jay Powell for going overbudget on a building project because these two things are so clearly linked. This coupled with unanimous opposition from the Democrats on the banking committee due to either a meticulous evaluation of his theories on monetary policy or blanket opposition to anything proposed by President Trump could stop this nomination in committee before it ever gets to a full Senate vote. Finally, the usually affable Democratic Senator Elizabeth Warren, a leading voice for Democrats when it comes to banking regulation, is uncharacteristically angry about the Warsh nomination as well. It's a shame that the Warsh nomination is going to devolve into the same blue team/ red team circus that overtakes all things political these days because if we had thoughtful, responsible political leaders this would be the type of nomination that could trigger some interesting debate and Warsh would be a candidate that would garner support and potentially opposition from both sides.

As I think about the nomination of Kevin Warsh, it amuses me that for all of President Trump's boisterous support for a dovish Fed, Warsh was easily the most hawkish of the candidates that made the final short-list of nominees. If you want to trace the rollover in risk assets to one event during the first quarter, look no further than the nomination of Kevin Warsh for Fed Chair. The S&P 500 peaked for the quarter on January 28th and Warsh was nominated on January 30th. I think that this is due to Warsh's advocacy for a smaller Fed balance sheet. Prior to the financial crisis, the assets on the Fed balance sheet totaled about $1 trillion. This is when we were introduced to the term quantitative easing. To provide a boost to the economy beyond simply setting the Fed Funds rate to 0%, the FOMC voted to more than double the size of the Fed balance sheet to $2 trillion during the global financial crisis. This kept rates on risk assets artificially low and provided extra liquidity to markets during the crisis. As we emerged from the crisis, growth remained elusive, so the Fed balance sheet ballooned from $2 trillion to $4.5 trillion from 2010-2016. From 2018-2020, the FOMC shrunk balance sheet assets below $4 trillion. When Covid hit in 2020, the Fed balance sheet went from $4 trillion to $7 trillion immediately and continued to expand before peaking at $9 trillion in 2022. Since then, we've been on a gradual glide path lower towards the current level of $6.6 trillion. Kevin Warsh wants to accelerate the path lower as removing the government as a massive buyer of debt would lead to better price discovery and ultimately more efficient allocation of capital. We all know that this makes sense and needs to be done. What we don't know is how much pain this will cause. Beyond his views on the size of the Fed balance sheet, Warsh has indicated greater flexibility in thought as to the appropriate level of the Fed Funds Rate due to the productivity gains anticipated from the AI revolution. His thinking on this matter is simple and logical. AI driven productivity gains are a massive supply side boost to labor. This is disinflationary in nature and as such, the neutral level of the Fed Funds rate will be lower in the future than it has been in the past. Lowering rates would remove an artificial and unnecessary governor on growth. The risk is that the productivity gains don't materialize as expected or that inflationary pressures in the raw goods needed for the AI datacenter buildout offset the deflationary pressures from the supply side boost to labor productivity. Kevin Warsh is an outside the box thinker whose leadership of the Fed would mark a departure from the more traditional leadership provided by Jay Powell. We will be watching the progress of his nomination closely.

THE SUPREME COURT & TARIFFS

Given that I wrote extensively about the Supreme Court ruling on Trump's tariff policies in our last investor letter, I'll be brief in this section. Simply stated, we got a John Roberts special and for that, I am grateful. In a 6-3 opinion authored by the Chief Justice himself, the Supreme Court ruled that the Trump administration's imposition of blanket tariffs under the International Emergency Economic Powers Act (IEEPA) were illegal. The ruling highlighted several other avenues for the imposition of tariffs that are legal and did very little to address any sort of refund mechanism for the importers who paid the tariffs imposed under IEEPA. Practically speaking, this ruling did very little to change the status quo. Outside of the predictable handwringing from the White House, some cheering from the press corps, and a couple of awkward handshakes at the State of the Union, not a lot changed. The administration still has plenty of legal avenues to pursue tariff diplomacy and any nation backing out of a trade deal that they already made with Trump would be insane. From a market standpoint, we no longer have to live in fear of waking up to a tweet that triples tariffs on a key trading partner effective immediately. Longer term, I suspect that some of the people cheering the administration's loss on tariffs are going to bemoan the guardrails that the ruling established on the power of the executive branch to set broad policy absent congressional approval under the IEEPA. Overall, this ruling appears to keep in place a reset on global trade that Trump was able to achieve during 2025 while reducing the role that tariff diplomacy will play in future geopolitical negotiations.

WAR WITH IRAN & THE ENERGY MARKETS

Just as the market gained a semblance of clarity regarding tariff diplomacy and had digested the news of Kevin Warsh's nomination to be the new Fed Chair, The United States and Israel attacked Iran. For 47 years, the Islamist Regime of Iran has been an enemy of the United States. Iran has sponsored terrorist organizations in Lebanon, Gaza and Yemen, developed an advanced ballistic missile program and has pursued nuclear weapons. Since the Iranian regime seized power in 1979, it has been the policy of every US administration that the Iranian state must never be allowed to acquire a nuclear weapon. Last June and again this February, the decision was made that Iran's pursuit of a nuclear weapon was close enough to becoming reality that military action was necessary. Whereas the US and Israel made targeted strikes against a couple of known nuclear facilities last June, the military action in Iran that began in February has been much more comprehensive. Multiple layers of Iranian leadership have been killed, Iran's Navy is at the bottom of various bodies of water, and we have achieved total air superiority and wiped-out

Iranian air defenses. Iran's ballistic missile stockpile is dramatically reduced, having either been destroyed or fired at Israel and neighboring Middle Eastern countries. Iran's stockpile of 1,000 pounds of enriched uranium that is a few short steps from being converted into weapons grade material has not been secured and Iran maintains an ability to disrupt/shutdown the free flow of commercial oil tankers through the Strait of Hormuz. Exactly who, if anyone, is in firm control of Iran is unknown as there are groups that seem to be trying to negotiate an end to hostilities with the US and hardline groups that indicate a desire/willingness to dig in further. As of this writing, which is taking place the morning after President Trump's April 1st address to the nation, this is where the gameboard stands. As is the case with an on-going war, things remain fluid.

The conflict in Iran has been an overhang to the market with March being the worst month for equity returns since 2022. Oil has moved from $70 to north of $100 per barrel and many countries face looming shortages while even here at home, where we are largely energy independent, consumers are facing materially higher gasoline prices. Day to day market volatility has spiked as many market participants/algorithms/day traders respond to every news report and tweet. As unpleasant as things have been from a market standpoint, there was a time in the not too distant past that a war with Iran and a shutting down of the Strait of Hormuz would have resulted in much steeper declines. The two-decade march towards increased domestic production coupled with the recent US assisted regime change in Venezuela has helped mitigate some of the pain. From a market view, higher oil prices are going to put a damper on discretionary consumer spending and cause a transitory uptick in inflation readings. The key is going to be making sure that we avoid damaging critical energy infrastructure that would make higher oil prices permanent. While a restoration of the Kingdom of Persia led by a western-friendly secular group would be ideal, the actual outcome is likely to be less satisfying. In his address to the nation, President Trump indicated that after a couple more weeks of hitting military targets, the United States would be content to conclude this operation with the promise that any indication that Iran was seeking to restart its nuclear program would be met with a renewed bombing campaign. Even prior to the destruction of Iran's air defense systems, our military has demonstrated ability to turn off these Chinese made defense systems the way you or I might turn off a light switch. We come and go as we please. President Trump's message regarding the Strait of Hormuz was a bit unsettling, both for the market and for countries that import the bulk of their oil through this passageway. It was basically, "you guys figure it out". We are not as reliant on oil passing through the Strait of Hormuz as we have been in years past and are working to become less so. Many other nations can't say the same. Oil prices moved sharply higher on this news as the prospects for the United States ending the campaign with military objectives met but the fate of the Strait of Hormuz left to what remains of the Iranian regime was not the clean outcome the market had been hoping for. Prolonged upward pressure on oil prices will be a headwind to the US economy even if the pain is not as great as the pain of shortages that many other nations will feel should the Strait of Hormuz remain closed or materially restricted for an extended period of time.

If you had to boil the market reaction to the Iran conflict down to one word, that word would be recession. Energy stocks were up almost 40% in the first quarter and the other positive sectors included utilities, materials and staples.

Conversely, consumer discretionary and technology stocks both had double-digit declines in the first quarter. This is the textbook recession trade. Unsurprisingly, I think this is a rotation that has gone too far. As discussed above, higher oil prices are going to be a headwind to discretionary spending. There is no way around that. However, I think this analysis too readily dismisses the consumer stimulus that is coming from the One Big Beautiful Bill that comes in the form of lower tax rates and higher tax refunds. This, along with a stable job market, provides an offset to higher energy prices. On the technology front, I don't see how the war materially impacts the AI revolution. We remain compute constrained and as long as that remains the case, the investment behind the data center buildout will proceed full steam ahead. In many ways, compute is to the future what oil was to the past. In an AI future, the mega-cap technology companies provide the infrastructure upon which the world will run. It also doesn't hurt that these companies entered this period of uncertainty with unprecedented balance sheet strength and stocks trading at multi-year low valuation levels. While selling technology stocks into recession fears is the textbook trade, I'm not sure that the old textbook is relevant for the current class.

NEGATIVE CONTRIBUTORS: ENTERPRISE SOFTWARE

CRM • CRWD • NOW • SNOW

As a sector, enterprise software stocks peaked at the end of 2024, had a terrible 2025 and an even worse start to 2026. There has been very little distinction between single solution product companies and platform companies that orchestrate workflows across an entire enterprise. Valuations are at 10-year lows, and the prevailing viewpoint is that AI is going to obviate the need for legacy enterprise software subscriptions either by replacing existing software with vibe-coded solutions or by destroying the per seat business model that these companies were built on by eliminating the seats (human employees). Every time Anthropic releases a new set of tools, it seems like enterprise software stocks fall 5%. We have tried to manage through this environment by consolidating around what we view to be best of breed platform companies across different segments of the enterprise software stack (the raw data layer (SNOW), cyber security (CRWD), and multi-cloud platform solutions (NOW, CRM). Unfortunately, our efforts to discriminate between business models and high grade our holdings have not worked as the broader market is doing no such thing at the present time. The fact that each of the enterprise software companies in our portfolio have beaten earnings estimates consistently over the past year and are forecasting revenue acceleration in 2026 has not mattered either. In fact, this has only served to increase our level of frustration with the stock action. Service Now and Crowdstrike grew operating profit over 25% in 20025 while Snowflake more than doubled its operating profit from a somewhat depressed base. Admittedly, Salesforce's profit growth of 12% puts it in a different, and lesser, category than the others but none of these results would seem to warrant the 70%+ degradation in valuation that these stocks have endured over the past 15 months. This type of valuation reset in the face of strong results and accelerating growth indicates that the market is either correctly pricing in a looming collapse in earnings or has become untethered from the fundamentals of these businesses. I'll explain why we think it's the latter.

If AI is going to destroy enterprise software, why is almost every major enterprise software company in some sort of partnership with Anthropic and OpenAI? We think the answer is that the leading SaaS companies are going to incorporate the power of these frontier model companies into their existing offerings and this is an arrangement that benefits both the SaaS companies and the frontier model companies. Frontier model companies purchase compute power, run that over their large language models and sell tokens of output. Anything that is developed on top of these models that facilitates token generation is positive for them. To be clear, these companies can and do partner directly with large enterprises to create applications on top of their models. This includes bespoke applications as well as applications already integrated into existing SaaS providers. However, when you boil it down, this is the same outsource versus do-it-yourself choice enterprises have faced for generations. Sure, the combination of new tools being developed plus vibe coding greatly improves the quality and speed to market of the in-house option. However, it does the same for the outsourced option. Importantly, the vibe coded solutions have been very thin when it comes to describing the internal and external security protocols for enterprise data as well as for articulating exactly how these applications will be supported over the long term. The same business fundamentals that drove large enterprises to outsource enterprise software solutions still hold. I do not think that Fortune 2000 companies are going to move away from the existing data systems of record that stretch across the entire organization, incorporate decades of expertise, and provide tested security guardrails in favor of building an in-house solution from scratch. The biggest threat that incumbent SaaS players face, in our view, is from platform SaaS companies that are now able to offer solutions across different business functions faster. This is why we think making a distinction between product companies and platform companies is so important.

A final point worth discussing is the business model change that AI is going to force across enterprise software. The substitution of digital agents for human employees is going to require a move away from a pure seat-based subscription model towards something more along the lines of a consumption/subscription hybrid model. Also, enterprise software companies are going to have to incorporate a new cost line-item (tokens from frontier models) into their pricing model. Making a change to a previously successful business/pricing model can seem daunting, but this is an issue where you must go back to first principles: if a product or service delivers tremendous value to the customer, the companies selling the product will figure out a way to be compensated for this value. Indeed, ServiceNow and Salesforce are already offering customers a variety of payment options for the AI solutions they offer.

The market has focused exclusively on the competitive threats and business model changes that AI brings to the enterprise software space and seemingly spent very little attention on the new opportunities it makes available. The across the board, step function decline in the stock prices of all SaaS companies is a shoot first ask questions later reaction. We think this indiscriminate process is nearing its conclusion and that as investors begin to look more closely at which companies are best positioned to not only survive, but potentially thrive in the new AI reality that the companies in our portfolio will benefit. That said, we continue to look for evidence that our thesis is wrong and do not rule out another round of high grading our exposure to this sector (Salesforce is on watch). For now, we think the best action is to stay the course with the belief that our view of the business fundamentals will prove correct, and patience in the face of overwhelming frustration will ultimately be rewarded.

POSITIVE CONTRIBUTORS: ASML & MICRON

In an otherwise dismal quarter for growth equities, shares of ASML and Micron delivered strong returns gaining +24% and +18% respectively during the first quarter. Both of these companies are essential players in delivering the compute power necessary to drive the AI revolution. Had the market displayed any sort of rational behavior during the first quarter, Nvidia would have joined this list of gainers after announcing the strongest results in the history of results and providing the strongest guidance in the history of guidance in late February, but near-term market absurdities prevented this outcome for the time being. The fundamental driver for both ASML and Micron is a seemingly insatiable demand for more compute power. Saying the world is compute constrained without proving it doesn't get you far these days. We live in a world where many analysts are focused on calling out a peak in CAPEX spending and making the claim that the spending to date on AI has created a bubble that will take years to digest. This may still be the case, but if it is, executives from Amazon, Alphabet, Microsoft, and Meta are going to have a lot of explaining to do because collectively, these four companies committed to spend over $600 billion on AI related CAPEX this year.

Let's take a look at how that demand for more compute manifested itself in the most recent round of earnings reports for ASML and Micron. ASML makes the machines that make the chips that make AI possible. ASML has a monopoly in the high end of the market with its Extreme Ultraviolet Lithography machines that are used to produce the most cutting-edge chips. When it comes to end markets, logic is a key driver for ASML with the most notable logic demand coming from the explosive growth of Nvidia chip sets. Logic systems drove 66% of ASML's 2025 revenues. However, with the increased use of high bandwidth memory in the next generation of Nvidia GPUs, memory is becoming increasingly important to the story. Because ASML's tools are enormous machines that take a long time to build, system bookings is the key metric to watch to get a peak into the future. In the fourth quarter of 2025, ASML announced systems bookings of over $13B, well ahead of the $7B expected by analysts and an 86% increase over the prior year period. Further, 56% of these bookings were for memory tools which indicates a broadening out from the already strong logic driven demand. This makes sense as memory, along with power, has become a key bottleneck in the AI datacenter buildout story and the memory triopoly of SK Hynix, Samsung and Micron are scrambling to meet demand. Meeting demand is going to require capacity buildouts and new capacity is going to require new lithography tools. We started to see that dynamic play out with the Q4-25 bookings announcement and as a result, ASML's ambitious 2030 roadmap is coming into focus earlier than expected.

A careful reading of the previous paragraph would provide some context clues as to why shares of Micron have been on a tear the past six months. Memory is one of the key bottlenecks in the global AI datacenter buildout. Inference requires more memory than training and as AI moves past model training, towards producing actionable business insights, memory becomes a more critical component to the system. Outside of the new AI driven demand for high bandwidth memory, traditional markets like smartphones, PCs and industrial use cases continue to demand memory chips. Because memory is a highly cyclical market in which a large portion of demand prices on what amounts to a spot market, the new source of outsized AI demand has led to an explosion in memory pricing which in turn has led to an explosion in earnings. To put things in context, when we bought Micron six months ago, consensus earnings estimates for FY 26 and FY 27 were $13 and $19 respectively. Current consensus EPS estimates for FY 26 and 27 now sit at $57 and $93 respectively. As we noted at the time of purchase, we entered into our position in Micron fully aware of the hyper cyclicality of the memory market. We simply believed, and continue to believe, that the current cycle will be greater in magnitude and longer in duration than anticipated. While we may have already hit peak magnitude with current estimates nearing $100 per share, we think that the enormous AI driven demand for memory will lead to a stickiness in pricing that will extend the duration of peak earnings. As investors, and more likely 0-day option traders, continue to grapple with the magnitude and duration question as it relates to Micron earnings, we expect the extreme volatility in these shares to continue. That said, as long as our view of either the magnitude or duration of the current cycle is greater than consensus expectations, this is a roller coaster ride we will stay on albeit with our seat belt tightly buckled.

LOOKING AHEAD

The first quarter of 2026 was a frustrating quarter in that exogenous events overwhelmed otherwise strong fundamentals. Our experience is that, over time, strong corporate profits will ultimately rule the day. We expect that to be the case in 2026. The road may be bumpy, but our portfolio is built for bumpy roads. 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,

Ken Burke
Chief Investment Officer
Burke Wealth Management

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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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