Portfolio Manager Commentary
Second Quarter 2024

Portfolio / Index	Q2-24 Return	YTD Return	1-Year Return	3-Year CAGR	5-Year CAGR	Since Inception CAGR
Focused Growth Composite	+5.9%	+21.9%	+36.8%	+3.7%	+15.0%	+14.1%
S&P 500 Total Return Index	+4.3%	+15.3%	+24.6%	+10.0%	+15.1%	+13.5%

Returns are net of fees as of 6/30/24 and annualized if period is greater than 1 year

Dear Client,

Our Focused Growth portfolio delivered strong second quarter results, gaining +5.9% during the quarter and bringing the year-to-date gains to +21.9%. This compares favorably to the S&P 500, which delivered gains of +4.3% during the quarter and +15.3% year-to-date. As was the case with the broader market, much of our positive performance during the second quarter was concentrated in mega cap holdings Nvidia, Amazon and Alphabet. The biggest difference being that we just happen to own a lot more Nvidia and Amazon than the major indexes. Despite the concentration of the returns across a relatively small handful of holdings during the second quarter, we were pleased with the Q1 earnings reports from the vast majority of our portfolio companies. A lot has been made of the fact that the 2024 market rally is a "narrow" rally led by only a few companies and that earnings growth across the broader market has been much harder to come by. That hasn't been the case for our portfolio. 12 of our 21 Focused Growth portfolio companies reported first quarter EPS growth in excess of 20%. From where we sit, earnings growth doesn't seem quite as scarce. As such, we think that our portfolio is well positioned to sustain its strong performance even in an environment in which market leadership broadens out beyond Nvidia. In our first quarter investor letter, I noted that stock movements during that period were driven more by company fundamentals than by broader macro factors. This is an environment we prefer and that remained the environment during the second quarter. I marvel at the fact that the S&P 500 is up 15% thus far this year despite the fact that consensus expectations for 2024 rate cuts have gone from six at the start of the year to 1 following the June Fed meeting. Inflation is falling and economic growth is slowing but still positive. This remains a good Wall Street economy even if much of Main Street is still struggling to digest the inflation shock of 2022.

Looking ahead to the second half of 2024, the Presidential Election is going to take center stage which means I get to write a little bit about politics in the next couple of investor letters. Joy. In this letter, I provide a gentle reminder that political dysfunction does not necessarily mean stock market dysfunction. Once we move past the name calling phase to the name calling and policy discussion phase of the political season, I'll take a more

detailed look at the ramifications of the various policy proposals by the candidates. The last 30 months have featured extreme portfolio volatility- both the good kind and the bad kind. As such, now is a good time to discuss risk management and talk about how we thought about and managed the risk of the portfolio during this period. Finally, the AI revolution continues to be at the center of the market universe so we take a look at the developments at Nvidia that led to another stellar quarter of returns as well as the relatively cloudy outlook in the enterprise software space that has caused a great deal of first half anxiety. Overall, the first half of 2024 is in the books and performance has been outstanding. We look towards the second half of 2024 with optimism.

The summer before an election year is the time for the presidential candidates chosen via the primary process of the winter and spring to accept the nomination of their respective political parties and clearly articulate a positive vision of what they hope to accomplish for the country during the next four years. I see no reason why 2024 will be any different. Just kidding. 2024 is shaping up to be the first election in US History whereby the winner will assume the White House and the loser and his family will face incarceration. The injection of lawfare into politics is a natural extension of the vitriol that has been growing in this country for some time now. It's not healthy for the country but what else is new. Our political system sometimes seems like it is on life support. I could bemoan the state of the country heading into the election, but that's not my job. My job is to evaluate how this nonsense impacts our portfolio. From that standpoint, political dysfunction isn't the worst thing. Political dysfunction creates gridlock as neither party is willing to work with the other to enact policies that benefit the American people. On its surface, this seems like a very depressing statement to make. In reality, when the political class coalesces around an idea, businesses are usually best served to duck. We are probably one more election cycle away from the point in time where substantive issues such as the debt, spending and entitlements will have to be addressed and hard choices made. Ignoring these issues is irresponsible in the long-term but promotes relative stability in the near-to-intermediate term. Stability is our friend as the businesses we own typically just need to know the rules and have some assurance that those rules are stable in order to be successful. From that standpoint, the dysfunction we live through over the next six months and the kicking the can down the road mentality for the larger issues may not be the best thing for the country, but it's not the worst thing for our portfolio.

Risk is something every investor feels and every manager works to mitigate. In traditional financial theory, risk is measured by the level of volatility of a given investment. The riskiness of a given stock is said to be the level of volatility in the share price versus the level of volatility of the overall market. Managers seeking to limit the risk of a broader portfolio do so by adding holdings with low or even inverse correlation to each other. While

Please reference the supplemental disclosure which accompanies this commentary.

this may be helpful for clients who struggle with the day to day movements of a portfolio that prices in real time, I'm not sure it does much to manage actual risk. Perhaps the best example for the limitations of a volatility based method of measuring risk is the case of private equity. Private equity as an asset class has seen enormous in-flows over the last twenty years, largely from institutional investors who laud its low volatility and the favorable impact that has on the characteristics of a broader portfolio. Does a lack of volatility and low correlation to the price movements of public equities mean private equity is a lower risk asset class? No it does not. Think about the characteristics of most private equity investments. These are either innovative companies competing in emerging industries, established businesses utilizing heavy doses of leverage to juice equity returns, or some sort of real estate venture. Leaving open the possibility of a very rare exception, by and large on a stand-alone basis, there is not a single private equity investment that carries less risk than the riskiest holding in our Focused Growth portfolio. Why then does private equity feel so safe to many investors? The answer is that private equity investments are not priced in real-time and even if they were, investors are locked up and unable to react to the change in price. This serves two purposes: One, it creates a false sense of price stability for an investment when in fact the reality may be very different. It's also helpful that when new marks are taken, the manager has a significant amount of influence as to exactly where those marks should be. Two, it forces the type of patience onto an investor that typically leads to better outcomes regardless of the asset class. The point of writing this is not to cast aspersions on private equity investing (ok, maybe just a touch), but rather to highlight how one of the largest and fastest growing asset classes blows a pretty big hole in the volatility based measurement of risk concept when you take the time to think about the actual characteristics of the underlying investment.

So, if volatility is a deeply flawed way to measure risk, what is the right way to do it? The honest answer is that there is no slam dunk correct answer when it comes to risk management. I can only speak to how we try to manage risk and discuss why I think that this approach not only works but has been proven out over the past couple of years. The first thing we do is we own a diverse portfolio. I understand the name of the portfolio is ***Focused*** Growth and that the 18-25 holdings we target is far fewer than what most managers hold. That said, our portfolio offers exposures to what we believe to be the most attractive economic sectors on a global basis. Also, it is important to remember that the diversification benefit of owning 20 stocks versus owning 1,000 stocks are minimal. More important than the diversified portfolio is the financial makeup of each component of the portfolio. Simply stated we mitigate risk by taking the prospect of permanent impairment of capital off the table. We own businesses with fortress like balance sheets that generate the cash flow necessary to continue making

Please reference the supplemental disclosure which accompanies this commentary.

investment across a variety of macro-economic environments. This doesn't mean that economic downturns don't hurt, it just means that our portfolio companies tend to emerge from such events stronger than before.

The ultimate test, and vindication, of our approach to risk management has occurred over the past 2.5 years. For the superstitious among you, know that I struggled hard with the use of the word vindication in the previous sentence for obvious reasons. That said, in an effort to appease the investing Gods, I will clarify and clearly state that the vindication I am talking about has to do with risk management and not investment returns. It seems like a lifetime ago, but two years ago in the second quarter of 2022, Nvidia halted production of all of its gaming chips due to an inventory glut and resolved not to resume production until excess inventories were cleared. Earnings fell 50% in Q2-22 and 50% again in Q3-22 and remained negative through the first quarter of 2023. The stock which had hit highs of $350 ($35 split adjusted) in November of 2021 hit lows of $120 (or $12 split adjusted) within a few months of this announcement. These were dark times for the true believers in Jensen Huang and Nvidia. Despite the brutal beatdown in the share price, Nvidia never slowed down its investment in research and development. In fact, during the four quarters in which Nvidia earnings were down sharply (roughly on the order of 30%), R&D spending increased by 30% in aggregate. Nvidia had the cash flow generation and balance sheet strength to keep investing through the downturn of 2022 without jeopardizing the company. As it turns out, among the projects receiving increased investment during the downturn in earnings were the development of the Hopper and Blackwell chip sets that are powering today's AI revolution. The rest as they say is history. I highlight Nvidia because it is a perfect example of what we mean when we talk about investing in companies that can succeed in a variety of macro environments and possess the ability to invest throughout economic cycles. During the technology recession of 2022 this same dynamic played out across many of our portfolio companies. Please note that continued investment throughout a cycle doesn't guarantee productive investment. There were in 2022 and will be in the future times when we misjudge the opportunities available to our portfolio companies. That said, none of our companies were remotely close to bankruptcy during the downturn nor were they forced to reassess their long-term investment programs. This is how we manage risk.

Please reference the supplemental disclosure which accompanies this commentary.

Notable Second Quarter Contributors/Detractors

"Dad, why is my sister's name Rose?" "Because your mother loves roses."
"Thanks, Dad." "You're welcome, Nvidia."

Nvidia: Nvidia shares are up a smooth 149% year to date including a 37% gain in the second quarter. Given that Nvidia entered this year with a market cap in excess of $1 Trillion, this is a truly historic move. Every step of the way along this incessant march higher, investors have massively underestimated both the size of the data center opportunity in AI, the opportunity related to the transition of the roughly $1 Trillion in legacy data center architecture from CPU centric to more GPU centric, and the duration of Nvidia's competitive dominance. We've made this point before, but it is worth making it again: This is not a bubble. Nvidia earned $0.33 in 2022 and is expected to earn over $4 in 2025. This move has been earnings driven. That said, there will come a time when Nvidia shares stop growing at the rate of bacteria and will instead appreciate at a rate more similar to the typical dominant businesses in an enormous market with a long runway of growth. We think that this transition takes place once the broader investment community gets a better handle on Nvidia's true earnings power. This doesn't mean that Nvidia won't still exceed consensus expectations. It just means that the magnitude of the earnings beats will be more akin to gradual upward adjustments rather than wholesale step function changes in analyst models. After Nvidia's Q1-24 earnings release and Q2-24 guidance, we think we are getting closer to that point.

Nvidia reported first quarter revenues of $26B, including $22.6B of data center revenues. This was well ahead of the guidance of $24B +/-2% provided with the Q4-23 earnings release. These were clearly outstanding results and generally came in slightly ahead of the buyside "whisper" number. The guidance for Q2 revenues was for revenues of $28B +/-2%. For the first time in a year, this was consistent with our internal estimates. While Nvidia will likely exceed the high end of this range, the magnitude of the upside surprise is getting smaller. This is all a perfectly normal process and one that we would expect to unfold as Nvidia transitions from freak of nature to a strong performing compounding growth stock. So, with that as a backdrop for the Q1 release and Q2 guide, why is it that the stock has rallied 30% since the release. In our view, this is because the durability of Nvidia's dominance in the data center is coming into clearer focus. During Nvidia's majestic run over the past year, investors have been grappling with both the size and durability of the opportunity. As noted, the revenue guide for the second quarter indicates we are starting to get our arms around the magnitude of Nvidia's data center opportunity. The other issue at hand is the durability of its dominant position. Even as Nvidia was blowing out quarterly revenue results over the past year, there were whispers of heightened competition in the space both from competitors such as AMD and Nvidia's hyperscale customers who don't like being beholden to Nvidia

Please reference the supplemental disclosure which accompanies this commentary.

for entry into the world of artificial intelligence. Those beating the competition drum have two problems: First, the software in every new Nvidia chipset is backward compatible with the last edition and forward compatible to the next. This is how you get ecosystem lock-in. Every AI application developer is working on Nvidia's CUDA programming language. Second, Nvidia has accelerated its cadence of new product releases from every other year to an every year event. Each new product release delivers an order of magnitude improvement in both performance and energy efficiency. Because they are compatible with prior product releases, customers don't simply wait for the next product introduction before buying but rather take what they can get when they can get it knowing that future purchases will come with a lower total cost of ownership. Even if a competitor were to be first to market with a faster, better performing data center solution, the lock-in to the Nvidia ecosystem is growing so powerful that this probably wouldn't matter much. This last point is purely theoretical as nobody is within shouting distance of Nvidia when it comes to chip design for accelerated computing. I think this point on the durability of dominance is what drove the most recent step function change in Nvidia's stock price.

Enterprise Software: Enterprise Software has been one of the more disappointing segments of the market during the first half of 2024. The optimism around investment in the data center infrastructure necessary for generative AI applications leading to a boom in enterprise software investment has thus far failed to materialize. In fact, the optimism surrounding an AI driven boom in enterprise software investment has given way to concerns that the productivity gains delivered by AI would pressure subscription sales as companies would need fewer employees and thus fewer software licenses. Even worse, there have been rumblings that the ease with which new applications can be created and perfected with the use of generative AI would render many of the current enterprise software leaders obsolete. We believe that the incumbent leaders in enterprise software in our portfolio (ServiceNow, Salesforce.com, and Adobe) will not only deliver outstanding use cases for generative AI but also be able to charge customers for the value they deliver. That said, as disappointments across the sector began to pile up and the expected green shoots failed to appear, our level of anxiety regarding this call increased. This anxiety peaked, we hope, in late May when Salesforce.com reported disappointing first quarter results and issued tepid second quarter guidance. The stock was down as much as 25% the day after reporting earnings and the other companies in the sector fell sharply in sympathy. Given our exposure to the sector and the way our thesis was failing to play out, Adobe's mid-June earnings release took on a greater degree of importance for us than the typical non-Nvidia earnings release.

Adobe was the first major enterprise software company to release an AI supported version of its product with the introduction of Firefly in April of 2023. Since that time, the initial enthusiasm over Firefly has given way to

Please reference the supplemental disclosure which accompanies this commentary.

frustration as Adobe released disappointing 2024 guidance in December and followed that up with mediocre first quarter results in March. While this second disappointment afforded us the opportunity to initiate a position in the stock, the general direction heading into the June release was down. With its own less than stellar first quarter results, a mixture of earnings misses from Snowflake, Workday and Salesforce, fears were high that Adobe would be forced to lower its 2024 guidance during its June earnings release. Instead, Adobe reported better than anticipated first quarter results, strong second quarter guidance and boosted guidance for 2024 and attributed this to the early stages of monetization of its AI infused products. After a year of testing and heavily discounted demos, the process of charging for the AI driven innovation is underway and customers are happy to pay for the enhanced capabilities. This indicates that the weakness to date in the enterprise software sector is a matter of timing rather than a sign that our thesis is invalid. A week later, Accenture indicated that it was seeing its own acceleration and explained that after the initial excitement surrounding AI died down, businesses realized that they needed to develop an AI strategy, get their data secure and then begin the process of layering in AI applications to drive actionable business intelligence. This process takes time.

As things stand today, our confidence in our enterprise software thesis which was starting to waver is beginning to strengthen again. I have to accept the fact that it is easier for me to punch things into a spreadsheet from behind a desk than it is for large enterprises to formulate and implement strategies around an emerging new technology. This seems like a simple enough lesson and I truly look forward to the day when I can honestly deem it learned. Regarding our holdings, I expect Adobe to continue building momentum as more customers incorporate the capabilities of Firefly into their creative process. I think ServiceNow will be the next enterprise software company to experience an uptick in demand from AI supported products. This is because ServiceNow has had a product in the market since last September, is primarily focused on automating workflows which drives customer productivity regardless of the economic outlook, and the Now platform is relatively easy to implement across a large organization. I expect Salesforce to benefit from AI enhanced products but understand that because much of what they do for clients is dependent on the demand outlook at the end customer, that their improvement in demand might be the last of our group to come to fruition. It has been a rough six months in the enterprise software space, but we think we will look back on this period as one of demand delayed not demand denied.

Please reference the supplemental disclosure which accompanies this commentary.

Second Quarter Portfolio Activity:

Table 1 shows the adjustments we made to the portfolio during the second quarter of 2024.

Table 1:

New Purchases / Additions
Crowdstrike (new position)
Accenture (increased weighting)

Eliminations / Reductions
Nvidia (reduction)

For our portfolio, we have a high class problem to solve as it relates to Nvidia. Coming into this year, Nvidia was our largest weighting by a wide margin. We decided to let that position ride while the controversies surrounding the size and durability of the opportunity came into clearer focus. These issues resolved in our favor over the first half of the year and with Nvidia's 149% rally year-to-date the position size went from very large to enormous. Our intention all along was to revisit the weighting at such time as when we believed that consensus thinking around Nvidia's earnings power and earnings durability more closely resembled our own. We think we are reaching that point and as such, we trimmed our weighting in Nvidia in June. This is not to say that we no longer believe that Nvidia represents an outstanding investment, we do. It remains our largest position by a substantial margin. It is simply an acknowledgement that it is unlikely that we will need to increase our 2025 estimate by 50% from current levels (we are still 15% ahead of consensus) as we have had to do from the start of this year until now. As such, we think that the debate around Nvidia will evolve from investors trying, and often failing, to quantify the magnitude and durability of the current opportunity to trying to determine an appropriate multiple to pay for a company that is solidified as the dominant infrastructure player in the AI revolution.

Crowdstrike: Crowdstrike was founded in 2011 in Austin Texas as a cloud native single platform cybersecurity company. Since that time, Crowdstrike has grown from a single cloud based cybersecurity module to a comprehensive platform offering customers 28 modules across a wide range of cybersecurity needs via its Falcon platform. Building out its product offering in a modular fashion on the same cloud based lightweight agent is a key advantage for Crowdstrike. Crowdstrike modules work across multiple clouds, offer the fastest implementation in the industry, and are uniquely capable of protecting the security of cloud based workloads. Cybersecurity is a large industry that is rapidly transitioning from a series of best of breed solutions into an industry in which customers are consolidating around platforms. Crowdstrike is a key beneficiary of this trend. 65% of Crowdstrike customers utilize 5 or more modules and this number is only going to go higher. These modules are sold on a subscription basis and Crowdstrike has ambitions of growing its annual recurring revenue from the current level of $3.6B to $10B and beyond. Unlike many of its competitors who were founded as single products available for one-time purchase or more recent competitors who have stitched together capabilities

Please reference the supplemental disclosure which accompanies this commentary.

across multiple areas of cyber security via acquisition, Crowdstrike is predominantly a homegrown suite of modules built on the same cloud based lightweight agent. Even the capabilities that have been acquired are meticulously integrated into the Crowdstrike platform before being made available to customers. All of this positions Crowdstrike as a long-term winner as the cybersecurity space consolidates around a small handful of platforms.

Crowdstrike boasts the fastest growth rate among the large cybersecurity firms and for that matter among all of the large enterprise software companies. We view Crowdstrike as being to cybersecurity what ServiceNow is to workflows and believe that the company has ample opportunity to grow within its existing markets and expand into adjacent cybersecurity solutions. We initiated a 3% position in Crowdstrike in early June.

Accenture: We increased our weighting in Accenture in June following the release of the company's earnings in which management indicated that demand had stabilized and that they were expecting to see acceleration in fiscal year 2025 which begins in September. As discussed earlier in this letter, Accenture has struggled with many of the same issues that have hurt the enterprise software companies- namely that customers needed to figure out an AI strategy before they could begin the process of implementing AI solutions. While there is certainly a fair amount of debate regarding which AI solutions will be chosen by the Fortune 2000 to drive productivity and enhanced business intelligence, what is not really up for debate is that whatever path is chosen will ultimately run through Accenture to some extent. Accenture touches every aspect of the AI revolution whether it be setting strategy, digitizing a business, or selecting and implementing the right solution across a global organization. We have been waiting for an indication that the sluggish IT corporate spending environment was beginning to thaw and that the incremental demand driven by the need to infuse AI driven productivity into the Fortune 2000 was beginning to materialize. The commentary during Accenture's fiscal third quarter conference call led us to believe that we are at the start of this process. Consequently, we increased our position in Accenture.

The first half of 2024 was a very strong half for the equity markets and better still for our Focused Growth portfolio. In contrast to the strong gains delivered by the S&P 500 which is a market weighted index, the equal weighted S&P 500 index returned a rather pedestrian 4.1% during the first half of 2024. This underscores the fact that this is stock picker's market. While investors will wrestle with the overhang of a Presidential Election during the second half of the year which could cause periodic bouts of volatility, we believe that returns will continue to be fundamentals driven which is an environment we like. We thank you for the confidence and trust

Please reference the supplemental disclosure which accompanies this commentary.

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

Please reference the supplemental disclosure which accompanies this commentary.

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.

The information provided in this document should not be construed as a recommendation to purchase or sell any particular security. There is no assurance that any securities discussed herein will remain in the composite or that the securities sold will not be repurchased. The securities discussed do not represent the composites' entire portfolio. A complete list of our past specific recommendations for the last year is available upon request. It should not be assumed that any of the securities transactions or holdings discussed will prove to be profitable, or that the investment recommendations or decisions we make in the future will be profitable or will equal the investment performance of the securities discussed herein. Individual account performance within the strategy may have different returns due to timing of the inception date, client contributions and withdrawals, or other factors.

Past performance does not guarantee future results and future accuracy and profitable results cannot be guaranteed. Composite performance figures are presented gross of management fees and have been calculated after the deduction of all transaction costs and commissions. For existing clients, accompanied with this investor letter is the client billing statement, which includes gross and net returns of individual accounts.

The management fee schedule is as follows: Per annum fees for managed accounts are 100 basis points of the first $5,000,000 of assets under management, 75 basis points of the next $5,000,000 of assets under management, and 50 basis points of amounts above $10,000,000 of assets under management. Investment management fees may be negotiated and will vary due to certain factors, including but not limited to: the number, type, and size of the account(s); the range and frequency of additional services provided to the client and account(s); the value of the assets under management for the client relationship; and/or as otherwise agreed with specific clients. Burke Wealth Management, LLC is a registered investment advisor in the state of Texas and its investment advisory fees are described in its Form ADV Part 2A. The advisory fees will reduce clients' returns.