Portfolio Manager Commentary
Third Quarter 2024

Portfolio / Index	Q3-24 Return	YTD Return	1-Year Return	3-Year CAGR	5-Year CAGR	Since Inception CAGR
Focused Growth Composite	+2.6%	+25.1%	+41.1%	+5.1%	+15.6%	+13.9%
S&P 500 Total Return Index	+5.9%	+22.1%	+36.4%	+11.9%	+16.0%	+13.9%

Returns are net of fees as of 9/30/24 and annualized if period is greater than 1 year; 3Q-24 returns are preliminary

Dear Client,

Our Focused Growth portfolio gained +2.6% during the third quarter bringing the year-to-date gains to +25.1%. The S&P 500 was up +5.9% in the quarter and is up +22.1% year-to-date. Utilities, Industrials, Real Estate and Financials were the best performing sectors during the third quarter with Technology and Energy being the worst. The cyclical nature of the leading sectors in the quarter fits neatly with a market that had a fairly high level of volatility underneath the surface of what on first blush would have appeared to be solid yet somewhat muted results. In reality, the market had a lot to deal with during the third quarter. In addition to the unprecedented political upheaval, economic growth weakened and unemployment ticked higher which triggered renewed concerns about a recession and prompted the Fed to start an easing cycle. From a company specific standpoint, our portfolio companies continued to deliver strong performance with 9 of our 20 holdings posting earnings growth greater than 20% during their second quarter reports. That said, much of this strength was captured by the 21% gains achieved in the portfolio during the first half, so earnings season was not quite the triumphant time that this type of fundamental result would usually suggest. As things stand today, much of the macro related uncertainty (central bank, election) will subside in the fourth quarter from third quarter levels and the 2025 earnings outlook will take center stage from a company level. Although issues such as continued geopolitical unrest and the various on-going labor disputes present risk, the period following a Presidential election is historically a strong period for equities and we remain confident in the business momentum of our portfolio companies. The first nine months of 2024 have been outstanding for equities. An election yielding a certain result with a closely divided government coupled with continued economic stability should set the table for a strong close to the year.

The long awaited Fed easing cycle has begun. After holding rates steady at 5.25%-5.5% since July 27, 2023, the Fed cut rates by 50 basis points at its September meeting to a range of 4.75%-5%. Absent a crisis or an unwelcomed snapback in inflation, the expectation is that the Fed is embarking on an extended rate cutting cycle in a quest to reach a neutral rate that is most likely in the 3.5%-4% range. While economic growth has slowed and the unemployment rate has risen from historically low levels, employment remains relatively strong

and the economy is still growing. Two years ago, the notion that the Fed could bring inflation down from over 9% to its 2% target range without triggering a recession was viewed as laughable. Today it is the base case. This doesn't mean we are out of the woods by any stretch, but where things stand today is encouraging. We expect another 50—75 basis points of easing over the next two meetings and we'll be watching the employment numbers and inflation reports closely hoping for a continuation of the current trend. A growing economy with a fed funds rate approaching a neutral level is a favorable backdrop for equities, particularly the secular growth businesses that we own. That is where we are today and we will be watching and hoping that this remains the case going forward.

The past three months in the political world have been nothing short of surreal. President Biden was forced out of race by Democratic party leaders after the late June debate took concerns about his mental acuity and ability to serve another 4 year term from a simmer to an overflowing boil. As a result, Vice President Kamala Harris was appointed as the new standard bearer for the Democratic party in late July. Finally, and most shockingly, there have been two assassination attempts against President Trump with the first one wounding the former President and killing one supporter and wounding two others. Unsurprisingly, this race has deteriorated into another Trump vs Not-Trump election rather than a contest of policy ideas. The level of vitriol and hysterical rhetoric in this campaign has obscured the fact that the Republican party has adopted a decidedly more economically populist stance in recent years. For proof, look no further than the fact that the head of the Teamsters spoke at the Republican convention while the leaders of the Chamber of Commerce watched from home. Both political parties are competing for the blue collar vote and that competition has meant a lot more talk about unfair trade practices and rebuilding America's manufacturing base. From 1992-2016, both parties were generally aligned around the belief that global trade results in tremendous benefits to the middle class. This was the golden age of globalization. While the benefit of trade and comparative advantage are undeniable truths in economic theory, the real world tradeoffs from unfettered globalization are undeniable as well. Blue collar workers in the Midwest have experienced diminished economic opportunity for a generation and our inability as a country to produce many essential items during the pandemic was eye opening to say the least. As such, the theme of global decoupling seems safely in place regardless of the outcome of the election.

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Table 2

	Impact		
Policy	**Inflation**	**Growth**	**Deficit**
Tarrifs	Higher	Lower	Lower
Higher Taxes	Neutral	Lower	Lower
Lower Taxes	Neutral	Higher	Higher
Government Spending	Higher	Higher	Higher
Increased Regulation	Higher	Lower	Higher
Deregulation	Lower	Higher	Lower
Artificial Intelligence	Lower	Higher	Lower

I had planned to devote some space in this letter to discussing the detailed economic policy proposals of the respective candidates and evaluating the impact on the economy, market and most importantly our portfolio. As noted, we are a little light this cycle on what I would consider viable policy proposals so instead, I thought I'd start with a basic framework that can be used to evaluate policies as they move through the legislative process going forward. I'll also discuss some of the differences between the two candidates and their implications. Table 2 lays out the key categories of government economic policy in the coming years and their economic impact holding all else equal. Let's be clear, whether spending is more government waste or necessary investment or whether regulation is protective or excessive is going to be in the eye of the beholder. Different people are going to come to the opposite conclusion on the same proposal- this doesn't make one good and one evil, it's simply what makes a market so to speak.

The biggest differences that I see between Trump and Harris on the economic front are in the areas of taxes and regulation. On the tax front, what matters to the market is the looming expiration of the "Trump Tax Cuts". This was the tax package passed in 2017 that, among other things, lowered the corporate tax rate from 35% to 21%. It is set to expire on December 31, 2025. Harris is content to let the bulk of this package expire while Trump wants to keep it in place. The earnings impact of the expiration of the corporate tax cuts would result in an estimated 5%-10% hit to S&P 500 earnings. As expiration of the cuts is the current status quo, this is a risk facing the market. Regulation is the other area of major economic difference between Trump and Harris. From a regulatory standpoint, I think a Harris administration would look a lot like the Biden administration. This administration's regulatory touch is not a light one and the FTC's willingness to challenge almost any merger in court is almost laughable, but all of this has proven to be manageable for investors. While reduced regulation is a positive for the broader economy, that isn't necessarily always the case for our portfolio. Regulation disproportionately hurts smaller, upstart businesses. We tend to own the large industry leaders for whom extra regulation can strengthen the competitive moat as it further entrenches the advantages of incumbency. From

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an M&A standpoint, having the government working reflexively to block almost any large transaction means one less thing I have to worry about from a risk standpoint. A Trump administration would result in aggressive deregulation and the recent reversal of the Chevron Doctrine means that these efforts would likely survive judicial review. In 1984, the Supreme Court ruled that federal courts must defer to the interpretation of law made by the relevant executive branch agency assigned to that area of oversight. This was known as the Chevron Doctrine. While this seems reasonable at face value, the result has been a massive shift in power from the Legislative to the Executive branch. Whereas laws were once written by Congress, voted on and sent to the President for approval or veto, the last 40 years has seen Congress abdicate its responsibility for rule making (passing laws) instead choosing to pass this authority to the bureaucrats in the Executive branch that run an ever expanding number of federal agencies. Even Presidents seeking to remove regulations often run into a court challenge from their own executive agencies. Under the Chevron Doctrine, these challenges were often successful. Now, that may no longer be the case. Trump has been clear about his desire to revoke what he views to be excessive regulatory rulings and dramatically reduce the power held by Executive branch agencies. This process would result in the removal of rules that both hurt and help our portfolio companies. It would be something we will need to evaluate on a case by case basis. Finally, whoever is elected as our next President is going to get a major productivity boost from artificial intelligence. Just remember, that the person most responsible for that windfall is not President Trump or President Harris, but rather Galactic Emperor Jensen Huang.

Notable Movers / Notable Q3 Activity:

Notable Movers			Portfolio Activity
	Performance	Contribution	
Blackrock	+21.3%	+0.4%	Eliminated
Crowdstrike	-26.8%	-0.8%	Increased
ASML	-18.4%	-0.6%	Increased

The third quarter was one of those unique periods in which our portfolio changes matched up neatly with holdings making some of the largest moves. We sold our stake in long-term holding Blackrock following a 21% gain in the third quarter and used those proceeds to increase our positions in ASML and Crowdstrike, which suffered declines of 18% and 27% during the quarter respectively.

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Blackrock: Blackrock is the largest investment management firm in the world and our investment was predicated on the company offering "beta plus" returns. This means that we would benefit from higher global equity markets (beta) plus favorable fund flows (winning new business) which would lead to attractive long-term risk adjusted returns. This has been the case with Blackrock. From 2019-2021, Blackrock added an average of $455B to its assets under management per year by way of favorable fund flows. This is an astounding figure. In 2022-2023, despite a turbulent market environment, Blackrock achieved average positive fund flows of $315B per year. Also a solid result. Given the strong underlying performance, why are we picking now to sell our stake? The answer is that Blackrock's success has meant that the "plus" portion of the "beta plus" thesis is shrinking. From the start of 2019 through the most recent quarter, Blackrock has increased its assets undermanagement from $6.5 trillion to $10.6 trillion. This underscores the company's incredible success. However, the boost from favorable fund flows has shrunk from roughly 5%-6% per year to roughly 3% per year. This leaves less room for error and when taking into account the strong move the stock has enjoyed in the most recent quarter, the risk reward profile for shares of Blackrock is not as favorable as it once was. The decision to move on from our investment in Blackrock is driven by our investment thesis having played out rather than any sort of structural change in the business.

Crowdstrike: The world of investment management is filled with many ups and downs. Waking up on the morning of July 19th to the news that one of our portfolio companies was responsible for the single largest IT outage in history was one of the downs. Such was the case with Crowdstrike. That the outage was the result of the botching of a simple Microsoft windows update rather than a group of hackers successfully penetrating Crowdstrike's cyber security platform triggered simultaneous feelings of relief and nausea. So what happened? There are two main modes in Windows- User mode and Kernel mode. The Kernel mode can control the hardware and system resources of a computer while the User mode is restricted from accessing critical areas of the operating system. The vast majority of software programs or applications have access to the user mode. This is why application updates containing errors lead to the crashing of the specific application rather than an entire system shutdown. Cyber Security platforms such as Crowdstrike's Falcon platform have Kernal access. This allows them to monitor security across the entire operating system in real-time. Unfortunately, a standard update pushed out to 8.5M windows based devices containing a flaw can lead to the largest global IT outage in history. This is basically what happened on July 19th. The good news is that this outage was not the result of an attack that defeated the protection that the Falcon platform seeks to provide. Also, the steps necessary to prevent something like this from happening again like additional testing scrutiny for updates and phased rollouts seem so basic that it is hard to believe they weren't already in place. Simply stated, this was a complete and total own goal. The bad news is that this screw up left Crowdstrike with a lot of angry customers, temporarily

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halted exceptionally strong business momentum and will require mitigation costs as Crowdstrike compensates customers under the terms of their service contract.

When something like this happens, you have two choices: shoot first and ask questions later or let things settle out and re-evaluate. In this case, we picked option number two knowing full well that the initial days following the outage would likely be painful as every momentum investor in Crowdstrike liquidated their positions. There were two things we were focused on in our re-evaluation of Crowdstrike: the continuation of a close partnership with Microsoft (i.e. maintaining the access necessary to deliver threat protection) and gauging the impact of the outage both in terms of lost business and legal liability. With regards to the Microsoft partnership, this was an answer that was going to come fast and would be binary. In the wake of the outage, Microsoft immediately scheduled a summit for its cyber security vendor partners. This is where we would learn whether they intended to use this situation as an opportunity to consolidate their position in the cyber security space by limiting the access necessary for third party vendors to create competing products, or whether they would work with the existing ecosystem to put processes in place that would enable continued competition while strengthening safeguards against future outages. We assumed that Microsoft would choose to support the existing competitive ecosystem rather than deciding to roll the regulatory dice in an area that is not central to their core business and this was in fact what has transpired. The business impact and potential legal fallout are issues that we will continue to watch closely, but the early indications are favorable. Within hours of the outage, Crowdstrike had diagnosed the process, taken responsibility and identified a fix. With the exception of Delta Airlines who is suing Crowdstrike, Microsoft and possibly the tooth fairy for what looks to be some pretty company specific issues with regards to resuming normal business operations, the feedback on Crowdstrike's response has been overwhelmingly positive. Deal closings slowed which is to be expected as management teams wanted to take a step back and take a closer look at things from a risk standpoint before making any commitments in light of the outage, but customer retention rates remain in the high 90% range. There will be costs as Crowdstrike honors the client protections detailed in their service contract, but we believe that this overhang is well understood and as such view the sharp decline in the share price as a result of the outage to represent an opportunity. As such, we increased our position in Crowdstrike.

ASML: There were a lot of moving parts during the third quarter for ASML, none of which remotely impacted our long-term thesis on the stock. As a reminder, ASML has a monopoly on the production and sale of Extreme Ultra Violet Lithography systems that are critical to the production of cutting edge semiconductor chips. These systems cost hundreds of millions of dollars apiece and lead times can be as much as 3 years for some of the higher end machines. As such, ASML works closely with its partners/customers (Tawain Semi, Samsung and Intel being the largest) on production schedules for new foundry capacity. Small timing delays in shipments can have

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a material impact on a given quarter while having zero impact on the long-term revenue to be recognized. Insatiable demand for ever faster chip sets coupled with massive CAPEX programs over multi-year periods that have been disclosed publicly give a pretty good idea as to what the next five years will look like in aggregate for ASML. Near-term hiccups in production and regulation with regards to restrictions on China accessing this cutting edge technology provide for bouts of near-term cyclicality in what is a long-term structural growth business. We dealt with such a bout during the third quarter. Chinese restrictions were back in the news during the third quarter with some calls for restrictions on maintenance of lower end machines being made. Nvidia's Blackwell product, which will be a driving factor behind the adoption of the most cutting edge equipment throughout the semiconductor supply chain, suffered some high profile delays in production. This is an issue that will be solved in a matter of months, not quarters or years but it still sent some tremors through the semiconductor sector. Finally, Intel announced cuts to its long-term CAPEX program during the third quarter. These cuts will likely impact ASML, but we are talking about something on the order of a few percentage points. We view these issues to be transitory and the 18% decline in the share price endured during the third quarter to be excessive. We used this weakness to further build our long-term position in ASML.

On the surface, the third quarter of 2024 looked to be a fairly dull quarter with our Focused Growth portfolio delivering a positive, yet modest +2.6% increase. Beneath the surface, there were some harrowing moments as the broader market suffered a couple of 5%+ declines during the quarter including a 9% peak to trough decline in early August. Even Nvidia, which delivered a relatively tame decline of 2% during the period was down as much as 25% at one point during the quarter. The market dealt with a lot of uncertainty during the third quarter given the unprecedented political volatility and the economic concern that triggered the beginning of a cycle of rate reductions from the Federal Reserve. Coming out of this period with a modest gain is just fine. Looking out into the fourth quarter, the political uncertainty will be replaced with a new (or same) political reality and the Fed will continue along a fairly well articulated easing path. Historically, this type of visibility is a good backdrop for equities. 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

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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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