

Akre Focus ETF – First Quarter 2026 Commentary

Greetings from Middleburg.

The Akre Focus ETF's first quarter 2026 performance was -19.40% compared with the S&P 500 Total Return of -4.33%. Performance for the trailing 12-month period ending March 31, 2026, was -19.63% compared with 17.80% for the S&P 500 Total Return.

It is hard to believe that as recently as June 30, 2025, the Fund was up 20.43% on a trailing 12-month basis compared with an S&P 500 Total Return of 15.16%. The intervening nine months have been challenging (to put it mildly), accentuated by the stark contrast between our recent performance and the picture painted by the market indices.

Performance	Average Annual Total Returns % as of 03/31/2026								
	1 Month	3 Month	YTD	1 Year	3 Year	5 Year	10 Year	15 Year	Since Inception 8/31/2009
Akre Focus ETF - NAV	(5.92)	(19.40)	(19.40)	(19.63)	5.46	2.83	11.15	12.51	12.76
Akre Focus ETF - Market Price	(5.86)	(19.33)	(19.33)	(19.65)	5.46	2.82	11.15	12.51	12.76
S&P 500 TR	(4.98)	(4.33)	(4.33)	17.80	18.32	12.06	14.16	13.29	13.95

Performance data quoted represents past performance; past performance does not guarantee future results. The investment return and principal value of an investment will fluctuate so that an investor's shares, when redeemed, may be worth more or less than their original cost. Current performance of the fund may be lower or higher than the performance quoted and can be obtained by visiting www.akrefund.com.

The Akre Focus ETF is the successor to the Akre Focus Fund (the "Predecessor Fund"), which operated as a mutual fund. The Predecessor Fund commenced operations on August 31, 2009. The Akre Focus ETF is the successor to the accounting and performance history of the Institutional Share Class of the Predecessor Fund. Any historical information provided for the Akre Focus ETF that relates to the periods prior to October 24, 2025, is that of the Predecessor Fund. The Akre Focus ETF began trading on NYSE Arca October 27, 2025. The Akre Focus ETF's gross expense ratio is 0.98%.

The S&P 500 Index is an index of 500 large capitalization companies selected by Standard & Poor's Financial Services LLC. One cannot invest directly in an index.

We believe the quality of the portfolio's underlying businesses is as high as ever. The operating fundamentals of our businesses also remain strong. In the rare instances where our companies are not performing well fundamentally (LVMH, Copart) we are building positions under what we see as temporary overhangs.

We continue to expect our portfolio holdings to compound free cash flow per share at a teens rate, as they collectively did in 2025. The Fund has not suffered from poor operating fundamentals, but from severe valuation multiple contraction. Our primary valuation measure—price divided by our estimate of the next twelve months' free cash flow per share¹ (P / NTM FCFPS)—fell from 37x last July to 19x at the end of March. This marks the Fund's lowest valuation since December 2018.

Moreover, as of the end of March, the gap between our growth expectations and the Fund's valuation reached its widest point since September 2016. As painful as the valuation drawdown has been for recent performance, looking forward, we believe that valuation has become a potential tailwind for returns over the medium-term. To us, this means a reasonable expectation

¹ Free cash flow per share (FCFPS) is calculated by dividing free cash flow by outstanding shares. "Free cash flow" (FCF) represents the cash that a company is able to generate after laying out the money required to maintain and expand its asset base.

of total returns exceeding the rate of free cash flow per share growth as oversold valuations recover, even in part, over time.

By no means are we calling a bottom. But we are calling a spade a spade: we believe the value of the Fund to be particularly compelling.

Of course, valuation drawdowns rarely occur in a vacuum. There are narratives behind significant valuation changes and reasons that stock prices move as they do over the shorter term. Frankly, our investment approach—with its focus on business quality and fundamentals—can make the persistence of our portfolio appear stubborn in the face of sharp valuation drawdowns: *Don't we know about AI? Isn't the market telling us we're wrong?* Our response is that the market tells investors things all the time via share price movements (Ben Graham's "Mr. Market"). The challenge is assessing the validity and application of a given narrative. Many turn out to be overblown. And when fundamentals deviate from valuations (and their narratives), opportunity can result.

For example, the largest performance detractor in the Fund over the past year ended March 31 has been Constellation Software, the *stock*, down 44.63% in US dollar terms. In stark contrast, Constellation Software, the *business*, grew free cash flow per share more than 26% in 2025². To us, this deviation between plummeting valuation and strong fundamentals makes a better argument for Constellation shares being cheap than it does for a permanently impaired outlook. Which is why we have held on to Constellation shares. Other investment approaches that take instruction from share price movements rather than business fundamentals—a category that includes momentum-based strategies (including indexing)—have been better served over the past nine months. Over the long term, however, business quality, fundamentals, and the valuations at which cash is deployed are what drive returns. Our focus on these factors is unwavering.

Recent narratives affecting our portfolio valuations include the disruptive potential of artificial intelligence (AI) and concerns over private credit. We will touch on AI briefly as we have previously discussed this in writing at some length. We will expound more on private credit as we have not previously addressed that topic.

The Threat of AI

We have written and spoken extensively about the threat of AI on our software businesses (Constellation Software, Topicus.com, Roper Technologies, ServiceNow, and Salesforce) and information services businesses (Moody's, CoStar, CCC Intelligent Solutions, Fair Isaac Corp). While we have not owned the AI "poster children" (e.g. chips, chip equipment and memory makers, etc.) our portfolio is not anti-AI; quite the opposite. We believe the businesses listed above stand to be enormous beneficiaries of AI tools and efficiencies without incurring or depending upon the enormous buildout costs associated with AI infrastructure. Unlike past seismic shifts in technology—the internet, cloud, mobile computing—we do not believe that AI presents a classic "innovator's dilemma" for adaptive and already-advantaged software and information services businesses. We see large-language models (LLMs) and AI-based coding tools and their derivations as powerful but largely commoditized, price competitive, with low switching costs, making them an important source of value enhancement for high-quality incumbent software and information services businesses at a manageable cost.

Private Credit Concerns

Since the 2008-2009 financial crisis, private credit as an asset class has grown rapidly in the wake of curtailed bank lending. Private credit is typically divided into two categories: direct lending and asset-based finance, sized respectively (per KKR) as \$1.7 trillion and \$6 trillion markets. Direct lending typically takes the form of a senior secured loan that finances a leveraged

² Calculated by Akre Capital.

buyout of a company by a private equity firm. Asset-based finance takes the form of secured loans collateralized by a variety of assets, including airplanes, railcars, receivables, inventories, and even music royalties. The private credit concerns over the past several months mostly relate to direct lending funds, which in total represent less than 4% of the \$45 trillion global credit market despite rapid growth over the past decade.

Within direct lending, investors have been focused on loans to software firms, now suffering under the aforementioned AI narrative. In theory, a disrupted software company has very little residual value in a post-default sale or liquidation because most software firms have little in the way of physical assets.

Unlike direct lending funds, asset-based finance investors tend to invest in more diversified pools of assets with more stable residual values. Although asset-based finance tends to benefit from diversification and relatively stable residual values, it is not without risk. The recent high-profile bankruptcies of asset-based finance borrowers First Brands and Market Financial Solutions serve as a reminder that all lending carries risks, including fraud.

Another distinction should be made between institutional private credit funds that primarily raise money from insurance companies, pension funds, and other institutions, and business development companies (BDCs) that primarily raise money from retail investors.

Semi-liquid BDCs dominate the industry's recent negative headlines. BDCs can trade on the public markets in a closed-end structure or privately in a semi-liquid structure. When an investor sells a share of a publicly traded BDC, money changes hands only between the seller and the buyer, just like a stock on the New York Stock Exchange. Semi-liquid BDC investors seeking liquidity transact directly with the BDC. Most semi-liquid BDCs offer their investors limited liquidity equal to 5% of net asset value per quarter—a reasonable measure reflecting the duration and limited liquidity of the underlying loans. As concerns over private credit have grown, investors have demanded more of their money back from semi-liquid BDCs than permitted, which generates headlines, which raises more concerns, which generates more unmet redemption requests, which generates more headlines, etc., all with or without actual degradation of credit quality.

We own the alternative asset managers Brookfield Corporation and KKR. Both manage private credit vehicles. Assets under management (AUM) for both have benefitted from the growth of private credit in recent years. The share prices of both companies have also suffered year-to-date through March 31 (KKR down 27.31%, BN down 11.66%) as concerns over private credit coupled with exposure to software businesses have risen.

In assessing the risks, context and nuance are critical. Again, the entirety of the direct lending market is less than 4% of the \$45 trillion global credit market. For KKR, total private credit represents 18% of total AUM as of December 31, 2025, of which 63% is asset-based finance (11% of total AUM) and 37% is direct lending (~6.5% of total AUM). Only 2.3% of AUM sits in retail-oriented BDC form, and only 0.4% sits in semi-liquid BDCs. Brookfield has even less exposure to direct lending than KKR, likely in the ~3% range of fee-paying AUM. In terms of software exposure firmwide, KKR recently disclosed that its exposure ("generously defined") was just 7% of total AUM while Brookfield recently disclosed that total software exposure comprised just 1% of private equity AUM.

Does this mean that problems will not arise in the broader private credit market or for certain software businesses? No. But the above context gives us comfort in owning KKR and Brookfield. If 10% of KKR's total private credit investments defaulted, it would amount to 1.8% of AUM. If 20% of KKR's direct lending loans defaulted, it would amount to 1.4% of AUM. At similarly high default rates the exposure is even lower for Brookfield. For historical context, consider that during the 2008-2009 financial crisis, losses for sponsor-backed direct loans peaked at 7%.

We do not see the same potential for systemic risk from private direct lending as we saw with the mortgage-related abuses that

led to the 2008 financial crisis. While many direct lending funds employ leverage (often via bank lines), we see less contagion risk given that direct lending loans reside in discrete vehicles funded by committed long-term capital. Semi-liquid BDCs may be the exception to the long-term capital rule, but only represent a small fraction of the direct lending market (~15% according to Goldman Sachs), and a minute percentage of AUM for the companies that we own.

Importantly, regardless of the fund structure in which they reside, direct lending loans have not been chopped-up and re-securitized multiple times as was done with residential mortgage-backed securities (anyone remember CDO-squareds?). That process of re-securitizing residential mortgage loans contributed to the widespread leverage and contagion exposed during the 2008 financial crisis. In direct lending, the loans stay on the books of their originators. It is primarily the originators and their investors that bear the risk.

Benefits of the ETF Structure

The Fund has traded at high valuations at times. One may wonder why we have not been more aggressive about trimming or selling positions when valuations become elevated. After all, the Fund's turnover has remained consistently well below 10%. This is a good and fair question.

We endeavor to concentrate capital in exceptional businesses. We expect such businesses to trade at commensurately higher valuations much of the time. Exceptional businesses rarely go on sale, which is why years often elapse between identifying a business we want to own and finally owning it; why years often elapse between adding to existing positions. If we have bought an exceptional business opportunistically and it remains exceptional, an elevated valuation is sufficient reason not to buy more, but is typically an insufficient reason to sell.

However, we would be remiss not to recognize the Fund's greater flexibility as an ETF. As an ETF, we can more easily trim or exit appreciated positions without realizing and distributing taxable gains than we ever could as a mutual fund. While this is true of all ETFs, this feature particularly benefits our strategy, as years of uninterrupted compounding (low turnover) have produced substantial unrealized gains. Our strategy remains one of high concentration and low turnover. But as an ETF, we can more actively manage high valuation positions with less concern for tax consequences. We consider this a key benefit of our ETF conversion last October.

Please refer to the Akre Focus ETF's [Statement of Additional Information](#) for further detail regarding the ETF structure more generally.

Odds and Ends

O'Reilly Automotive was the only positive performance contributor during the first quarter. Nothing notable to call out.

The top five performance detractors during the first quarter were Constellation Software, CoStar Group, KKR, Fair Isaac Corp, and Topicus.com. The shares of these businesses suffered from the prevailing AI and/or private credit narratives described earlier. FICO and CoStar also experienced idiosyncratic pressure in the form of regulatory and competitive concerns for FICO and an increasingly public dispute between CoStar and two activist investors.

Cash was 4.4% of the Fund as of March 31, up from 3.1% at year-end.

The balance sheet strength of our portfolio remains an important highlight, with gross debt just ~1.25x trailing 12-month EBITDA. Our portfolio businesses can, are, and will play offense as AI, geopolitical, and macroeconomic events unfold.

In Conclusion

The valuation drawdown has been trying for us and our fellow shareholders. The key question is whether it represents a lasting indictment or a window of opportunity. We strongly believe it is the latter.

We thank you for your support.

John

Top Ten Holdings as of 03/31/26	
Name	% of net assets
Mastercard, Inc.	12.6%
Constellation Software, Inc.	11.1%
Brookfield Corp.	8.8%
KKR & Co, Inc.	7.9%
Visa, Inc.	7.5%
Roper Technologies, Inc.	6.0%
Topicus.com, Inc.	6.0%
Moody's Corp.	5.9%
CoStar Group, Inc.	5.1%
Fair Isaac Corp.	4.9%

Sector Weightings as of 03/31/26	
Type	% of net assets
Financials	50.0%
Information Technology	27.0%
Consumer Discretionary	9.9%
Real Estate	5.1%
Industrials	3.6%
Cash & Equivalents	4.4%

The composition of the sector weightings and fund holdings are subject to change and are not recommendations to buy or sell any securities. Cash and Equivalents include asset backed bonds, corporate bonds, municipal bonds, investment purchased with cash proceeds for securities lending, and other assets in excess of liabilities.

Investing involves risk. Principal loss is possible. *The Fund is non-diversified, meaning it may concentrate its assets in fewer individual holdings than a diversified fund. Therefore, the Fund is more exposed to individual stock volatility than a diversified fund. In addition to large- capitalization companies, the Fund invests in small- and medium- capitalization companies, which involve additional risks such as limited liquidity and greater volatility than larger capitalization companies.*

Exchange-Traded Funds (ETFs) are bought and sold through exchange trading at market price (not NAV), and are not individually redeemed from the fund. Shares may trade at a premium or discount to their NAV in the secondary market. Brokerage commissions will reduce returns.

The Fund's investment objectives, risks, charges, and expenses must be considered carefully before investing. The summary and statutory prospectus contains this and other important information about the investment company and it may be obtained by visiting www.akrefund.com. Read it carefully before investing.

The Akre Focus ETF is distributed by Quasar Distributors, LLC.