Akre Focus ETF – Second Quarter 2026 Commentary

Greetings from Middleburg.

The Akre Focus ETF's performance for the second quarter of 2026 was 0.66% compared with the S&P 500 Total Return of 15.20%. Performance for the trailing 12-month period ending June 30, 2026, was -24.01% compared with 22.32% for the S&P 500 Total Return.

Performance	1 Month	3 Month	YTD	1 Year	3 Year	5 Year	10 Year	15 Year	Since Inception 8/31/2009
									Average Annual Total Returns % as of 06/30/2026
Akre Focus ETF - NAV	(3.47)	0.66	(18.87)	(24.01)	2.82	1.06	11.07	12.37	12.61
Akre Focus ETF - Market Price	(3.48)	0.64	(18.81)	(24.04)	2.81	1.05	11.06	12.36	12.60
S&P 500 TR	(0.95)	15.20	10.21	22.32	20.61	13.41	15.51	14.36	14.69

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.

Our portfolio companies continue to deliver strong operating performance. The portfolio's weighted average year-over-year growth in free cash flow per share[1] (our primary measure of "owner economics") clocked in at 23% during the first quarter. While this letter predates the reporting of our holdings' second quarter results, we expect our portfolio companies to continue growing economic value per share at attractive rates.

Indeed, we consider the Fund to be the most fundamentally strong and attractively valued than at any point over the past 10 years. As of June 30:

- Our five-year projection for the Fund's FCFPS growth is nearly 16%, at the high end of the Fund's historic range.
- Valuation expressed as a multiple of FCFPS is just over 17x, the Fund's lowest valuation since 2016.
- The Fund's weighted average Free Cash Flow Return on Invested Capital (ROIC) estimate for 2026 stood at approximately 42%, highlighting the portfolio's strong profitability and low capital intensity.

[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.

- The Fund's weighted average gross debt to trailing 12-month EBITDA stands at 1.4x, demonstrating exceptional balance sheet strength. Our companies generate a great deal of cash and carry little debt, which fosters resilience and reinvestment.

In short, we believe the Fund offers outstanding growth potential and financial strength at decade-low valuations.

What we consider to be the Fund's attractive valuation is the combined result of declining share prices and strong earnings growth for our portfolio holdings over the past year. The share price declines are the result of valuation multiples declining to their present 10-year trough from peak levels achieved one and five years ago. The valuation decline explains the Fund's poor recent performance. It also underpins our optimism for future performance to the extent that valuation shifts from headwind to tailwind (or even neutral) over the medium-term.

Divergences between fundamentals and share prices are not uncommon but can be most pronounced and prolonged during periods when new technology promises to change the world, open limitless new investment horizons, and rewrite the investment playbook. Such is the case today, with Artificial Intelligence (AI) serving as the latest version of the promising new technology. For our Fund, the result has been a painful period of performance that understandably feels more like an indictment than an opportunity. But opportunity is what we see, and believe the best way forward is through.

Investment history repeatedly demonstrates that two seemingly incompatible things can both be true: new technology can deliver on its promise and be value-destructive for many investors: railroads, oil, automobiles, radio, personal computers, the internet, etc. An excellent book on the subject is *Engines that Move Markets: Technology Investing from Railroads to the Internet and Beyond* by Alasdair Nairn.

John Templeton famously said that the four most dangerous words in investing are "*this time it's different.*" And it always is. The new technology, after all, is new and without precedent. Moreover, there are always truths from which to extrapolate, including the profound impact the new technology will ultimately have, and the sometimes fleeting wealth and fame accrued by the early leaders, entrepreneurs, and investors. In other words, there tend to be legitimate foundations for investor excitement.

What keeps history rhyming is not faulty foundations, but the towering speculative excesses built on top of them that eventually collapse. Kernels of truth become seeds of demise. On what kernels of truth is the AI investment frenzy based? Our short list includes:

- AI will prove transformative.
- Large language model (LLM) providers, such as OpenAI and Anthropic, have grown annualized revenue arguably faster than any businesses in history.
- AI development requires enormous investment in computing resources, most notably semiconductors, related equipment, and memory. Providers of these "picks and shovels" for AI are presently experiencing extremely high demand and enormous growth in earnings.

The question in our minds is less about the validity of the foundation described above and more about the risk that capital investment exceeds the foundation's ability to support it with adequate and/or sustainable returns. Signs of growing narrative- and momentum-fueled speculation abound:

- Of the sixteen largest companies by market capitalization in the US as of June 30, five are semiconductor companies (Nvidia, Broadcom, Micron Technology, AMD, and Intel) and another five (Alphabet, Microsoft, Amazon, SpaceX, and Meta) offer some combination of compute resources, proprietary semiconductor designs, and LLMs.

- The iShares Semiconductor ETF (SOXX) had a total return of 106.9% during Q2 alone.

- Semiconductor companies now represent approximately 20% of the S&P 500, by far the highest share on record, and an increase of 4x since June 2020, according to Citadel Securities.

- Retail investors are chasing momentum and plowing into leveraged ETFs to do it. Per Citadel:

    - "May and June shattered the previous monthly activity records, with average daily retail cash equity volumes running 65% above 2025 levels and double the 2024 average."

    - "Unlike previous periods of elevated retail activity, today's retail investor is increasingly concentrated in the same sectors driving benchmark performance, led by semiconductors and broad-based ETFs."

    - "Leveraged ETF assets reached a record ~$218 billion, more than 4.5x their levels from June 2020. Since the end of March alone, assets increased by roughly $82 billion (+60%), led by technology (+136%) and semiconductor (+175%) exposures."

- Margin debt reached an all-time high of $1.4 trillion at the end of May, up 54% from a year earlier, per Bloomberg.

- The June 11 IPO of SpaceX. As of June 30, the company sported a valuation of nearly 120x 1Q26's annualized *revenue*. This stratospheric valuation is based in part on SpaceX having, per the prospectus, "identified the largest actionable total addressable market ('TAM') in human history," estimated at $28.5 trillion. For context, that equates to 92% of 2025 US GDP.

    - Ever happy to feed investor appetite for speculation, Wall Street has already launched 11 single-stock ETFs offering leveraged bets on SpaceX's share price movements.

In short, there has been a clear "fast lane" in the stock market, and lane changing into it has materially increased in terms of participation, leverage, capital, and concentration. This is true even when expressed by record inflows into passive ETFs replicating increasingly concentrated and momentum-driven benchmark indices.

Meanwhile, amid the lane changing and trillion-dollar valuations, some questions may be starting to enter the debate. Ours include:

- The nature, extent, and achievability of durable competitive advantages for the leading LLMs given the dynamics evidenced to-date, including the apparent lack of switching costs, pricing power, and material/sustainable technical leadership.

    - Customers are increasingly monitoring AI token spend with LLMs and using orchestration systems like OpenRouter to dynamically route tokens to the most cost-effective model.

- Among OpenRouter users, the combined token-share of the Big-3 LLMs (Anthropic, OpenAI, Gemini) *declined from 72% to 33% over the past year* as users shifted to lower-cost open-source models (per ExponentialView).

- What to make of the fact that Anthropic and OpenAI have grown their revenue to rarified levels yet remain unprofitable? Anthropic, for example, already has revenue comparable to Mastercard's, yet Anthropic has not made a net profit while Mastercard's adjusted net margin was 47% in 2025.

- The duration of the memory chip shortage and resulting revenue and margin explosion that has caused the share prices of Micron Technology, Sandisk, Kioxia, Samsung Electronics, and SK Hynix to soar. Manufacturing capacity in China from CXMT and Yangtze Memory Technologies is set to increase dramatically as early as 2027. The South Korean government recently announced continued heavy investment in capacity expansion.

- Political and resource-related risks to AI development. If AI causes massive job losses and/or resource constraints and inflation, how will societies and politicians respond? In a way that supports the enormous growth and profitability expectations of today's AI leaders?

- Back to SpaceX. Interestingly, of the $28.5 trillion dollar estimated TAM, "only" $370 billion or 1.3% is earmarked for "space-enabled solutions." The vast majority—$22.7 trillion—is comprised of AI-powered "enterprise applications," also known as software.

These are questions, not answers. All may work out well for the companies mentioned above (and their investors). Our point is that the business models, nature and extent of competitive advantages, profit potential, etc. are very much "to be determined" and that anointed early leaders in new technological eras do not always retain that position (example: AOL). We look for businesses with proven and, in our view, durable competitive advantages.

Which brings us back to our portfolio. The market narrative to date has drawn clear lines between AI beneficiaries and AI victims. Our holdings, which include software and information services names, have been assigned to the latter group. We disagree with this characterization and believe our portfolio is well aligned with an AI future. Recent examples of AI adoption, monetization, or lack of AI-related disruption among our portfolio companies include:

- CCC Intelligent Solutions (CCC): $120 million annualized revenue run-rate (ARR) from its Emerging Solutions' products of which AI is the largest contributor. The company's Emerging Solutions revenue grew 50% year-over-year.

- Salesforce (CRM): Agentforce + Data 360 (key AI products) ARR up 225% to $3.4 billion in Q1 (119% organic).

- ServiceNow (NOW): raised 2026 AI revenue guidance by 50% from the prior quarter; announced $300 million in cost savings from internal AI adoption; gross dollar retention steady at 98%.

- Constellation Software: no material customer losses to "AI-native" startups across their portfolio of ~1,500 vertical market software companies.

- Fair Isaac (FICO): has filed 137 AI-based patents.

- CoStar Group (CSGP): Launched Homes Ai and Apartments.com Ai, adding conversational natural language search capabilities to its leading home and apartment online portals and leveraging the company's unmatched proprietary property data and imagery.

- Moody's (MCO): Rated over $100 billion in AI-related debt issuance during Q1; expanded distribution of its decision intelligence analytics into enterprise AI environments such as Anthropic, OpenAI, AWS, Azure, etc.

- Mastercard (MA) and Visa (V): have been pioneering and productizing AI since the 1990s when it was called "machine learning"; just starting to monetize their tokenization technology that secures over 50% of ecommerce transactions and will prove crucial for AI-powered "agentic" commerce in the future.

We do not see our portfolio companies stalled on the tracks of an oncoming AI train. On the contrary, we believe our companies are actively embracing AI in ways that fortify existing competitive advantages, including proprietary data, system-of-record status, network effects, and customer intimacy. Our companies have the financial strength to play offense when it comes to AI adoption, including acquisitions. Most of our businesses are not spending huge amounts of capital on AI compute infrastructure, nor do most depend on this spending continuing/increasing for their future revenue and earnings growth. This has been viewed as a distinct negative for our portfolio companies given the market's clear preference for "atoms over bits," i.e., hardware over software. We expect the narrative to shift over time as AI more demonstrably unlocks value at the application layer where many of our businesses operate.

The top five performance contributors during the second quarter were Visa, Constellation Software, Fair Isaac, Brookfield Corp., and Mastercard.

The bottom five performance detractors during the second quarter were CoStar Group, Copart, Salesforce, Topicus.com, and CCC Intelligent Solutions.

Cash stood at 1.7% of net assets as of June 30 compared to 4.4% as of March 31.

In Conclusion

Our optimism comes at the expense and on the heels of a difficult year during which our returns have languished while favored sectors and the increasingly concentrated market indices have flourished. The 1909 painting *Ulysses and The Sirens* by Herbert James Draper comes to mind (a worthy Google search, if unfamiliar). For investors, there is no greater challenge than to stay "lashed to the mast" of one's time-tested process and convictions, especially when those appear deeply misguided in the face of prevailing market realities. Those realities grow to include not just share price movements and market narratives but also "institutional imperatives" (including career risk) that compel investors to "get with the program." Inevitably, this means loading up on the stocks/sectors/indices that: a) have worked best, b) are working best, and c) are widely expected to continue working best. This clearly is not the best approach for finding attractively valued stocks, but then that's not the point. The point is to succeed or fail *conventionally*. Ironically, the more steadfast the investor, the more likely they are to finally capitulate to the market's siren song just before the turn of the tide.

We remain securely lashed to the mast of our process and convictions, bound by our focus on the strong fundamentals and attractive valuations of our portfolio companies.

We are blessed to have the support and encouragement of our remarkable founder and Chairman, Chuck Akre, who recently told us that the last thing in the world we should do is change our stripes. As this team has no intention of doing so, this means a great deal.

We are also guided by history, including that of Berkshire Hathaway during the late stages of the Internet bubble. The QQQ exchange-traded fund debuted on March 10, 1999. Replicating the Nasdaq-100 index, QQQ was a timely offering to meet investors' insatiable demand for the leading internet and technology companies of the time. Berkshire Hathaway, along with Warren Buffett, were increasingly seen as relics of the "old economy," hopelessly out of step with the future. Share price movements reflected and reinforced this narrative. Per Bloomberg, a $100 investment in QQQ on March 10, 1999, grew to $224.25 just one year later! In sharp and pitiable contrast, $100 invested in Berkshire stock on March 10, 1999, declined by over 44% to $55.89 on March 10, 2000. After one year, your QQQ buyer had more than 4x the capital as your Berkshire buyer—what vindication!

Over the next five years, of course, the story changed. From March 10, 2000, to March 10, 2005, a $100 Berkshire investment grew to $219.61 while a $100 QQQ buyer's investment fell more than 67% to $32.77. Over the six-year period that spanned QQQ's peak performance and Berkshire's weakest (March 10, 1999, to March 10, 2005) the Berkshire investment earned a cumulative +22.73% total return compared to -25.79% for QQQ. Discipline and adherence to time-tested principles ultimately delivered.

While we cannot promise a comparable outcome to Berkshire's after the crash of the internet bubble, we believe the lesson is clear: stay lashed to the mast of a time-tested process, no matter how different it is this time.

We thank you for your support.

John

Top Ten Holdings as of 06/30/26	
Name	% of net assets
Mastercard, Inc.	13.9%
Constellation Software, Inc.	12.1%
Brookfield Corp.	8.0%
Visa, Inc.	7.4%
Moody's Corp.	7.2%
KKR & Co, Inc.	7.1%
Fair Isaac Corp.	6.9%
Roper Technologies, Inc.	6.9%
Topicus.com, Inc.	6.5%
CoStar Group, Inc.	4.6%

Sector Weightings as of 06/30/26	
Type	% of net assets
Financials	53.1%
Information Technology	29.7%
Consumer Discretionary	6.9%
Real Estate	4.6%
Industrials	3.9%
Cash & Equivalents	1.7%

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.

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