Portfolio Manager Commentary
Fourth Quarter 2022

Portfolio / Index	Q4-22 Return	2022 Return	2021 Return	2020 Return	2019 Return	Since Inception CAGR
Focused Growth Composite	+3.2%	-41.2%	+13.0%	+45.1%	+37.0%	+3.1%
S&P 500 Total Return Index	+7.6%	-18.1%	+28.7%	+18.4%	+31.5%	+8.6%
Russell 1000 Growth Index	+2.2%	-29.1%	+27.6%	+38.5%	+36.4%	+8.9%

Returns are net of fees as of 12/31/22 and annualized if period is greater than 1 year

Dear Client,

Perhaps the best thing that can be said about 2022 is that it is over. This was a year of discord that went well beyond the market. Inflation rates hit 9%, the Fed undertook one of the sharpest tightening cycles in recent history and Russia invaded Ukraine resulting in the largest war in Europe since World War II. Domestically, we had a bitter mid-term election in which we were repeatedly assured that democracy itself was on the ballot. The result was 100% of incumbents won re-election in the Senate and 98% of incumbents won re-election in the House. The rhetoric has cooled since the election, so I guess for the political class this means crisis averted. The stock market was a tale of two halves with the first half of the year akin to a cliff dive, particularly for anything growth or technology related, and the second half of the year more like a roller-coaster with a series of sharp moves in both directions and relatively little ground gained or lost over that time. Although the broader market and our Focused Growth Portfolio delivered modest gains during the fourth quarter, the trading action that occurred during the quarter was by no means healthy. While volatility around quarterly earnings releases remained elevated as investors weighed current period results that were largely better than feared with increasing concerns over the future outlook, this was nothing compared to the volatility around CPI reports and attempts to parse every word from Jay Powell's speeches. As we look forward to 2023, we expect the conversation to shift from how high rates will go and how fast they will get there to the impact of the Fed's tightening cycle on the economy and corporate earnings. This means that we expect volatility to remain elevated but that the direction of stock prices will once again be driven more so by the performance of individual companies rather than changes to the Fed Funds rate. While the environment figures to remain challenging, this is more favorable ground for our style of investing.

With inflation still elevated but clearly cooling and the size of increases in the Fed Funds rate moving from 75 basis points to 50 basis points, I think the case can be made that we have reached "peak Fed" in this cycle. By this, I mean that we have moved from the point where the Fed dominates every discussion on investing. At the start of the year, the Fed was laughably behind the curve with 0% Fed Funds Rates and quantitative easing still in effect through March. However, with the aggressive actions taken in recent months, we are now in the fine tuning phase of this cycle. Going from 0% to 4.5% on the Fed Funds rate in 9 months is a big deal. Whether that process ends at a terminal rate of 5% or 5.75% is less of a big deal. In his last two speeches, Jay Powell discussed the three pockets of inflation that the Fed is monitoring (generic goods, housing related goods and services, and wages) and explicitly told investors that the key discussion now will be how long to leave restrictive monetary policy in place rather than how much further we have to go to reach restrictive policy. We are already seeing relief on the inflation front in generic goods and housing related goods and services so the determinant as to

713-933-5402 12 Greenway Plaza, Suite 1100, Houston, TX 77046 www.burkewealthmanagement.com

Please reference the supplemental disclosure which accompanies this commentary.

how long we remain in restrictive policy will be wages. With an unemployment rate of 3.7%, the Fed has free reign to talk tough on inflation and have policy to match. Politically, things get tougher when the country starts to endure widespread layoffs. The Fed is not going to telegraph when it is done tightening or considering easing. This will happen after the strength in the job market abates. Presently, the job market has remained resilient but we are starting to see weakening in certain sectors such as technology where layoff announcements are being made with regularity. The debate in 2023 is not over whether the economy will weaken, it will. Instead, it will be the extent of the slowdown that will be caused by the Fed tightening cycle and what impact this will have on corporate earnings.

One of the most frustrating aspects of 2022 was that the words growth and technology became pejoratives. In these letters throughout the year, we bemoaned the fact that many of our highly profitable holdings were seemingly being treated the same as the speculative basket of pre-earnings growth stocks. While there is definitely plenty of truth to this, we think the new and higher level of rates has resulted in a changing dynamic and that even highly profitable growth companies better take note. Simply stated, companies are no longer getting the benefit of the doubt when it comes to spending plans, CAPEX or OPEX related. A new balance is being drawn between acceptable levels of investment spending and a greater scrutiny is being given to the payback period on those investments. The easiest example of this was the pushback Mark Zuckerberg has faced from investors for his Metaverse dream, but in reality this new dynamic extends to Amazon's massive CAPEX budget, Google's "Other Bets" division and a host of other businesses that spent the past several years operating under the hire now, figure out what to do with them later mantra. The good news is that the ability to adjust to this new reality is something that management teams and Boards of Directors can control. The bad news is that as minority shareholders, this is not a change we can force. What we can do is tilt the portfolio more heavily towards companies that are making the necessary adjustments and fund those investments from holdings where the management teams are slow to acknowledge the changed environment.

The final topic I want to address before moving onto portfolio specifics is sentiment. Market sentiment is as negative as it has been since the Financial Crisis. Days with good economic news spark panic because it is interpreted to mean that the Fed tightening cycle has much further to go. Days with bad economic news cause panic because it means too much damage has been done to the economy from prior rate increases to avoid a severe recession. Days with no economic news seem to mostly follow the near-term trend which is lower. Nothing better encapsulated the market sentiment of 2022 than the release of November's CPI on December 13th. This report showed that inflation cooled at a faster than expected rate again in November and indicated real progress in the inflation battle. This was unquestionably a positive macro-economic development. Markets spiked in the morning and seven days later closed down 7.5% from the December 13th highs before trading sideways for the remainder of the miserable year. That captures 2022 in a nutshell. The market gets the news it has been waiting for all year and investors can't wait to sell into it. Market sentiment is in many ways like an economic recession in that when you are in the midst of bad times, it can seem impossible to imagine how and when things will reverse. I don't know what or when sentiment will turn, but I am steadfast in my belief that it will. The fact that investor sentiment is such a commonly measured metric is a clue that emotions play a big role in investing. That said, consistency and patience rather than emotional are terms more commonly associated with successful long-term investors.

713-933-5402 12 Greenway Plaza, Suite 1100, Houston, TX 77046 www.burkewealthmanagement.com

Please reference the supplemental disclosure which accompanies this commentary.

Fourth Quarter Contributors and Detractors:

Table 1:

Notable Q4-22 Performers					
Positive Contributors			**Negative Detractors**		
	Performance	**Contribution**		**Performance**	**Contribution**
Intuitive Surgical	+41.6%	+1.45%	Amazon	-25.7%	-1.80%
Blackrock	+28.8%	+1.15%	Meta Platforms	-11.3%	-0.68%

Returns are from a representative account; individual account returns may vary.

Table 1 shows some notable performers during the quarter in terms of both absolute performance as well as their total contribution (% increase/decrease x weighting) to overall portfolio returns. Intuitive, Amazon, and Meta Platforms are great examples of the changing dynamics discussed above while Blackrock simply closed an unwarranted performance gap with the broader market.

Intuitive Surgical: Intuitive is a great example of what is possible when a company provides investors with some relief on the operating expense side of things in this environment. 2022 was a year of elevated operating expense growth (+22%) for Intuitive and the expectation was that 2023 would be more of the same. However, management announced on the third quarter conference call that headcount growth which was running in the mid-20s range would slow to a low teens range next year. This coupled with procedure growth increasing 20% was all it took for the stock to pop after being beaten down for the entire year. To be fair, Intuitive has always been a company that makes investments according to its product cycle rather than a quarterly earnings cycle, but the simple acknowledgement that they intend to take some time to absorb the recent investment cycle and deliver operating leverage in 2023 was all it took to trigger a substantial positive reversal in the share price.

Blackrock: Blackrock is what we characterize as a "beta plus" investment in that the P&L is going to be driven largely by market returns (both equities and fixed income) plus positive asset flows. This has been the case and remained the case throughout 2022, but somehow Blackrock shares materially underperformed the broader markets through the first nine months of the year. This dynamic largely reversed in the fourth quarter and the gap seemed to close over the course of a couple of weeks. While it's obviously been a challenging year for any investment management business, Blackrock continues to steadily gain market share and gather assets as we all wait for a market rebound.

Meta Platforms: During the fourth quarter, Meta managed to demonstrate both what happens in this new environment when a management team completely ignores any semblance of cost discipline and also what happens when a modicum of sanity is restored. Meta's third quarter conference call was the most disrespectful, tone deaf call I've listened to in over 20 years in this industry. After paying lip service to the need for expense control (both CAPEX and OPEX) during its second quarter call, Meta's initial read on 2023 operating expense was for an increase from ~$88B to a range of $96B-$101B and the 2023 CAPEX budget was set to increase from $32B in 2022 to a range of $34-$39B in 2023. Investors had been expecting something closer to flat OPEX and a

Please reference the supplemental disclosure which accompanies this commentary.

healthy decrease in CAPEX. As a point of reference, in 2021 OPEX was $71B and CAPEX was $18B. Finally, losses in the Reality Labs (Metaverse) division were projected to be up "materially" from 2022's burn rate of $12B-$14B. The cherry on top was that Mark Zuckerberg delivered the message with the gravitas of a 3 year old telling his parents, in this case his shareholders, "you're not the boss of me". Normally in this situation, we would have taken the portfolio action of sending the child to bed without dinner and liquidated the position following a debacle of this magnitude. However, we were far from alone in our disgust with Meta's 2023 plans and the stock went from $135 to $90 in a matter of days. Given the rapid collapse in the stock price, the valuation became so cheap that we decided to wait for some of the selling pressure to subside before making any portfolio changes. A couple of things happened during this cooling off period. First, bipartisan pressure started building to regulate, restrict, or outright ban Tik-Tok. This would be a gift to Meta. Second, and far more important, Zuckerberg seemingly reversed course on the OPEX plans and Meta laid-off 13% of its workforce in a single day. The result of this reversal was that the stock popped from $90 to $120 in short order. We reduced our position following this rebound due to a trust deficit with this management team. Meta is a unique asset in that over 2 billion people interact with its family of apps on a daily basis, which is why we owned it in the first place. However, given the super voting shares owned by Mark Zuckerberg, minority investors have always relied on a pact of mutually assured destruction with him in that we are truly at the mercy of him acting in his own best financial interests because he can't be fired. That pact was violated with the initial 2023 budget and only the reversal of those plans keeps us in the stock. We will re-evaluate our position again following the release of Q4 earnings to see if the company remains committed to a more rational spending budget going forward, but Meta Platforms is certainly on watch.

Amazon: Amazon is probably the best example of a company that must adjust to the new reality. For two decades, Amazon's playbook has been to aggressively reinvest any profits or even incur near-term losses to gain market share and disrupt large industries. Amazon has historically gone through periods of massive investment followed by harvesting periods where investors get a glimpse of what the steady state profitability could be. The stock typically outperforms dramatically during the harvesting periods. Over time, few companies have enjoyed the benefit of the doubt more than Amazon. However, after capital expenditures totaling ~$160B over the past three years and with a rising cost of capital, the benefit of the doubt is no longer being extended and investors are demanding to see the fruits of this latest investment period. The good news is that Amazon was naturally coming to an end of its most recent investment cycle which saw the aforementioned $160B in CAPEX and a doubling of the workforce since we entered the pandemic. Further encouragement is taken from the fact that management is now talking openly about slowing CAPEX and shuttering some projects where the future business case is no longer strong enough to offset the losses incurred. This is all positive. We already believed that we were entering a harvest period that would result in operating profit far outpacing expectations at Amazon. The additional belt tightening moves strengthen that case. In fact, we increased our weighting in Amazon during the fourth quarter following the negative response to the Q3 earnings release. However, it is important that management read the room and realize that in this environment investors aren't in the mood to hear about the next big thing but instead need to see definitive proof that the investments made over the last three years will generate attractive returns.

Fourth Quarter Portfolio Activity:

As we head into a year in which the macro environment figures to be challenging, we are looking to tilt the portfolio towards holdings that have multiple levers to pull to protect earnings while reducing exposure to areas

where visibility is low or non-existent. Table 2 shows the adjustments we made during the fourth quarter. We sold our position in Align Technology as extended lockdowns in China and general weakness in discretionary spending weighed on results and left the company with very limited visibility. We reduced our position in Meta Platforms and will continue to monitor the future of that position closely. With Blackrock, we simply took the position back to its intended weighting following a brief period of exceptional gains. We increased our weighting in Amazon, Salesforce and PayPal during Q4. We discussed our thought process on the changes in Meta and Amazon above. Below, we provide some color on our rationale for the moves in Salesforce, PayPal and Align.

Table 2:

New Purchases / Additions
Amazon
Salesforce
PayPal

Eliminations / Reductions
Align Technologies
Meta Platforms
Blackrock

Salesforce: We talked about Amazon as a company that is on the verge of harvesting outsized investments made in recent years that we believe will result in improved profitability. We think the same can be said for Salesforce with the difference being that Salesforce's investments have come in the form of acquisitions while the bulk of Amazon's investments were organic. In recent years, Salesforce has expanded its product offering through the acquisition of MuleSoft, Tableau and Slack. As one of the few cloud based software companies that can serve as a true platform, we think Salesforce is well positioned to gain share as enterprises move away from a series of best of breed products and towards comprehensive platform providers. This was central to our decision to purchase Salesforce earlier in the year. Our decision to increase the weighting was driven by a substantial opportunity to increase the operating margin that we believe will protect earnings in the face of an uncertain macro environment. With the integration of the recent acquisitions now complete, Salesforce can now focus on improving productivity. Management has been vocal about its ability to expand margins and recent announcements surrounding layoffs (10% of the workforce is being let go) and plans to rationalize its real estate footprint indicate that the commitment to margin improvement is real.

PayPal: 2022 was a horrendous year for PayPal shares. After a series of earnings misses, the company was forced to abandon its ambitions to be the comprehensive digital wallet providing 750M people with a multitude of financial services. As earnings fell, valuation reset and PayPal went from trading at a healthy premium to the market (well over 2x) to trading at a 10% discount to the market. In the process, management was forced to refocus on the core business, which as it turns out is not so bad. PayPal has 430M users, serves 35M merchants, and processes over $1.3 trillion in transactions each year. It also has a 7% free cash flow yield and net cash on the balance sheet representing 7% of the market cap. PayPal's collapse and subsequent forced reset attracted the attention of activist investor Elliott Management, which provides some comfort that management's renewed commitment to its core business will have staying power. It also has an interesting property in the person to person payment app Venmo. Because PayPal was one of the earlier companies to pursue greater discipline around expense controls, 2023 sets up as a year in which operating expenses will be flat to slightly down on an absolute basis. This coupled with the expected mid-single digit revenue growth and cash return commitments sets up 2023 as a year in which earnings growth will be north of 15% despite the challenging macro-economic environment. PayPal may not recapture its all-time highs anytime soon, but this is an example of playing the ball where it lies and from where it lies today, we think PayPal offers a very attractive risk/reward.

713-933-5402 12 Greenway Plaza, Suite 1100, Houston, TX 77046 www.burkewealthmanagement.com

Please reference the supplemental disclosure which accompanies this commentary.

Align Technology: Align is the leader in the clear aligner orthodontic category which is a long-term share gainer from traditional braces. This is an aggressive growth stock whose success is predicated on consistent growth in both the adult and teen markets and share gains. We bought this stock knowing that it would be highly volatile, but believing that the long-term upside was worth the volatility. Unfortunately, 2022 presented Align with a toxic cocktail of issues that have severely impacted earnings and reduced future visibility to levels beyond our risk tolerance. The protracted war in Europe (25% of revenues) coupled with intermittent lockdowns in China (7% of revenues) were issues beyond management control that hurt performance. The deteriorating macro environment adversely impacted the clear aligner market, particularly among adults, which proved to be more discretionary than we had anticipated and share gains in teen slowed during the critical back to school season. The company has tried to respond to these challenges by aggressively cutting costs, but with the earnings outlook reduced to a decline of 35% for 2022 and no signs that a 2023 recovery is in the offing, we chose to exit the position and redeploy the proceeds to better opportunities within the portfolio.

2022 was a brutal year in the stock market with most of the pain concentrated in growth equities. Simply turning the calendar to 2023 is not in and of itself a closure to the problems that plagued the market in 2022. That said, we are likely within a couple of months of the conclusion of the Fed tightening cycle, which was the primary anchor to equity returns last year. Weaker companies have been or are in the process of being marginalized or outright eliminated and stronger companies have now had some time to adjust cost structures and thinking to the new reality of a reasonable, but higher cost of capital. The rebound in equity prices will not be uniform and we are focused on concentrating our portfolio around those companies who have demonstrated an understanding of the new reality and are taking the steps necessary to thrive in it. We thank you for the trust you have placed in us and as always, please don't hesitate to reach out if you have any questions.

Regards,

Ken Burke
Chief Investment Officer

713-933-5402 12 Greenway Plaza, Suite 1100, Houston, TX 77046 www.burkewealthmanagement.com

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 and the Russell 1000 Growth 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 Russell 1000® Growth Index is an unmanaged index that measures the performance of the large-cap growth segment of the U.S. equity universe. It includes those Russell 1000® Index companies with higher price-to-book ratios and higher forecasted growth values.

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.

713-933-5402 12 Greenway Plaza, Suite 1100, Houston, TX 77046 www.burkewealthmanagement.com