

Atherean Asset Management

April 27, 2026

Dear Atherean Asset Management clients:

Enclosed is your portfolio performance report, a summary of your investment objectives and target asset allocation, and an investment advisory fee statement for the second quarter of 2026. Please reach out if you would like to review your investment objectives, liquidity needs or asset allocation. For a full report of the holdings in your accounts please refer to the statements and reports generated by the custodian.

Market and Economic Environment

Global equities experienced renewed volatility in the first quarter as geopolitical shocks and spiking oil prices sparked economic slowdown and inflationary fears for non-oil exporting economies. At the same time rotation out of the richly valued mega cap growth stocks continued and year-to-date as of the end of the first quarter the S&P 500 index was down 4.3%, the mid-cap S&P 400 was up 2.5%, the small-cap S&P 600 was up 3.5%, and the MSCI Europe, Australasia and Far East Index was down 1.2%¹.

While the current high oil prices are a net positive for the U.S. as it is net exporter of oil, the situation may benefit some parts of the U.S. more than others depending on whether a particular region or local economy is a net producer or consumer of oil and downstream products related to energy. While sequential readings from the U.S. economy are down somewhat since last quarter with real GDP growth estimated at 1.2%² for the first quarter of 2026, we believe that we are in a moderate growth, moderately inflationary environment for the intermediate term.

Portfolio Management

We continue to be on the lookout for situations where high quality companies have become inexpensive, and in the first quarter we took a position in Constellation Software (TSX: CSU, PINK: CNSWF)³. Constellation is a Toronto-based company which acquires enterprise software businesses which serve specialized niche industries. Founded by Mark Leonard in the mid-1990s, the company has spent three decades acquiring vertical market software businesses, holding them for the long term while allowing them to operate autonomously, collecting the cash flows, and reinvesting those cash flows into additional such businesses. As a result of the company's disciplined execution, it has compounded free cash flow per share at over twenty percent annualized over the three decades since its founding. As the company has a stellar reputation and is recognized by the market broadly as an elite capital allocator, it has for most of its existence traded at what we would consider to be prohibitively high valuation multiples. In entering the position, we took advantage of a substantial decline in the share price which was driven primarily by concerns that artificial intelligence would disrupt the enterprise software sector in aggregate.

¹ All return figures are year-to-date total return (including dividends) figures as of 3/31/2026

² As of April 25, 2026. Source: Federal Reserve Bank of Atlanta, Center for Quantitative Economic Research

³ The securities which we discuss in this letter are not necessarily allocated to all of our client accounts. Whether or not we choose to allocate a particular security to your account will depend on your risk tolerance, investment objectives, tax situation and objectives, and liquidity needs. Nothing printed in this letter should be construed as a solicitation or an attempt to effect transactions in securities.

We believe that these concerns related to industry disruption are overstated as relates to Constellation's portfolio of businesses, and to understand why it is worth describing what these businesses do and the value which they provide for their customers. Constellation's software companies typically serve specific niche industries such as transit authorities, dental practice management groups, municipalities, and marina operators, and provide software products that manage the operational and administrative cores of these businesses. Such customers subscribe to the software not only for the product itself, but for the service, expertise and support which comes with it. Such customers also tend to be less price sensitive as the recurring costs of the software are small compared to the revenues of such companies and because of the critical role that the software plays in helping these customers to run their businesses efficiently and compliantly. The software companies do more than just build the product, they understand their customers' specific requirements related to their industry in ways that a general-purpose software provider would not, and ongoing enhancement and support for such mission critical software is an essential part of the relationship between the vendor and the customer. Furthermore, switching costs tend to be high as changing a core operational software system requires significant time, staff retraining, and operational risk. In short, we do not dismiss the transformative potential of artificial intelligence. However, we believe that the specific fear driving the recent decline in enterprise software valuations: that AI tools will allow businesses to largely eliminate their software subscriptions, materially underestimates the value that customers place on service, support and domain expertise.

We appreciate the trust you have given us to manage a significant portion of your wealth. As always, we are available to discuss your investment portfolio, discuss your financial plan, or address any other questions or concerns which you may have. Please feel free to reach out via phone or email if you would like to speak with us.

Sincerely,



Atherean Asset Management LLC

Disclosures:

This information is not an attempt to render investment advice nor is it an offer or sale of any security, investment product, or investment advice. Descriptions of past equity and fixed income index performance are shown for illustrative purposes only and should not be used to infer future performance. Past performance is not a guarantee of future results.

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Atherean Asset Management LLC

101 Hudson Street, 21st Floor

Jersey City, NJ 07302

Ph: 1-347-409-1499

cgetting@atherean.com

<https://www.atherean.com>