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Portfolio Manager Update — For Distribution to Current and Prospective Investors

SUBJECT

Middle East Geopolitical Assessment: Portfolio Impact and Forward Positioning

Dear Fellow Investors,

The events of the past week represent a fundamental shift in the geopolitical environment affecting global energy markets. We are writing to provide our assessment of current conditions, the implications for AI Alpha portfolio positioning, and our forward outlook as this situation continues to develop.

On February 28, 2026, the United States and Israel launched a coordinated military operation — Operation Epic Fury — targeting Iranian military command infrastructure and senior leadership, including a strike that resulted in the death of Supreme Leader Ali Khamenei. This operation represents a fundamental escalation in Middle East regional conflict. A Hormuz closure scenario included in our research framework as a key risk factor has now become the operative planning scenario.

We believe the AI Alpha portfolio's current positioning — with energy infrastructure as its largest segment allocation — is structurally aligned with the conditions now unfolding in energy markets. That positioning was built around our thesis on AI infrastructure energy demand and an assessment that Middle East energy security risk was being underpriced by equity markets. We explain that positioning and our current thinking in full below.

I. The Current Situation

■ ELEVATED CONDITION — STRAIT OF HORMUZ NOW EFFECTIVELY CLOSED

In the immediate aftermath of Operation Epic Fury, Iran declared that no commercial vessel is permitted to transit the Strait of Hormuz. IRGC missile batteries have been positioned to enforce this declaration. Major global shipping operators — including Maersk, MSC, Hapag-Lloyd, and CMA CGM — have suspended Strait of Hormuz transit until further notice.³ Vessel traffic experienced an initial decline of approximately 70%, and has since approached zero as of March 4, 2026.⁴ Protection & Indemnity insurance has been withdrawn for Hormuz transits effective March 5, making the economic cost prohibitive for most operators.

This is a scenario AI Alpha has identified as a key risk and stress-tested the portfolio against. It is now the base case for planning purposes. Portfolio positioning has been evaluated against this scenario.

Brent crude oil spiked as much as 13% in initial Sunday night trading, reaching a high near \$82 per barrel — its highest level since the June 2025 Iran nuclear exchange.² Sustained trading gains have held in the 10-11% range, with Brent trading near \$80-82 as of this writing. Barclays and UBS analysts have published notes forecasting Brent reaching \$100 to above \$120 per barrel if the Hormuz closure persists — consistent with Federal Reserve Bank of Dallas scenario analysis.² Iran's response has expanded beyond the Strait: Hezbollah initiated retaliatory strikes from Lebanon, Houthi forces in Yemen resumed Red Sea shipping attacks, and QatarEnergy paused liquefied natural gas production following attacks on its operating facilities,⁵ introducing a natural gas supply shock alongside the oil disruption. These represent second-order escalation developments beyond the initial strike scenario.

Three structural dynamics now define the operating environment:

- **Hormuz closure (active).** Approximately 20% of global oil supply and approximately 20% of global LNG trade transits the Strait.³ Federal Reserve Bank of Dallas scenario analysis modeled a temporary Strait closure driving WTI crude toward \$100 per barrel.¹ Barclays and UBS analysts have now independently published \$100-120+ per barrel targets. That scenario is now in motion, not in a model.
- **Multi-front Iranian retaliation.** Hezbollah, Houthi, and direct Iranian actions are applying simultaneous pressure on energy and shipping infrastructure across the region. The scope and duration of these responses remain uncertain.
- **Equity market reaction has been measured, not panicked.** The S&P 500 closed approximately flat on March 2, with the Dow down 73 points but the Nasdaq gaining 0.3%.⁷ Markets appear to be pricing a contained-duration scenario. We monitor this assumption closely.

II. Portfolio Assessment by PCBO Segment

The AI Alpha framework allocates capital across four engines of AI-driven value creation: Power, Compute, Builders, and Operators. Allocation percentages reflect current strategy-level positioning and may vary across accounts depending on mandate, liquidity, and implementation timing. All investment decisions remain subject to portfolio manager discretion.

Power. (~21.5% of strategy allocation — largest segment)

The Power segment is the area of the portfolio most directly consistent with conditions now unfolding — and the research behind our positioning deserves explicit discussion.

Power Segment Timing Rationale. The decision to build the Power segment from approximately 0% to 21.5% of strategy allocation was made during February 2026, prior to Operation Epic Fury. That positioning was driven by two independent structural theses: (1) the accelerating energy demand created by AI data center buildout, which required domestic generation and grid infrastructure at a scale the existing grid was not designed to support; and (2) our assessment that Middle East energy security risk was being systematically underpriced by equity markets following the contained June 2025 exchange.

The Hormuz closure now activates both theses simultaneously. Domestic energy generation infrastructure — gas turbines, distributed fuel cells, grid hardening — has become strategically critical for AI infrastructure operators who cannot rely on imported energy price stability. Current conditions are consistent with the scenario analysis our research framework had identified.

We intend to maintain this allocation within its current range. We are not adding to Power positions at current prices following the initial energy spike, as we believe the prudent approach is to allow the thesis to continue to prove out through earnings and backlog data before sizing up further. Should prices consolidate from post-strike highs, we will reassess position sizing with appropriate deliberation.

Our Power segment holdings — spanning domestic generation, grid infrastructure, and distributed energy — carry independent demand catalysts from AI infrastructure investment that do not depend on geopolitical resolution. The Hormuz closure adds an energy security premium that we view as incremental, not foundational. The original thesis remains intact.

Compute.

Semiconductor supply chains are contending with two concurrent pressures: the post-strike shipping environment has complicated already-strained Red Sea rerouting, and proposed 25% semiconductor tariffs continue to weigh on forward cost projections. NVIDIA, our primary Compute holding, faces both headwinds but is simultaneously benefiting from continued strong AI demand signals — NVIDIA shares recovered approximately 3% in the first post-strike trading session, suggesting the market views AI compute demand as structurally intact despite near-term geopolitical friction. We continue to hold Compute positions and are monitoring tariff developments closely.

Gulf Cooperation Council sovereign AI investment — a secondary demand driver for Compute holdings — faces material uncertainty while the regional situation remains fluid. We have reduced our near-term assumptions for this demand channel accordingly.

Builders.

Enterprise AI software platforms carry limited direct exposure to Middle East geopolitical developments, with adoption driven primarily by domestic return-on-investment dynamics. We note one important exception: Palantir Technologies carries direct and deepening exposure to U.S. government and defense AI deployments. The operational use of AI systems in a live conflict environment is a material validation of Palantir's government business thesis. Retail and institutional flows into Palantir increased materially in the immediate post-strike period, and Wall Street analyst sentiment has shifted more constructive. We are actively evaluating Palantir as a potential addition to the portfolio given these developments.

Operators.

Operators focused on workforce efficiency and margin optimization remain largely insulated from direct regional exposure. We have completed a targeted review of Middle East supply chain concentration and insurance exposure within this segment. No material concentrations were identified. Energy cost volatility creates an indirect input cost dynamic for cloud-dependent Operators, which we continue to monitor.

III. Risks Under Active Monitoring

Several scenarios have moved from tail risk to active monitoring status given current conditions.

1. Hormuz Duration and Oil Price Trajectory

The single most consequential variable for the portfolio is the duration of the effective Hormuz closure. A closure resolved within four to six weeks, through ceasefire or diplomatic intervention, would likely see crude prices recede from current levels without triggering a structural inflation response. A closure extending beyond that window creates conditions in which WTI crude approaching \$100 per barrel becomes plausible — the scenario modeled in Federal Reserve Bank of Dallas research.¹ At that price level, the Federal Reserve's rate path becomes constrained, and high-multiple growth holdings in Compute and Builders face material multiple compression. We are stress-testing the portfolio against both duration scenarios.

2. Iranian Counter-Escalation Scope

The simultaneous activation of Hezbollah, Houthi, and direct Iranian strike capability suggests a coordinated escalation response rather than isolated retaliation. The range of outcomes — from rapid Iranian institutional collapse to a multi-front grinding conflict involving regional proxies — is wider than at any point in the preceding twelve

months. Saudi Arabia, the UAE, and Turkey each carry strategic interests that could draw them into the conflict dynamic in ways that are not currently priced into markets. We assign low probability to Gulf Cooperation Council destabilization but treat it as a monitored scenario.

3. Tariff and Trade War Compounding

The geopolitical shock is landing on a domestic equity market that was already contending with elevated valuations, proposed semiconductor tariffs, and a narrative shift in AI investment from opportunity to risk. The S&P 500 was up only 0.8% year-to-date through February 24 with the Nasdaq down 1.6%. Energy, Materials, and Consumer Staples were the sector leaders — a rotation pattern that has accelerated since the strikes and that, we note, is directionally favorable to our current portfolio composition.

IV. Current Positioning and Portfolio Oversight

No emergency rebalancing is indicated at the strategy level. The portfolio's current composition — with the Power segment as our largest single allocation — is directionally aligned with the conditions now unfolding. Our posture is deliberate maintenance rather than reactive repositioning.

The structural thesis underlying AI Alpha — that artificial intelligence will generate measurable economic value across Power, Compute, Builders, and Operators — remains intact. Geopolitical volatility affects the timing and path of returns. It does not alter the long-term structural drivers we are investing against. In several respects, the events of the past week have accelerated the urgency of the infrastructure investment thesis we have been building toward.

On a separate note — one we will detail fully in our next update — AI Alpha has expanded its intelligence team by seven new members. They are not human. They are AI agents, purpose-built and embedded directly into our investment process — researching, analyzing, stress-testing, and synthesizing across the full breadth of our PCBO framework. These systems operate under direct portfolio manager oversight, and all investment decisions are made by Lawrence Ford. We have long believed that the future of asset management belongs to those who don't just invest in artificial intelligence, but have the conviction to build with it. That future is now operational at AI Alpha.

We will continue to communicate material developments with the transparency and timeliness this environment demands. Please do not hesitate to reach out directly.

Respectfully,

Lawrence Ford

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¹ Federal Reserve Bank of Dallas, "Middle East Geopolitical Risk Modestly Affects Inflation and Inflation Expectations," Dallas Fed Economics, August 2025. The \$100/bbl figure reflects the Strait of Hormuz closure scenario modeled therein. dallasfed.org.

² Brent crude price data: CNBC, "Crude Oil Futures — Iran," March 1, 2026; Axios, "Why oil prices aren't even higher after Iran strikes," March 3, 2026. Intraday high of ~\$82 reached in early Asian trading March 1; sustained level ~\$80-81 as of March 3-4. Barclays \$100+ forecast and UBS

\$120+ scenario: CNBC, March 2, 2026.

³ Shipping operator suspensions: Maersk Advisory (maersk.com, March 1, 2026); Hapag-Lloyd official notice (hapag-lloyd.com, March 1, 2026); France24 citing MSC statement (March 1, 2026). CMA CGM also suspended Gulf operations. The 20% global oil supply figure: NBC News, March 2, 2026; CNBC, March 2, 2026.

⁴ Vessel traffic decline and P&I; insurance: Wikipedia, "2026 Strait of Hormuz Crisis" (updated March 4, 2026); Argus Media, "Containership owners suspend Hormuz operations," March 2, 2026; Kpler Container Intelligence, "Strait of Hormuz Disruption," March 4, 2026. P&I; insurance withdrawn effective March 5, 2026.

⁵ QatarEnergy LNG production pause: QatarEnergy statement quoted by NBC News, "Higher gas prices are likely coming to the pump after oil prices jump," March 2, 2026.

⁶ Operation Epic Fury confirmed by: U.S. Central Command (CENTCOM) press release, February 28, 2026; NPR, February 28, 2026; Washington Post, February 28-March 1, 2026; White House statement, March 2026. Israeli operation codenamed "Operation Roaring Lion." Khamenei death confirmed by President Trump, Prime Minister Netanyahu, and multiple intelligence sources briefed on the strike.

⁷ Market close data March 2, 2026: CNN Business, "US stocks recover, gold rises and oil surges as war with Iran spreads," March 2, 2026. S&P; 500 +0.04%, Nasdaq +0.36%, Dow Jones Industrial Average -73 points.

IMPORTANT DISCLOSURES

Conscious Capital Wealth Management, LLC ("Conscious Capital") is a registered investment adviser (SEC CRD No. 174670).

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Statements regarding positioning, risk assessment, and potential portfolio actions reflect current views as of March 4, 2026, and are subject to change without notice. Forward-looking statements involve known and unknown risks and uncertainties that may cause actual results to differ materially from expectations.

References to allocation percentages reflect strategy-level positioning at a point in time and may vary across accounts. AI Alpha utilizes quantitative analytical tools in conjunction with portfolio manager oversight. Investment decisions are not made solely by automated systems.

Past performance is not indicative of future results. Investments in AI Alpha strategies are speculative in nature. All investors should carefully consider their investment objectives, risk tolerance, time horizon, and liquidity needs before investing.

Probability estimates, price scenario analyses, and market references cited herein are derived from publicly available third-party sources including Federal Reserve Bank of Dallas research and public market data as of March 3-4, 2026. Methodological details are available upon request. AI Alpha makes no representation as to the accuracy or completeness of third-party data.

Consult your investment professional before making investment decisions.