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To My Partners:

The performance of our portfolio for the second quarter of 2026 and since inception is summarized below.

	1578 Partners		S&P 500
	Gross	Net	Total Return
2026:			
Q2	8.29%	7.89%	15.20%
Year-to-Date	12.40%	11.57%	10.21%
Since Inception (08/01/15):			
Annualized	22.24%	20.40%	14.31%
Cumulative	794.65%	658.71%	330.57%

Developments in the military conflict between the U.S. and Iran continued to drive financial markets during the second quarter. In fits and starts, optimism built that a ceasefire could be reached and that the Strait of Hormuz would reopen to commercial traffic, most notably shipments of oil. The spot price of Brent crude fell by nearly half over the course of the quarter to \$70.46 per barrel, just below where it sat before the conflict erupted. The prospect of easing hostilities and diminishing disruption to the oil market ignited a sharp relief rally in the equity market.

If the conflict in the Middle East was in the driver's seat during the second quarter, the AI investment boom was riding shotgun. Planned investment in AI data centers continued to march steadily higher despite growing external funding requirements as well as acute supply bottlenecks and soaring prices for various essential components. Companies positioned at those bottlenecks are seeing their earnings explode to unprecedented levels. Take Micron Technology, a leading manufacturer of memory and storage solutions, for example. During the quarter ended June 30, Micron's revenue grew 346% from the prior year and its operating income grew more than 14-fold. Micron's stock soared 241.7% during the second quarter alone. The Philadelphia Stock Exchange's Semiconductor Sector index as a whole gained an eye-popping 87.8%. The AI investment boom is steadily becoming an ever more important driver of economic growth, corporate earnings and the overall equity market.

The S&P 500 mounted a massive comeback over the course of the second quarter after ending the first quarter down several percentage points. Our portfolio significantly outperformed the S&P 500 during the first quarter — ending up a few percentage points — and so had less scope for a rebound during the second quarter. Our positions in Interactive Brokers Group, Inc. class A common stock (NASDAQ: IBKR), Northeast Bank voting common stock (NASDAQ: NBN), Amazon.com, Inc. common stock (NASDAQ: AMZN) and Alphabet Inc. class C capital stock (NASDAQ: GOOG) drove the portfolio's gain during the quarter. Those stocks gained between 29.8% (IBKR) and 14.4% (AMZN) during the quarter. Our position in Netflix, Inc. common stock (NASDAQ: NFLX) was the only meaningful detractor during the quarter. NFLX fell 25.7%.

Performance Attribution

Positions that had a material impact on the portfolio's mark-to-market performance for the quarter and year-to-date are outlined below.

Performance Attribution			
2Q 2026		YTD 2026	
Interactive Brokers Group	4.16%	Interactive Brokers Group	8.22%
Northeast Bank	2.37%	Northeast Bank	3.49%
Amazon.com	2.32%	Amazon.com	2.68%
Alphabet	1.36%	Uber	-2.46%
Netflix	-1.56%		
Other	-0.35%	Other	0.47%
Gross Performance	8.29%	Gross Performance	12.40%

Portfolio Composition

The composition of the portfolio at the end of the quarter is depicted below.

Portfolio Composition	
Equities – Long	90.9%
Cash	9.1%

At the end of the quarter, we began purchasing shares of a new investment in the “when-issued” market. The liquidity was insufficient to build a meaningful position. The new investment accounted for less than 0.1% of the portfolio's value at the end of the second quarter. We established a more meaningful position in the security once it began trading “regular-way” after the end of the quarter. At the end of the quarter, our portfolio included eight long equity positions, including the new position, and cash.

Select Portfolio Updates

This quarter's portfolio update covers our position in Amazon.com, Inc. common stock (NASDAQ: AMZN), a compounder investment. Hinde Group has had a position in AMZN since inception. We have added to and trimmed that position at various points along the way. At times it has been our largest position; at other times it has been among our smallest. It began 2026 as one of our smallest positions at just under 1.0% of the portfolio's value. We significantly increased our position in February at an average price of \$203.37 after the shares sold-off sharply due to (misplaced) concerns about the magnitude of — and prospective returns on — Amazon's planned investments in AI infrastructure related to Amazon Web Services.

Essentially all of the new position that Hinde Group began to initiate at the very end of the second quarter was purchased at the beginning of the third quarter. That position will be covered in the partner letter for the third quarter.

Amazon.com, Inc.
(NASDAQ: AMZN)

From its roots as an online retailer of books, Amazon has grown into a sprawling and ever-expanding collection of global businesses. The pillars of Amazon's business are its e-commerce marketplaces in over 20 countries, its ubiquitous consumer subscription service, Amazon Prime, and its world-leading cloud service provider, Amazon Web Services.

If you are looking for evidence that Amazon is wasting money investing in AWS, you won't find any in the company's results for the second quarter of 2026. AWS revenue growth accelerated to 37% year-over-year, up from 28% in the first quarter of 2026 and 20% in 2025. Both the rate of growth and the pace at which it is accelerating would be jaw-dropping for almost any business. They are especially so when you consider AWS's scale. Its revenue currently sits at a \$169 billion annualized run rate, a figure that would put AWS near the top of the Fortune 500 list if it were a stand-alone company. AWS's profits were even more impressive. Excluding the impact of a gain on energy derivative contracts, AWS operating income grew 58.2% year-over-year during the second quarter. On the same basis, AWS's operating margin came in at 38.1%, up 514 basis points year-over-year and up 40 basis points relative to the first quarter.

AWS's strong results support a bright outlook for the business over the coming years. AWS's AI business will continue to be capacity constrained through at least 2027, and it is already seeing exceptional demand for 2028. Moreover, utilization of AI services is stimulating incremental demand for many of AWS's core services as well. Keep in mind that we are still in the early days of businesses adopting AI and incorporating it into production applications and workflows. That is bullish not only for the continued growth of AWS's AI business beyond 2028, but also for its eventual margins and returns. The mix of AWS's AI business should improve in a variety of ways as it matures. Customer concentration with Anthropic and OpenAI will decrease; the share of revenue coming from higher margin AI services, such as Bedrock and SageMaker, will increase; and an increasing share of AI workloads should run on Amazon's low-cost custom silicon. On the second quarter earnings call, Andy Jassy, Amazon's CEO, indicated that AWS's AI business is tracking a little bit ahead of where AWS's core business was in terms of margins and returns at a similar stage of its development. Jassy now believes AWS has the potential to reach \$1 trillion in revenue over time, nearly six times its current run rate.

AMZN ended the second quarter at \$237.35. Although the stock had a nice pop in late July after reporting results for the second quarter and currently sits at \$274.48, it remains meaningfully undervalued. The shares still offer a prospective annualized return north of 20.0% over a long time horizon.

Our portfolio is off to a strong start thus far in the third quarter. I feel good about the individual positions in the portfolio and the portfolio's overall composition. Nonetheless, I always aim to identify great new investments that will improve the portfolio even further. I remain optimistic about how our portfolio will do in the coming years.

Thank you for your continued confidence and support.

Regards,

A handwritten signature in black ink, appearing to read 'Marc Werres', with a stylized, cursive script.

Marc Werres
Managing Partner

Important Disclosures

The performance figures depicted herein relate to an account owned by 1578 Partners. This account serves as the model account for the taxable accounts Hinde Group manages. The performance of investor partner accounts may differ from the figures depicted herein for several reasons, including, but not limited to, cost basis differentials, the timing of account inflows, and tax considerations. 1578 Partners's gross results reflect the deduction of trading commissions and other fees charged by Hinde Group's broker. Net results reflect the hypothetical deduction of management fees (1.5% of AUM per annum billed quarterly in advance).

1578 Partners's inception date is August 1, 2015.

The statistical data regarding the performance of the S&P 500 was obtained from the website of S&P Dow Jones Indices. The S&P 500 returns shown do not represent the results of actual trading of investible assets/securities.

Past performance is not necessarily indicative of future results. All investments involve risk, including the loss of principal. The views expressed herein are those of Hinde Group as of the date indicated and may change without notice. Hinde Group may buy or sell any security at any time and is under no obligation to provide updates to the information contained herein. This is not a recommendation to buy or sell any security.