

“This too shall pass.”

April 10, 2026

To all clients,

Cedar Grove Capital Management’s Multi-Strategy Composite returned -23.0% (net of fees) vs -5.6% for the Russell 2000, -5.9% for the Russell Microcap, and -5.5% for the S&P 500, since its inception.

CGCM Multi-Strategy Composite^{1,2,3}				
(All Managed Portfolios with Balances >\$20,000)				
	Net Return	Russell 2000	Russell Microcap	S&P 500
YTD through March 31, 2026⁴	(23.0%)	(5.6%)	(5.9%)	(5.5%)
<p>1) Time-weighted returns (TWR) are unaudited and represent an account opened during the reported quarter. Investor's actual returns may differ from the returns presented due to when onboarding was completed and position weightings with each respective portfolio.</p> <p>2) Portfolios consist of client accounts that are strictly involved with our multi-strategy offering (L/S + Special Situations).</p> <p>3) Standard fees consist of a 1.0% management fee, applied monthly on the end balance, as well as a 20% performance fee above our Russell 2000 benchmark, calculated at the end of the year. A high-water mark is standard across all accounts and is measured over the entire life of the clients' investment.</p> <p>4) YTD represents the composite inception date of January 14th, 2026 through the end of the quarter March 31, 2026.</p> <p>- Past performance is not indicative of future results.</p>				

This is our first quarterly letter since launching our multi-strategy approach to investing via separately managed accounts (SMA) in the middle of January. We’ve thought long and hard about how to start this letter, and we think providing some background is helpful. Leading up to our formal launch, we had the pleasure of speaking to and hearing from other portfolio managers who started at various points of the last few cycles.

While we all know that timing plays an important role in the early success of funds, the fact is that we cannot forecast exogenous shocks that begin during turbulent macroeconomic times. Rather than opine on macro uncertainties, the best we can do is invest in good companies at reasonable prices with solid prospects to compound. Take, for example, one portfolio manager we spoke with who launched in January of 2020. We all know how that panned out, and he ended up being down 30% by the end of Q1 and needed to explain to LPs that the sky wasn’t falling. The point we’re making is that timing from unforeseen events can get the better of us, at least in the near term. But, just like all recent past events that have led many investors to run for cover (2018 Fed policy, COVID, and 2022 inflation), they too have all eventually passed and led the markets to new highs.

For us, launching into a SaaS apocalypse this year almost felt like a blessing. Many of the names we liked were selling off in what seemed to be a healthy pullback in their respective valuations, despite improving fundamentals and being AI beneficiaries rather than being disrupted by AI. Better put, the companies we liked were being thrown out with the bathwater, and we were eager to take advantage.

As we took note of falling equity valuations, we deployed capital with the expectation that the improving fundamentals of our holdings would be reflected in Q4’25 earnings and the market would be quick to rectify their selloffs once fears around guidance would be rendered overblown.

On that end, we were right. Nearly all the names we held that reported earnings in February or early March reported well, and we were quite happy with their respective guides. However, while we were quick to deploy funds to capitalize on these dislocations, we were quickly surprised by Trump launching a combat operation against Iran. Flashbacks to the summer of 2025 with a quick in and out operation and no Strait closure seemed like a re-run of the same playbook all over again. Unfortunately, this was not the case, and all the good results that our holdings released just days earlier were quickly forgotten, and any remaining holdings that reported in the rest of March popped on results and were quickly sold off within the broad market selloff.

An event that we not only a) did not foresee, and b) misinterpreted by how decisively the IRGC would respond by closing the strait. As we've highlighted many times, we are not traders nor will we ever pretend to be. It's important to understand one's edge in investing and ours revolves around finding mispriced equities with supporting tailwinds. We feel that trading around a market that no one really knows where it will go on any given day based on a tweet is a recipe for disaster and just creates more problems than it solves. Because of that, we have refrained from becoming emotional in these uncertain and tumultuous times and stuck with our investment philosophy that managers will have to be able to stomach painful drawdowns to avoid trying to *time* the market as long as they believe that the companies they hold are of quality.

We believe that we've found many quality names with good management teams and strong tailwinds that are being thrown out along with many other small and microcap companies in what seems to be a "shoot first and ask questions later" environment. Additionally, while our multi-strategy approach allows us to take short positions, our mandate does not require us to consistently hold short positions. We strategically take short positions in companies we feel are overearning, facing intense or looming headwinds, or making questionable operational business decisions that will eventually become negatively reflected in their stock price. We do not take positions just to reduce our overall beta exposure, resulting in us generally maintaining a long bias.

Our special situations sleeve, which is also opportunistic in nature, indirectly insulates our portfolio by reducing our portfolio beta. There were a number of holdings that more or less stayed within a range and did not contribute as much to the downside as others in our overall performance. However, there were a few names in that strategy that were large detractors for us in the quarter, which we will also highlight below.

In summary, it's slightly poetic that we spent so much time in preparation for our launch, talking to industry leaders and other managers who started in what looked to be clear skies, only for us to innocently fall into a similar chaotic market situation as they did. But, just like all the tough market environments of the past, despite even facing a generational pandemic, blue skies did eventually come back.

While the timing of macro events got the better of us in Q1, going into Q2, we feel confident in the names that we hold and that their future execution will be accurately reflected in our performance in the coming quarters and years.

Below, we're going to highlight our holdings with a quick explanation of each. If you have any questions or would like to discuss further, you can email us below.

Best,
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When it came to deploying capital, we largely stuck within consumer discretionary and various healthcare names, including some biotech. We understand that the hottest trades in the market over the last few years have been anything AI-related, but we've chosen to look elsewhere for mispriced assets. This was done by design as fewer eyeballs were on smaller companies that were either currently in an inflection period in their cycle or were pressing forward with exploiting operating leverage. In other words, while we acknowledge that there is plenty of money to be made in AI, we left the chasers to chase the "hot new thing" while we focused on where our edge is.

Our biggest contributors of the quarter were Evolv Technologies (EVLV), Nektar Therapeutics (NKTR), and OneSpaWorld (OSW). Our biggest detractors were WW International (WW), The RealReal (REAL), and KITS Eyewear (KITS.TO).

Realized Holdings

OneSpaWorld (OSW)

OSW is one of the very few names that we revisit from time to time as more of a trade than an investment for us. OSW is a spa operator that largely operates its business on various cruise lines (Carnival Cruise, Norwegian, etc). The reason we trade this name from time to time is that it still consistently gets misunderstood by the market in times of turmoil that mainly affect cruise lines directly, rather than OSW — think rising oil prices or a reduction in consumer discretionary spending.

While we haven't shared any deep dive into the company specifically, last year we did share our high-level thoughts [here](#) on why the dislocation regularly occurs.

Hims & Hers Health (HIMS)

If you've known us for even a little bit, you've most likely known our coverage of this name from a bearish point of view since January 2025. Our continued notes on the name last year, on the company relying heavily on their compounded GLP-1 offering to offset a decelerating core business, allowed for multiple opportunities to realize gains on the short side. Needless to say, Andrew (CEO) eventually did fly too close to the sun and was inevitably sued for IP infringement by Novo Nordisk (NVO) in February of this year. A big psychological win for us. On the day of earnings, we entered into our latest short position in the company and quickly realized gains the following morning on questionable guidance and earnings call hype than reassurance.

We have not had any other position with the company since, but we did [highlight](#) the potential drawback of HIMS shift away from GLP-1s going forward.

LENSAR (LNSR)

LENSAR was a merger arbitrage trade that was going on for almost the better part of a year. Having approved an offer from Alcon (ALC) for \$14/share last March, the deal kept getting pushed back but was still within the window outlined in the original merger agreement. Despite what would be a large share of the femtosecond laser-assisted cataract surgery (FLACS) market, a new FTC under the Trump administration seemed to be pro-merger, especially after allowing the Live Nation (LYV) suit to be settled in a way that largely benefitted the company.

However, not even a month after extending the merger, LNSR announced that the deal was being terminated. We exited that position the day after the announcement, but we're still optimistic that the company could get a second chance at life once management gets back on track.

We shared more about those thoughts [here](#) and will keep a watchful eye in the future if an opportunity presents itself again.

WW International (WW)

We've been highlighting the opportunity at WW after they emerged from bankruptcy as a leaner weight loss play on the booming GLP-1 market. With >\$1 billion of their debt erased from bankruptcy proceedings, the trade here was for WW's conservative forward estimates to represent a good entry point while the transformation into a medication-forward business took shape. We were pleased with just how much their clinical business was estimated to grow in Q1'26 due to the successful launch of the Wegovy Pill (+54% sequential growth), but we were very surprised by the sequential decline in behavioral subscribers during peak season, which has never happened during normal market circumstances as far as we know. Due to risk management decisions, we decided to heavily reduce our position in WW after this announcement and officially exited the position when Tara announced she stepped down as CEO once her employment contract ended on March 31st.

We had high hopes for this company and still think that it could work, but given the market environment we're in and Tara leaving, we concluded that there were better risk/reward opportunities to deploy capital into.

You can read our most recent note after Q4'25 earnings [here](#), which was prior to Tara stepping down.

Core Positions

KITS Eyewear (KITS.TO)

KITS is a vertically integrated Canadian-based DTC contact and eyeglass company that does business in both Canada and the U.S. The CEO is having his "second act" with KITS after selling his first optical company (Coastal Contacts) in 2014 for ~\$430 million CAD. Unlike other DTC-native companies like Warby Parker (WRBY), KITS started its business by selling low-margin, but high-retention contacts instead of eyeglasses. This allowed them to create a sticky business while slowly building out the higher-margin eyeglass business, all while avoiding building out a capital-intensive retail presence. This has allowed them to grow to \$200M CAD in LTM sales in just eight years. With a net cash position, positive adjusted EBITDA, and good capital allocation, we feel that KITS will be able to compound its business for years to come.

You can read our original note [here](#) as well as our most recent [follow-up](#).

The RealReal (REAL)

The RealReal is a domestic omnichannel luxury *resale* retailer that is capitalizing on the second-hand fashion movement that is taking the U.S. by storm. While many investors are worried about traditional luxury retailers facing various headwinds (LVMH just had their worst year since the GFC), and the value-oriented consumer getting squeezed from the opposite end, REAL gets misunderstood as falling into one or both of those categories. We feel like this understanding is incorrect, and REAL operates in its own unique category (second-hand luxury) that is growing almost twice as fast as regular luxury (11.6% vs 5.2%).

Even though REAL operates in its own category, the company's business model only works if it's able to expand its supply in order to drive more demand. A delicate balance between the two. REAL has already done well to unlock further supply from customers across the country (tariff-free), which has driven higher gross merchandise value (GMV), revenue, and adjusted EBITDA. With the help of AI being able to increase throughout for product authentications and listings, operating leverage has started to show. The company is once again guiding for a double-digit topline growth year with ~200bps of adjusted EBITDA margin expansion in FY'26. With strong tailwinds, growth in GMV, and margin expansion, REAL should be able to capitalize on the massive consumer shift to second-hand merchandise and the benefits of AI.

You can read our original note [here](#) as well as our most recent [follow-up](#).

Evolv Technologies (EVLV)

Mass shootings are unfortunately becoming more commonplace in the U.S. these days, with the number through the end of March 31st already up 35% y/y. EVLV aims to help with that by providing various customers (arenas, government buildings, hospitals, educational centers, etc) with AI-integrated hardware that can detect different forms of firearms and knives before they can become a threat. EVLV has >1,000 customers and deployed >8,000 systems to-date. The company operates via hardware + software (SaaS) while allowing customers to either buy the hardware outright with a lower subscription contract or a lower hardware price with a higher subscription contract. This mix shift has led the company to end FY'25 with >\$120 million in ARR (+21.3% y/y), inflecting positive on a cash flow basis and sitting on a net cash pile (~\$40 million). Once again, we are bullish companies with strong tailwinds, and while, unfortunately, the tailwinds here are mass shootings, they don't seem to be coming down anytime soon, which allows EVLV to continue compounding.

You can read our original note [here](#) as well as our most recent [follow-up](#).

Sanuwave Health (SNWV)

Sanuwave Health is a medical device company in the wound care space. They help patients who have open wounds — such as ulcers — to speed up the process by using a non-contact ultrasound device called 'UltraMist.' The procedure is largely covered by insurance but has historically operated in an industry where plenty of Medicare fraud occurs (skin grafts). In Q3'25, CMS dropped the hammer on the skin graft fraud by limiting how much could be covered under the old way of doing things. This put pressure on the stock, given the uncertainty on reimbursement rates or changes to CPT coverage codes could affect the business. SNWV got the clarity needed and is now able to take advantage of the changing landscape in its favor going forward. This is on the heels of a highly successful debt refinancing in September of last year, along with a better-than-feared Q4'25, in which other competitors saw deteriorating results. SNWV is small, but has a proven product, a long runway in the wound care space now that CMS guidance has been officially updated, and the CEO looks open to potentially a buyer coming in at some point as an additional call option.

We shared our [notes](#) and a [podcast interview](#) last year on the name, if you're interested in learning more.

The Oncology Institute (TOI)

The Oncology Institute is a niche oncology platform that delivers end-to-end cancer care for lower-cost outpatient areas. The business strategy runs on a value-based care (VBC) model, where it assumes risk and is paid for managing total patient outcomes rather than just a standard billing per service model.

This allows TOI to align incentives across payers, physicians, and patients, lowering the total cost of care while capturing economics across the full oncology value chain. The stock performance has done well since bottoming in 2024, with new management implementing changes that have directly led to accelerated topline growth via new payer contracts and rapid growth in the pharmacy segment. The company is currently inflecting towards an adjusted EBITDA profitability and is proving that operating leverage can be achieved as their VBC model continues to gain traction.

Special Situations

Abivax (ABVX)

Abivax is a small French biotechnology company that released P3 data in July of last year on its ulcerative colitis (UC) drug, obefazimod. Obefazimod appears to be a better option for treating UC than JAK inhibitors or TNF-alpha blockers, given its efficacy, delivery, tolerability, and safety profile. Plenty of rumors have come from French publication *La Lettre* about a possible buyout of the company from various pharma companies looking to boost their existing UC portfolio. Given the limited number of good drug assets in the market, Abivax seems like an excellent take-out target ahead of maintenance data later this summer. Rumors have circulated that Abivax could fetch between \$15 and \$20 billion before maintenance data is released. If no deal comes through, commercialization will come next, which is already being prepared with their recent CCO hire. Assuming maintenance data comes in positive, the future looks bright for Abivax, whether the strategy is to get acquired or bring the drug to market.

You can read our original note on the opportunity [here](#).

Nektar Therapeutics (NKTR)

Nektar is another biotechnology company with a drug asset, rezpegaldesleukin (“Rezpeg”), that primarily targets atopic dermatitis (AD, or eczema) and alopecia areata. Right now, many of the most effective treatment offerings for AD are done via JAK inhibitors, but are largely unsafe, which requires patients to use less effective drugs. Rezpeg has shown competitive efficacy with a clean safety profile and, importantly, strong durability and response deepening in maintenance data, along with infrequent dosing (potentially quarterly), positioning it as a best-in-class option for patients who fail first-line biologics. The AD market is large, with over 80 million patients suffering from the disease globally, generating >\$50 billion in sales. If Nektar is able to show positive data in its P3 trial, then peak sales could be anywhere from \$3 - \$5 billion against a current EV of just ~\$2 billion. Similar to our ABVX trade, the ideal scenario would be a buyout with commercialization coming second.

MTY Food Group (MTY.TO)

MTY is a double-edged restaurant play that, on one end, we view it as an improving restaurant franchisor in what was an abysmal year for the restaurant industry. On the other hand, because so many restaurants saw deteriorating fundamentals and thus, steep stock price declines in 2025, private equity has been circling the drain to scoop up improving assets at depressed valuations. We flagged this in our *6 Themes for 2026* [report](#) last December.

MTY has been an asset with improving fundamentals and garnered potential attraction from buyers. Management reaffirmed that they are still in these talks per their last earnings call, where rumors have suggested that a buyout could fetch >\$50 CAD.

You can read our original note on the opportunity [here](#).

Disclaimer

Disclaimer: This document is not an offer to invest with Cedar Grove Capital Management, LLC (“CGCM” or the “firm”).

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In addition, small companies typically trade in lower volume, making them more difficult to purchase or sell at the desired time and price or in the desired amount. Please refer to Form ADV Part 2 brochure for more information about Cedar Grove Capital Management and its personnel.