

## Q1 2026 Investor Letter

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### The Night Watch Team:



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## Performance

During the first quarter of 2026 Night Watch Investment Management LP appreciated by 2.69% net of fees.

Night Watch Investment Partners LP – Net Performance (in USD)													
	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec	Year
2024	-0.82%	0.58%	7.09%	-0.24%	5.14%	-5.20%	9.11%	-0.23%	-1.34%	-2.40%	2.10%	-2.92%	10.30%
2025	2.56%	-0.45%	-4.12%	1.03%	8.94%	12.04%	0.14%	3.06%	1.04%	-4.46%	2.90%	-0.12%	23.61%
2026	6.44%	3.74%	-6.99%										2.69%
													Since Inception, Total: 40.03%
													Since Inception, CAGR: 16.14%

The first quarter of 2026 was more volatile than we were used to. In a market that is increasingly narrative driven, as opposed to earnings driven, the focus in January and February was on companies that were at risk of being disrupted by AI. Fortunately, we don't own a lot of those, and we benefited as the market sought shelter in physical, if-you-drop-it-on-your-foot-it-hurts kind of businesses.

Of course this was followed by the war in Iran in March. The impact of higher oil prices then caused a correction in many of those physical businesses, meaning we gave back a significant amount of our YTD gains.

Like April of last year, when the market experienced elevated volatility following liberation day, we are cognizant that we have no edge in predicting Trump's next tweet and timing the market seems like a lost cause.



Instead, our edge is in finding individual businesses where earnings are about to inflect higher. By understanding the main drivers of most of our companies, and by having an extensive watchlist of companies that we've known for years and where we have quick access to management if we need it, we can pivot our portfolio quickly if the environment changes.

## Position Highlights

We booked very strong performance on our position in **Brookdale (BKD)**, an operator of senior living facilities. We have previously spoken about a looming shortage in senior living facilities. As the first baby boomers are turning 80-years old in 2026, there have been no new construction starts since 2017 caused by initial oversupply, covid and a nursing shortage, and we now expect to have a favorable supply/demand dynamic until at least 2030.

In our last letter we spoke about the value of having acquired KEDM.com, an event driven research business that flags things such as CEO changes and companies pursuing strategic alternatives. We have been trading in and out of Brookdale since our inception, waiting for the right catalyst for this to work. That catalyst came in late 2025, when an activist investor pushed for management change (a KEDM flag), and this management made it clear they were going to maximize occupancy of their facilities and dispose of underperforming assets (another KEDM flag). This ended up being the catalyst the company needed, with shares up 75% since our purchase in September of 2025. This is a good example of how KEDM helps us with the timing of our investments.

**AAR Corp (AIR)** was another strong performer which, fortunately, was an oversized (~9%) position for us. AAR provides after-market maintenance services for airplanes. We believe this company is benefitting from an aging fleet of airplanes, caused by Boeing's and Airbus' inability to satisfy industry demand. At the same time the company is making a transformation from low value add heavy maintenance of airframes, to higher margin component repair and distribution services. During the last quarter reported at the end of March, they also noted that government defense contracts are now 30% of the total business, currently growing at a 50% rate. In other words, we believe this company benefits from a multi-year industry tailwind and a company transformation, and any potential war is mildly beneficial to their earnings.

Our largest position remains **Marex (MRX)**, which is a company that benefits enormously from the current market volatility. Marex clears futures on behalf of their clients and when trading activity in oil, precious metals, or any other kind of financial products picks up, Marex makes more money. Part of our strategy is to always own various counter-cyclical businesses. Businesses that do well if war breaks out, or some future event causes volatility to pick up.

Contrary to voice brokerage, their futures clearing business is more akin to financial infrastructure, with a defensible moat and strong market share gains. The company has grown their earnings 7-fold over the last 5 years. Despite their very strong growth drivers, the company still trades at 8-9x P/E, versus 13-14x for their closest peer StoneX. We think they will be able to continue to grow earnings at 30%+ per year, with some rerating potential on top, giving us multi-bagger upside on this name.

At 14.5%, this position is slightly larger than what you'd usually see from us, but the upside here is too compelling and management's execution has been excellent. As they say, you've got to risk it if you want the biscuit.



Roderick recently featured on **'Yet Another Value Podcast'**, hosted by Andrew Walker, to discuss Marex in more detail. For anyone interested in learning more about the stock, you can find the podcast [here](#).

Not every position we owned at the start of the Iran war was immune to the level of geopolitical risk. For instance, we had to sell out of our position in **Copa (CPA)**, which operates Panama airlines. Panama Airlines is the main connector between North and South America and a strong beneficiary of a potential normalization of travel to Venezuela. They also don't hedge their fuel exposure, and a potential normalization of Venezuelan oil production would have been very accretive to their earnings. We briefly made money on this following Maduro's capture, but following the closure of the Strait of Hormuz we had to change our oil outlook and we quickly pivoted, giving up most of our gains. Never own airlines!

The result is that we own a portfolio of companies that we are comfortable owning regardless of the duration of any Iran war. While the share price of each of our holdings might move up and down in tandem with the markets, we believe many of our holdings will see no material negative impact on their earnings. Some companies such as Marex and AAR might actually benefit.

Finally, we have initiated various new positions which we'd categorize as higher quality businesses with strong balance sheets, pricing power and established management teams. The sell-off in perceived AI losers is creating various opportunities among high quality businesses that mistakenly get grouped together with the various commoditized software names. We will update you on some of those names in a next letter.



## Portfolio

Night Watch manages a global value strategy that differentiates on the following points:

**Catalyst** – We predominantly buy value companies with an identifiable catalyst for a rerating. Catalysts can include industry tailwinds or company-specific events (e.g., earnings inflection, CEO changes, refinancing).

**Inside Ownership** – We aim to find companies where management has considerable ownership in the company. We consider this alignment of interest to be an important determinant of share price performance.

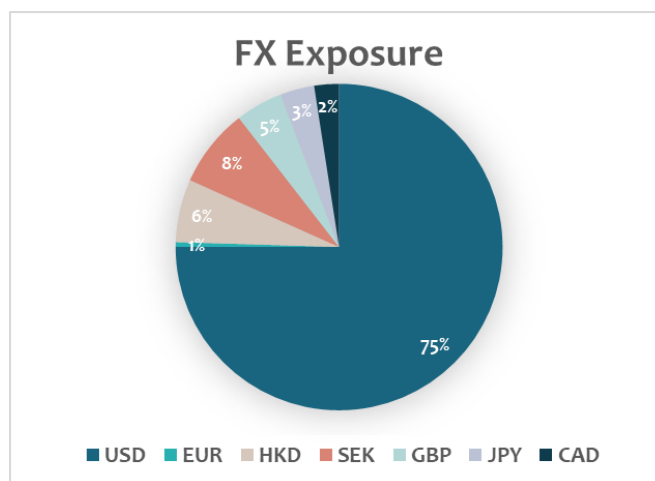
**Unique Names** – To differentiate from a long list of other value strategies, we seek unique portfolio holdings that have little overlap with a typical wealth management portfolio. We aim to provide our LPs with diversification from their other investments in addition to strong performance.

The portfolio as of March 31<sup>st</sup>, 2026, is as follows:

Theme	Weight	Positions	Insider Ownership	Catalyst
Housing	13.0%	4	1/4	2/4
Aerospace	8.3%	1	0/1	1/1
Semis / Tech	5.3%	2	2/2	1/2
US Cyclicals	11.8%	2	2/2	1/2
Counter-cyclicals	16.8%	2	1/2	2/2
Defensive	25.2%	7	6/7	5/7
Europe	13.5%	3	2/3	3/3
Hong Kong	6.6%	3	1/3	1/3
Japan	7.8%	2	2/2	2/2
Brazil	3.5%	2	1/2	2/2
Event Driven	1.4%			
Funding Shorts	-14.5%			
Cash	1.3%			
<b>Total</b>	<b>100%</b>	<b>28</b>	<b>18/28</b>	<b>20/28</b>

### Largest positions:

- Marex (14.1%)
- Distribution Solutions Group (8.6%)
- Haypp (8.2%)
- AAR Corp (8.3%)
- Stride (5.0%)





## Conclusion

We don't believe Trump knows what he will do tomorrow, so we won't pretend to know how the Iran will unfold either. Instead, we have made minor adjustments to our portfolio and exclusively own companies that should be able to withstand whatever the market throws at them. AAR would love to see a ramp in defense spending and Marex is loving the volatility. This allows us to sleep well at night and wait until there is more clarity on the market's direction.

On behalf of the Night Watch team,

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## Important Disclosures

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