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To My Partners:

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

	1578 Partners, LP		S&P 500
	Gross	Net	Total Return
2026:			
Q1	3.80%	3.41%	-4.33%
Since Inception (08/01/15):			
Annualized	21.90%	20.07%	13.16%
Cumulative	726.16%	603.26%	273.76%

The first quarter began with the SaaS-pocalypse. Anthropic released its Opus 4.5 model on November 24, 2025. Over the ensuing weeks, it became clear that the new model offered a step-function increase in the capabilities of agentic coding systems. The ease with which AI agents could now code - and the rapid trajectory of improvement - ignited fears about new and serious competitive threats to software-centric business models. Enterprises might soon replace expensive software vendors with bespoke, internally developed solutions. New start-ups might serve less demanding small and medium-sized businesses with stripped down versions of existing services at a fraction of prevailing pricing. And even SaaS businesses that prove able to retain logos over time might experience far more pushback on pricing and a diminished number of "seats" against which to charge. These concerns weighed not only on the prices of publicly-traded SaaS stocks but also on sentiment towards various forms of SaaS-related credit instruments and funds.

At the end of February, the SaaS-pocalypse passed the baton of financial market attention to Operation Epic Fury. The U.S. and Israel began a military campaign against Iran on February 28, 2026. The conflict sparked financial market volatility, including a surge in oil prices and a sell-off in the equity market. Brent Crude surged almost 10% when markets opened after the initial strikes and ended the quarter at \$126.69 per barrel, up more than 100% from where it started. The S&P 500 hit the skids over the course of March, accumulating a 5.5% decline for the month and dragging the return for the quarter as a whole into the red. A high degree of uncertainty about the duration and economic impact of the conflict continued to weigh on global financial markets at the end of the quarter.

Our portfolio outperformed the S&P 500 during the first quarter. Our positions in Interactive Brokers Group, Inc. class A common stock (NASDAQ: IBKR), Northeast Bank voting common stock (NASDAQ: NBN), and Becton, Dickinson and Company common stock (NYSE: BDX) made notable positive contributions. While IBKR gained only 4.3% for the quarter as a whole, we trimmed some of our position early in the quarter at prices notably higher than where IBKR ended the quarter. NBN gained 8.1% for the quarter. The return from our position in BDX benefited from the completion of Becton Dickinson's Reverse Morris Trust transaction with Waters Corporation. Our position in Uber Technologies, Inc. common stock (NYSE: UBER) was the only notable detractor. UBER fell 12.0% during the first quarter.

Performance Attribution

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

Performance Attribution	
1Q 2026	
Interactive Brokers Group	3.90%
Northeast Bank	1.03%
Becton Dickinson	0.84%
Uber	-2.53%
Other	0.55%
Gross Performance	3.80%

Portfolio Composition

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

Portfolio Composition	
Equities – Long	90.2%
Cash	9.8%

There were several changes to the portfolio during the quarter. Early in the quarter, we trimmed our position in Interactive Brokers Group, Inc. class A common stock (NASDAQ: IBKR). Even after trimming the position, IBKR still represents a mid-teens percentage of the portfolio's value. We also sold the shares of Waters Corporation common stock (NYSE: WAT) we received due to the completion of Becton Dickinson's Reverse Morris Trust transaction with Waters Corporation. Additionally, we exited the de minimis, residual position we held in Sleep Number Corporation common stock (NASDAQ: SNBR). Finally, we increased our positions in Amazon.com, Inc. common stock (NASDAQ: AMZN) and Netflix, Inc. common stock (NASDAQ: NFLX). At the end of the quarter, our portfolio included seven long equity positions and cash.

Select Portfolio Updates

This quarter's portfolio update covers our position in Becton, Dickinson and Company common stock (NYSE: BDX). BDX is a special situation investment that we initiated in July 2025.

*Becton, Dickinson
and Company
(NYSE: BDX)*

Becton Dickinson ("BD") develops, manufactures and sells a diversified range of medical supplies and devices. BD's products are used by hospitals, doctors, the pharmaceutical industry and individuals. Ninety percent of hospital patients encounter at least one of the more than 45 billion medical products BD manufactures each year. Roughly 60% of Becton Dickinson's \$18.5 billion of revenue comes from the U.S. and around a quarter comes from Europe.

On February 9th, Becton Dickinson completed its Reverse Morris Trust transaction with Waters Corporation. BD spun off its Biosciences & Diagnostics Solutions business, and that business simultaneously merged with Waters Corporation. As consideration, BD received \$4 billion in cash and Becton Dickinson shareholders received 0.135 shares of Waters Corporation common stock (NYSE: WAT) for each share of BDX they held.

Based on the opening price of WAT on February 9th, \$332.29, each share of BDX received \$44.86 worth of WAT as a result of the transaction. We sold the shares of WAT we received.

Following the completion of the transaction, BD used the \$4 billion of cash received to repurchase \$2 billion of stock and repay \$2 billion of debt over the remainder of the first quarter.

Becton Dickinson expects to achieve currency-neutral revenue growth in the low single-digit range for the current fiscal year (ending in September) and adjusted diluted EPS of between \$12.52 and \$12.72.

At its closing price at the end of the first quarter, \$157.23, BDX offered an 8.0% earnings yield relative to the mid-point of the company's EPS guidance for FY26. Over time, BD should be able to achieve annual organic revenue growth in the mid-single-digit range. Margin expansion driven by the company's "BD Excellence" productivity and efficiency initiatives should lead to a somewhat higher rate of operating income and earnings growth over the coming years. As a high-return, moderately growing business, BD should convert most of its earnings to free cash flow. In other words, the combination of free cash flow and earnings growth alone pushes the total prospective annualized return on BDX over the intermediate term into the mid-to-high teens. That is far too rich for such a good business, especially one with such predictable and recession-resilient performance. BDX would have to trade at more than \$230 per share today to bring the prospective return on the stock closer to a market-level return.

Moreover, Becton Dickinson highest priority use of free cash flow right now is buying back stock. The more stock Becton Dickinson buys at such value-accretive levels, the higher intrinsic value per share will march.

While the valuation of BDX should benefit over time from the market acclimating to the company's more streamlined form, the most important catalyst for the stock will be consistently attaining management's mid-single-digit target for organic revenue growth. More than 90% of BD's portfolio is currently achieving management's long-term organic revenue growth target. The remainder of the portfolio is facing a handful of transitory headwinds that will abate over the next 18-24 months. Becton Dickinson should be able to achieve its organic revenue growth target starting in its fiscal year ending September 2028. The valuation of BDX will likely benefit as that milestone increasingly comes into focus between now and the end of 2027.

Our portfolio is well positioned to navigate the cross currents and uncertainty facing the economy and financial markets. Periods of disruption and change tend to create the most lucrative investment opportunities. Although there are many things to be concerned about as an equity investor – from the Strait of Hormuz to AI-driven disruption – I'm optimistic about how our portfolio will do over the coming years.

Thank you for your continued confidence and support.

Regards,



Marc Werres
Managing Partner

Important Disclosures

The performance figures depicted herein relate to 1578 Partners, LP. 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, LP'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, LP'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.

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