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To My Partners:

The performance of our portfolio for the first quarter of 2024 and since inception is summarized below.

	1578 Partners, LP		S&P 500
	Gross	Net	Total Return
2024:			
Q1	19.78%	19.33%	10.56%
Since Inception (08/01/15):			
Annualized	19.04%	17.25%	13.22%
Cumulative	352.44%	296.88%	193.09%

The steady market rally that began in late October continued through the end of the first quarter.

The level and growth rate of economic activity in the U.S. are about as close to a goldilocks scenario – not too hot and not too cold – as they get. The headline unemployment rate ended the first quarter at 3.8%, just a little bit below the level the U.S. Congressional Budget Office’s estimates is sustainable without stoking inflation. Similarly, the prime-age (25 – 54 years old) employment-to-population ratio, another measure of labor market utilization, ended the first quarter at 80.7%. That is 0.1% above where that figure was at the end of 2019 just prior to the onset of the pandemic and 0.4% above where it peaked in January 2007. According to the government’s most recent estimate, real final sales of domestic product, a measure of economic growth, grew at a 2.0% annualized rate in the first quarter. The Atlanta Fed currently estimates that figure will grow slightly faster in the second quarter. Those growth rates are a bit above what the Fed believes is sustainable with stable inflation over time, but are encouraging as a gentle and welcome deceleration in growth from 2023.

While progress toward the Fed’s inflation target has been a bit uneven over the past few months, the prospects for a soft landing continue to be good. Overall economic growth is slowing gently, nominal wage growth has already decelerated to a level consistent with productivity growth and target inflation, and consumer inflation expectations remain well anchored. Markets have pushed out the timing and pace of the anticipated shift toward more neutral monetary policy, but continue to price in a high probability that the Fed will begin to loosen the reins before the end of the year.

Our portfolio outperformed the total return of the S&P 500 for the first quarter. All of the positions in the portfolio delivered a positive mark-to-market return. Our positions in Interactive Brokers Group, Inc. class A common stock (NASDAQ: IBKR), Uber Technologies, Inc. common stock (NYSE: UBER), Netflix, Inc. common stock (NASDAQ: NFLX) and Amazon.com, Inc. common stock (NASDAQ: AMZN) were outperformers. Those stocks registered mark-to-market gains ranging from 18.7% to 34.8% for the first quarter. Our other positions delivered positive returns, but slightly underperformed the S&P 500 on a mark-to-market basis.

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 2024	
Interactive Brokers Group	8.40%
Uber	4.15%
Netflix	3.88%
Amazon.com	1.90%
Alphabet	1.41%
Other	0.05%
Gross Performance	19.78%

Portfolio Composition

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

Portfolio Composition	
Equities – Long	98.5%
Cash	1.5%

There were no changes to any positions in the portfolio during the quarter. At the end of the quarter, our portfolio included seven long equity positions and cash.

Select Portfolio Updates

The portfolio update for this quarter covers our position in Alphabet Inc. class C capital stock (NASDAQ: GOOG), a compounder investment. We purchased our initial position in GOOG in August 2017 and added to it in March 2018 and July 2022.

Alphabet Inc. (NASDAQ: GOOG)

Alphabet is the holding company for Google, one of the preeminent businesses in the world, as well as a collection of other, smaller companies, such as Access (broadband internet), Calico (life sciences), Verily (life sciences), and Waymo (autonomous vehicles), among others. Google has numerous core products that are used on a regular basis by more than a billion users around the world, including Google Search, Android, Chrome, Gmail, Google Maps, Google Play Store, Google Photos and YouTube. Google accounts for more than 99% of Alphabet's revenue and profits.

Google experienced a binge of growth in the immediate aftermath of the pandemic due to abrupt and favorable changes in user behaviors. Its revenue growth accelerated from 17.9% for fiscal 2019 to a peak of 62.4% for the second quarter of 2021 and 41.3% for all of 2021. Profits exploded as well. For fiscal 2021, Google's operating income grew a whopping 81.1%.

Then came the inevitable hangover. User behaviors began to revert back toward pre-pandemic norms just as Google started to lap its pandemic-juiced results. From the second quarter of 2021 through the fourth quarter

of 2022, Google's year-over-year revenue growth steadily slowed from 62.4% to just 0.3%. At the same time, Google's expense budgets and hiring plans were based on the flawed premise that the abnormally strong revenue trends it experienced in late 2020 and early 2021 were sustainable. The combination of flagging revenue growth and ballooning costs dealt a blow to profits and cash flow. Google's operating income declined roughly 20% year-over-year for the second half of 2022. That is a relatively modest setback in the grand scheme of things, but it was far from Google's usual form. Since late 2022, Google has been hard at work to shake off its hangover and regain its stride.

The fruits of those efforts are abundantly clear in Google's results for the first quarter of 2024. After hitting a nadir of 0.3% in the fourth quarter of 2022, Google's year-over-year revenue growth accelerated for five straight quarters, reaching 15.2% in the first quarter of 2024. Most of that improvement came from Google's core services businesses, such as Google Search and YouTube. Google's efforts to "durably reengineer [its] cost base" in the words of its Chief Financial Officer, Ruth Porat, are bearing fruit as well. Notwithstanding the healthy revenue increase for the first quarter of 2024, total Alphabet headcount was down roughly 5.2% year-over-year to 180,895. The combination of strong revenue growth and cost reductions drove adjusted operating income for the Google segment up 31.3% year-over-year in the first quarter of 2024. Google's pandemic hangover is unequivocally a thing of the past.

One of the first lines in Alphabet's press release announcing its results for the first quarter of 2024 was the following quote from CEO Sundar Pichai: "Our leadership in AI research and infrastructure, and our global product footprint, position us well for the next wave of AI innovation." For those familiar with Google's business, that quote provides a succinct yet poignant case for Google being one of the main beneficiaries of innovation in artificial intelligence over the coming years and decades. While advances in AI come with some risks to Google's business, those risks are far outweighed by the opportunities and Google's inherent advantages in realizing those opportunities.

Through the end of April, our position in GOOG has delivered a 21.1% internal rate of return over our nearly seven year holding period. That is well above Hinde Group's 15% investment hurdle rate. Notwithstanding the strong returns our investment in GOOG has already delivered, prospective returns continue to be bright.

I remain enthusiastic about the positions that comprise our portfolio and optimistic about the performance they will deliver in the coming quarters and 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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