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To My Partners:

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

	1578 Partners, LP		S&P 500
	Gross	Net	Total Return
2024:			
Q3	6.51%	6.11%	5.89%
Year-to-Date	38.66%	37.11%	22.08%
Since Inception (08/01/15):			
Annualized	19.80%	18.00%	13.67%
Cumulative	423.76%	356.00%	223.63%

The Fed took its first step toward normalizing monetary policy during the third quarter. At the end of the Fed's two-day meeting on September 18th, eleven of the twelve members of the Federal Open Market Committee voted to lower the target range for the federal funds rate by 50 basis points to 4.75% - 5.00%. The decision to implement an oversized, 50-basis-point cut demonstrated that the Fed is increasingly shifting its focus to the employment side of its dual mandate from a singular focus on fighting inflation.

The Fed's move bolstered financial market confidence in a soft landing for the U.S. economy. Investment grade and high-yield credit spreads fell following the meeting, ending the quarter near their lowest levels since the beginning of 2022 and right around the first deciles of their respective long-term historical ranges. In other words, the market put long odds at the end of the quarter on a recession in the foreseeable future. Just under half of the S&P 500's total return for the quarter came in the two weeks following the FOMC meeting. Option-implied equity market volatility remained somewhat elevated at the end of the quarter in anticipation of the looming U.S. presidential election.

Economic data suggest the U.S. economy continued to grow at a healthy pace during the quarter. Real final sales of domestic product, a measure of economic growth that excludes the impact of changes in inventories, grew 3.0% in the third quarter according to the government's most recent estimate. That represents an acceleration from the 2.0% annualized rate at which real final sales of domestic product grew during the first half of the year. The U.S. economy added 148,000 jobs on average each month during the third quarter, somewhat above the Federal Reserve Bank of San Francisco's recent [estimates](#) of short-run (~130,000) and long-run (~100,000) breakeven monthly employment growth.

Our portfolio slightly outperformed the S&P 500 on a mark-to-market basis during the third quarter. Our positions in Interactive Brokers Group, Inc. class A common stock (NASDAQ: IBKR) and Northeast Bank voting common stock (NASDAQ: NBN) accounted for most of the portfolio's mark-to-market gain for the quarter. IBKR and NBN rose 13.7% and 26.7%, respectively. Our position in Alphabet Inc. class C capital stock (NASDAQ: GOOG) was the only notable detractor. GOOG declined 8.8% for the third quarter.

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			
3Q 2024		YTD 2024	
Interactive Brokers Group	3.80%	Interactive Brokers Group	16.58%
Northeast Bank	3.21%	Netflix	7.17%
Netflix	0.85%	Northeast Bank	5.64%
Alphabet	-1.53%	Uber	3.66%
		Alphabet	3.31%
		Amazon.com	2.29%
Other	0.18%	Other	0.01%
Gross Performance	6.51%	Gross Performance	38.66%

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 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 investment in Northeast Bank voting common stock (NASDAQ: NBN). We have been shareholders of NBN since May 2017.

Northeast Bank (NASDAQ: NBN)

Northeast Bank is a Maine state-chartered bank with \$3.9 billion of assets and \$393 million of equity as of September 30th. Led by industry veteran Rick Wayne, Northeast Bank originates and purchases commercial real estate loans nationwide. Wayne executed a similar strategy for nearly two decades as CEO of Capital Crossing Bank, a bank he founded with a partner in 1988, took public in 1996, and sold to Lehman Brothers in 2007 for nearly ten times its IPO price.

There were two favorable developments at Northeast Bank during the third quarter.

First, Northeast Bank closed an unusually large volume of loan purchases. The Bank purchased 191 loans with a total unpaid principal balance of \$808 million in 7 transactions. Northeast Bank paid \$733 million for those loans, amounting to 90.7% of the unpaid principal balance. That is the Bank's second-highest-ever quarterly loan purchase volume, trailing only the massive \$1.15 billion of unpaid principal balance the Bank purchased in the fourth calendar quarter of 2022. It is almost double the volume of loans Northeast Bank purchased for its entire fiscal year ended June 30, 2024. The loan purchases were funded primarily with brokered deposits

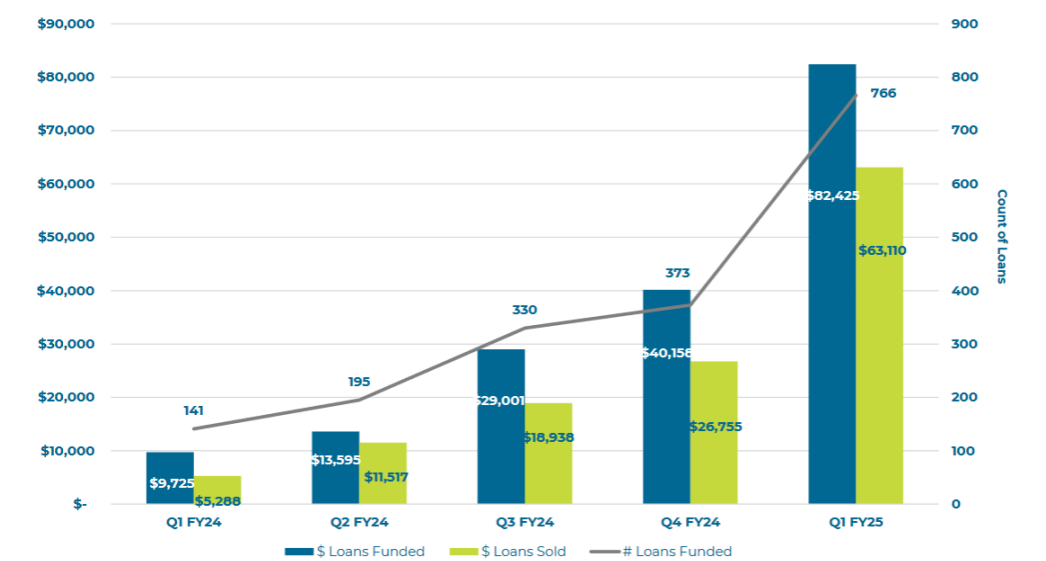
and Federal Home Loan Bank advances at a net interest spread of around 4%. The loans purchased during the third quarter should add roughly \$30 million to annual net interest income. With limited incremental costs to service the loans, the purchased loans should add meaningfully to Northeast Bank’s net income.

Second, Northeast Bank disclosed that its partnership with Newity to originate small balance SBA 7(a) loans is gaining meaningful traction. You may recall Northeast Bank’s partnership with Newity from Hinde Group’s portfolio update on Northeast Bank in the partner letter for the fourth quarter of 2021:

That alone makes for an extremely compelling outlook; but wait, there’s more. Northeast Bank recently entered into several agreements with a firm called NEWITY that is run by the same people behind Loan Source. NEWITY aims to market small dollar SBA 7(a) loans to most of the 115,000 borrowers that Loan Source developed relationships with by purchasing PPP loans. Northeast Bank would provide most of the funding for those loans and share in the income generated by selling the government-guaranteed portions. Small dollar SBA 7(a) loans have the highest interest rates and government guarantees among SBA loans, so the premiums that can be earned by selling the guaranteed portions in the secondary market are substantial relative to the principal amount of those loans. It is hard to say what the uptake of these loans will be among the 115,000 borrowers Northeast Bank and NEWITY are targeting. As a point of reference, a 10% uptake rate could generate income for Northeast Bank comparable to what it earned from its PPP correspondent relationship with Loan Source.

Although it has taken longer than originally hoped for that partnership to hit its stride, it has most certainly hit its stride. The volume of SBA 7(a) loans originated through the partnership has steadily accelerated over the past several quarters. In the third quarter, Northeast Bank & Newity originated 766 SBA 7(a) loans with a total principal balance of \$82.4 million, almost matching the partnership’s total origination volume for the entire prior fiscal year.

Exhibit 1: Northeast Bank’s SBA Loan Originations & Sales (\$ in thousands)



(Source: Northeast Bank’s FY25 Q1 Investor Call presentation dated October 30, 2024)

The Newity partnership is starting to contribute meaningfully to Northeast Bank's financial results. In the third quarter, Northeast Bank generated just over \$3 million of income from gains on sales of SBA loans and likely nearly \$2 million of net interest income from SBA loans held on its balance sheet. Income from Northeast Bank's partnership with Newity now accounts for more than 10% of combined net interest income and non-interest income.

Data from the SBA suggests that the volume of originations through the partnership between Northeast Bank and Newity has continued to grow thus far in the fourth quarter. The government's fiscal year ends on September 30th, so government data for fiscal year 2025 reflects data for the period beginning on October 1, 2024. Since October 1st, Northeast Bank has been the fifth largest originator of SBA loans by principal amount, one position ahead of a little bank called JPMorgan Chase. While not all approved loans end up being closed and funded, it seems as though Northeast Bank and Newity originated a similar volume of SBA 7(a) loans in the first month of the fourth quarter as they did for the entire third quarter. If Northeast Bank simply maintains its rate of SBA originations thus far in the fourth quarter going forward, the benefit to the Bank's net income could be significant.

Exhibit 2: SBA 7(a) & 504 Loan Approvals by Lender for 10/01/24 – 11/13/24

7(a) & 504 Lender Report

This report summarizes SBA loan approvals by state and lender. Users can filter by Project State, Program, Processing Method, and Fiscal Year. Users can download summary data by clicking the 'Download Data' button. Data is as of 11/13/2024.

Project State	Program	Processing Method	Fiscal Year	Download Data
(All)	7(a)	(All)	2025	

Summary

Approval Count	Approval Amount	Average Loan Size
9,482	\$3,850,171,600	\$406,051

Detail

Lender Name (State)	Approval Count	Approval Amount	Average Loan Size
Newtek Bank, National Association (FL)	818	\$428,104,300	\$523,355
Live Oak Banking Company (NC)	202	\$228,480,500	\$1,131,092
Readycap Lending, LLC (NJ)	553	\$187,197,800	\$338,513
The Huntington National Bank (OH)	830	\$175,120,700	\$210,989
Northeast Bank (ME)	1,103	\$173,012,600	\$156,856
JPMorgan Chase Bank, National Association (OH)	323	\$85,217,700	\$263,832
Celtic Bank Corporation (UT)	147	\$70,380,800	\$478,781
U.S. Bank, National Association (OH)	394	\$65,740,800	\$166,855
First Internet Bank of Indiana (IN)	47	\$63,903,000	\$1,359,638
Lendistry SBLC, LLC (CA)	295	\$60,607,400	\$205,449
TD Bank, National Association (DE)	458	\$57,049,200	\$124,562
Wells Fargo Bank, National Association (SD)	210	\$54,566,000	\$259,838
Bank of America, National Association (SC)	111	\$50,627,500	\$456,104
United Midwest Savings Bank, National Association (OH)	111	\$45,845,500	\$413,023
BayFirst National Bank (FL)	246	\$41,977,800	\$170,641

(Source: sba.gov)

NBN ended the third quarter at \$77.13. Through the end of the third quarter, our investment in NBN has delivered a 20.8% IRR over our more than 7-year holding period. Moreover, NBN is off to a great start in the fourth quarter thus far, reaching over \$100. I continue to be optimistic about the outlook for Northeast Bank and our investment in its shares.

Our portfolio has come a long way in terms of mark-to-market performance since the beginning of 2023, yet I remain enthusiastic about the prospective returns it offers. At the same time, I am confident my efforts to identify new investments for the portfolio will bear fruit over the coming quarters.

Thank you for your continued confidence and support.

Regards,

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

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.

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.