Greystone Capital Management
Concentrated Value Investing

PITCHBOOK

Greystone Capital Management, LLC
Concentrated Small and Microcap Strategy

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SAN ANTONIO SPURS

"When nothing seems to help, I go look at a stonecutter hammering away at his rock perhaps a hundred times without as much as a crack showing in it. Yet at the hundred and first blow it will split in two, and I know it was not that blow that did it, but all that had gone before."

'The Stonecutter's Creedo' by Jacob Riis

Introduction

Greystone Capital is a long only, equity focused Registered Investment Adviser located in West Chester, PA. The firm utilizes a fundamental research process focused on identifying mispriced small and microcap securities in order to build a concentrated portfolio of high conviction investments.

Our aim is to compound client's investment capital at the highest possible rates of return over long periods of time.

Greystone's investment process is centered around patience, good decision making, and daily incremental improvement. What will unfold in the following pages includes our philosophy, strategy to achieve desired results, and fee structure

About Greystone Capital Management

- Long-only equity focused RIA founded in 2019 with a specialty focus in smallcaps and microcaps
- Firm was setup to be structurally different
- One person investment committee – lead analyst and PM
- Concentrated portfolio – 9-12 stocks
- Best ideas only
- No diversification
- Small company focus
- Long holding periods
- Invest where others can't or won't
- Client and Portfolio Manager alignment

The idea behind Greystone was to form an investment firm that is differentiated from most asset management firms and investment funds. We strive to create value, not extract it.

Differentiated: Smaller is better

Size can be an impediment to investment performance – we plan to cap AUM to preserve strategy elements

Investing off the beaten path means limited competition

We have the ability to develop relationships with our management teams

We have no investment committee or bureaucratic process – we can move with speed and conviction

Ability to invest anywhere including microcap companies

Put simply, we have more flexibility and a lot more options

Structurally advantageous environment for stock selection

With small companies, digging, access and information can lead to the discovery of a mispricing

Why small and microcap companies?

- Taking concentrated positions in small companies with strong financial characteristics and long-term holding periods is an approach that hasn't yet been arbitraged away by quants, indexes or passive investing vehicles.
- With the majority of capital appearing to be chasing returns from a very similar group of large, liquid securities, there is now less capital interested in finding and researching small and microcap businesses. This can lead to wider disparities between price and value among these businesses
- Small and micro caps tend to be uncovered by sell-side analysts and large funds that can't make them a big part of their portfolio, so it can be an area of the market in which fundamental research and due diligence can truly add value.
- Access to management teams. This is a huge advantage for the small investor.

Notes on Performance

Greystone Capital Management was founded in 2016 for family and friends. Following the distribution of letters and investment research, we experienced significant interest from outside investors.

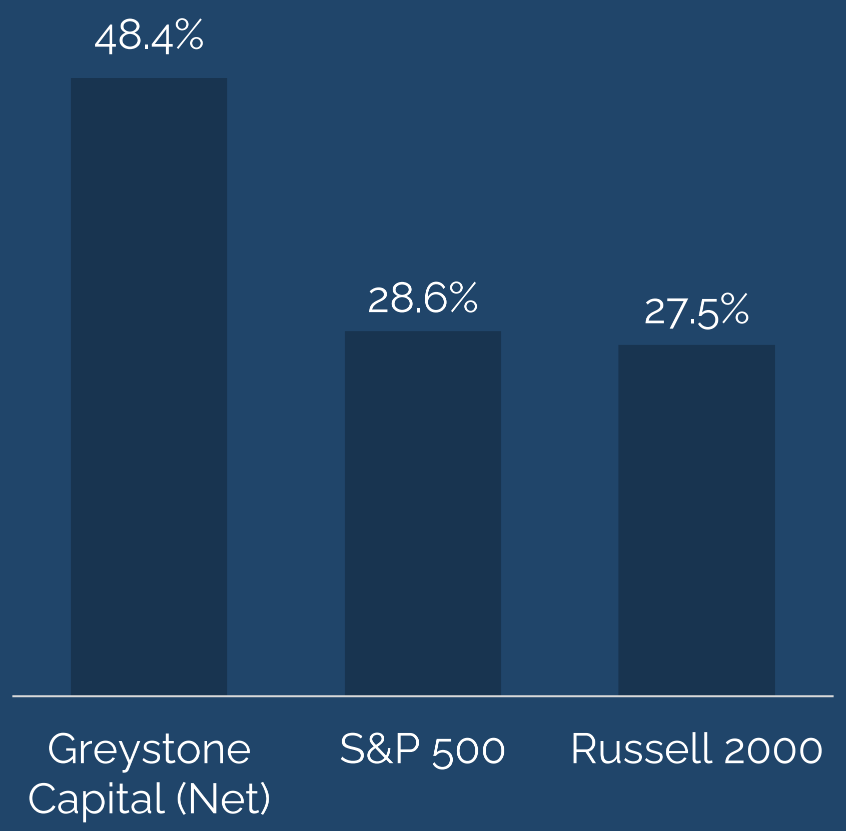
The catalyst for launching Greystone was the need to develop a formalized structure in order to accept new investors.

Returns represent an account opened at inception during Q4 2019

Annualized

	1 Year	2 Year	Inception
Greystone Capital (Net)	41.1%	121.5%	48.4%
S&P 500	26.6%	48.0%	28.6%
Russell 2000	14.6%	45.0%	27.5%

Inception



Investment Framework

Greystone's investment framework is centered around the following three elements:

Philosophy

Consists of the firm's beliefs about investing and markets used to **develop a strategy** through which to invest client's capital

Strategy

Seeks to synthesize our philosophical beliefs about investing into portfolio management and risk management frameworks via a **consistent and repeatable investment process**

Process

The framework for **intelligent decision-making** that continuously drives how we find, invest in, and manage our portfolio companies

Greystone Capital Investment Philosophy

Based on four core beliefs:

Small pools of capital can outperform by adopting a differentiated strategy consisting of labor-intensive research and investing off the beaten path

Qualitative analysis leading to differentiated insight and exploiting market structure and investor behavior can drive significant returns

Volatility is the price of admission on the way to strong returns, not a measure of risk

Investing with a margin of safety involves understanding the drivers of a mispricing and purchasing shares at a price below normalized business value

Investment Strategy

Greystone's investment strategy consists of the following:

Idea Generation

Identify small and microcap companies that fit my investment criteria and perform thorough research consisting of valuing those businesses using my valuation methodologies

Fundamental Research

Conduct rigorous and thorough research centered around developing a deep understanding of the key drivers of a business as well as the industry structure with a focus on uncovering differentiated insight

Portfolio / Risk Management

Synthesize research framework and information into portfolio management decisions with a focus on downside protection and continuous evaluation of new information

Applying an owner-oriented, value-based framework will help us make intelligent investing decisions for the long term.

Strategy: Types of Investments

Greystone will typically own two types of investments in a concentrated portfolio, **core investments** and **special situations.**

CORE INVESTMENTS

Likely to be our longer-term holdings that are made up of higher quality businesses.

Combination of strong competitive dynamics, A+ management, attractive valuation.

Position sizes in the 8-20% range, with maximum position size being rare.

SPECIAL SITUATIONS

Can include but are not limited to business turnarounds, corporate events such as spinoffs, rights offerings, management changes, or businesses undergoing temporary issues that can be resolved by an experienced management team.

Almost never receive portfolio weightings of greater than 5% at cost, but can at times become core positions dependent on management and operational execution.

Investment Process

Greystone's investment process consists of the following:

1

Spend the majority of time focused on investment research and the highest value-add activities. Limited meetings, calls and distractions

2

Focus on tiny incremental improvements that add up to something big over time. Make small recoverable mistakes, keep track of decision making and what is driving results

3

Be patient with both deploying capital and making portfolio level decisions. Evaluate businesses through a multi-year lens vs. quarterly results

The above process aids in removing distractions via the constant flow of information and then provides an opportunity for me to evaluate why and how a decision was made, independent of the outcome.

Idea Generation

I turn over a lot of rocks, with the goal of finding **1-2 new investment ideas** per quarter

Companies that hit on multiple criteria are moved to a **‘study list’** and a back of the napkin valuation is done in search of an attractive price. If compelling, I move forward

A formal analysis is started among stocks that reach the research stage with a **focus on risk management and ‘killing’ the idea**

Current **study list – 150+** companies, current **watch list – 50** or so companies

Idea Generation

Seeking to invest in companies that meet a strict set of criteria resulting in a concentrated portfolio. Although this bucks the current wisdom regarding wide diversification as a risk management tool, I feel more confident investing less frequently, in businesses where I have an intimate knowledge that meet my criteria. I am not capable of understanding 25, 50 or 100 businesses on a deep level

Companies I want to learn more about via news flow, reading, SEC filings, reading writeups, blogs – cheap, high quality business models, appear misunderstood, small, illiquid, insider buying, niche industries

Add to watch list companies that I am capable of understanding that hit on my investment criteria. Valuation is started. If compelling, move forward with research or continue to watch for favorable price movements

Formal analysis and write-up is started, with a focus on the downside or 'killing' the idea

Potential portfolio addition

Investment criteria: what are we looking for?

- **Boxes to Check:**
  - Management
  - Unit Economics
  - Valuation
- Owner operated businesses
- Operating in a niche product or service category as the leader, or capable of becoming the leader
- Predictable unit economics and strong competitive positioning
- High customer value prop / difficult to replicate assets
- Distorted financials or ‘un-screenable’ companies
- Off the beaten path, uncovered by analysts, surrounded by pessimism
- Long runway for growth within the industry with some favorable macro tailwinds
- Cheap valuation relative to peers and conservative estimates of intrinsic value
- Opportunity for revenue growth and margin expansion

Research Framework

Greystone's research process aims to thoroughly understand the following:

Competitive Position

Emphasis placed on qualitative aspects of a company's competitive positioning, which can lead to **attractive and defensible unit economics** such as high returns on capital and ample free cash flow generation

Management

The most important aspect of our strategy involves **understanding who we are invested alongside** with a preference for shareholder friendly **owner-operators** with open lines of communication

Valuation

A strong valuation discipline is paramount with a focus on **downside protection and margin of safety**. We want a wide discount between our purchase price and normalized business value

Research and Due Diligence

STEP ONE: Company and Industry Analysis

- Company presentations, filings, reports, conference calls, including competitors and peers
- Industry reports and data are collected about the market and secular growth
- Conservative financial projections are built and a valuation analysis is completed using the balance sheet, income statement and cash flow statement. Future cash flows are projected

STEP TWO: Primary Research

- Site visits, management conversations, channel checks, industry events, customer, supplier, employee and industry expert interviews are conducted

STEP THREE: Valuation Analysis

- Use all valuation tools available, including DCFs, multiples analysis, determine a margin of safety as appropriate
- Derive a conservative valuation and multiple based on cash flows, historic pricing, recent transactions and changes in growth profile/margins

Assessing management: Who are we invested alongside?

- Place a strict focus on strong leadership and favorable company culture – stemming from the Portfolio Manager's lessons learned in professional sports
- With the exception of special situations / catalyst driven investments, management has to be 'A+'
- The importance of underwriting management teams stems from our position as secondary investors – we have no operational control

BOXES TO CHECK:

- Large equity ownership relative to salary, industry experience, strong history of capital allocation, skill as an operator, forward thinking, shareholder friendly, open lines of communication

THINGS TO AVOID:

- No equity ownership, lack of discipline, empire building, unproven operators, entrenched thinkers, outrageous compensation, closed off communication
- Personnel evaluation tools from professional sports are used to help underwrite managers

Valuation: How do we know what to pay?

Attempting to purchase shares of businesses at discounts to intrinsic value

Different valuation methodologies are used for different businesses, including discounted cash flow analysis (DCFs), peer and competitor multiples analysis, and asset value or replacement cost value analyses.

Intrinsic value based on a businesses' future cash flows discounted back to the present

Look for investments able to deliver 15-25% returns over a 3-5 year investment timeframe with limited downside risk

The most important part of the valuation process consists of correctly identifying situations that carry a large margin of safety, meaning that in the event I'm wrong about my estimates of the future economics of the business, the risk of permanent capital loss is minimized.

Please refer to the Founder's Letter for more details

Margin of Safety: The Most Important Concept

Greystone will **only** commit capital to those ideas for which there exists a large enough discount between the value of the business and our available purchase price

The reason for this is to provide protection in the case of a valuation mistake or poor decision that may result in a permanent loss of capital

“No matter how wonderful a business is, it’s not worth an infinite price. We have to have a price that makes sense and gives a **margin of safety** considering the normal vicissitudes of life.”

Charlie Munger

Portfolio Management

- Long only strategy with a US equity focus
- 7-12 names in the portfolio, top five make up 60-70%
- Exposure dependent on opportunity set – bottom-up analysis
- Risk controls including position sizing and trimming
- Maximum position size of 20% - rare
- Margin of safety in the purchase price
- Thorough knowledge of the company and industry
- Frequent re-examination of the investment thesis
- Approach buying shares of companies in the public markets as if we are buying the entire business. Adopt an owner's mindset

Risk Management

- Management strength and decision making are paramount
- Put in place strict criteria for new investments
- Extreme focus on downside protection – *“heads I win, tails I don’t lose much”*
- Firm rules for position sizing and managing single security risk
- Put in place maximum position sizes not to be exceeded
- Adhere to strict buy and sell discipline
- Continue to use all available resources to improve decision making
- Say ‘no’ to most ideas
- Steer clear of certain industries including banks, insurance companies, utilities, businesses tied to the price of a commodity
- Be able to change my mind and pivot upon the receipt of new information without worrying about how it makes me look as a decision maker
- Focus on underwriting management in addition to the business
- Strict criteria and a small circle of competence forces us to be patient and very picky
- Utilize investment checklists, investment journal, seek disconfirming evidence
- Volatility will happen, we are optimizing for long term returns

“At the very least, I knew that my downside was well-protected and so I could create an asymmetric risk/reward by saying if I don’t lose much, there are not many alternatives other than to make money.”

- Joel Greenblatt

Investor Terms

Minimum investment:
$100k
per account

1.5%
management fee with a **5% hurdle rate** before **20%** incentive allocation

Negotiable fee schedule based on capital commitments including **account size** and **investment duration**

30-day
redemption notice

Additional communications may take place
2-3
times per year

Annual reviews conducted individually via 1x1 meetings. At scale, the format will become a group meeting either in person or digitally

Client communication typically takes place once per quarter in the form of a letter outlining what we own, and why we own it. I will spend a lot of time constructing the letters as **clients should understand my thought processes, and the 'why' of what we do.**

The majority of your **Portfolio Manager's net worth** is invested in the firm's strategy to preserve alignment and foster long-term thinking

Portfolio Manager Background

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Adam Wilk is the Founder and Portfolio Manager of Greystone Capital Management, LLC. He began his career in professional sports, working for various NBA teams including the San Antonio Spurs and Houston Rockets as a basketball analyst, scout and operations coordinator. It was there he gained exposure to various levels of organizational development as well as talent evaluation, contract negotiation, risk management and data analysis. Most importantly, the founding principles of Greystone Capital were formed during this time and include patience, curiosity, the constant pursuit of incremental improvement and a focus on 'pounding the rock'.

Adam's introduction to value investing came in 2012 where he translated his talent evaluation skills and analytical ability into evaluating real estate and then businesses which led to discovering finance, most notably through the writings of Warren Buffett. After being 'bitten by the bug', Adam was led down a path that ended in a career pivot, and the start of managing friends and family money for a number of years via separately managed accounts.

Adam's passion for investing can be seen in the various publicly available research reports and writeups located on numerous investment platforms as well as his blog, Pound the Rock Investing. The inception of Greystone Capital Management followed outside inquiries from multiple investors interested in allocating capital to the firm's small and microcap strategy. Adam graduated from High Point University with a degree in Sports Management and today serves as the sole Portfolio Manager for Greystone's concentrated, small/micro-cap long-only strategy.

Adam lives in West Chester, Pennsylvania with his wife, daughter and Australian shepherd.

What is Greystone?

Greystone Capital Management
Concentrated Value Investing

During the bulk of my childhood, my dad ran a successful real estate advisory and consulting firm called Greystone Realty Advisors.

In addition to financial reasons, he did so in order to gain the flexibility of schedule to attend every basketball game, school event, family party, and holiday for my sisters, brother and me.

In other words, so he could be there for us. I've always been grateful for that and look back on that time with so many great memories and more life lessons than I can count. I always enjoyed going to his office and 'visiting dad at work.' The partnership name is a small tribute to my best friend and hero in life.

Infrastructure

Adam Wilk, Founder and Portfolio Manager

Greystone Capital Management, LLC

Research and Investments

Team of One: Adam Wilk

Trading: Charles Schwab

Custody: Charles Schwab

Operations

Legal and Compliance: Beach Street Legal

Accounting: Professional Development LLC

Tax / Audit / Admin: SMAs (client responsibility)

Shareholder	Role	Percentage Ownership
Adam Wilk	Founder, Portfolio Manager, Sole Owner	100%

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QUESTIONS & CONTACT

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Feel free to reach out anytime. Email or call if you'd like to set up a time to chat.

Disclaimer

PERFORMANCE: Past performance is not a predictor of future results. We do not expect our future returns to approximate our historical returns. Amounts may differ due to rounding. Net returns are calculated assuming an account opened with Greystone Capital at inception during Q1 2020 and paid hypothetical the advertised fee structure of a 1.5% annual management fee and 20% of the outperformance, if any, over a 5% hurdle. Actual net returns will vary by investor. The S&P 500 and Russell 2000 and are indices of US equities. They are included for informational purposes only and may not be representative of the type of investments made by the firm.

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