

Q2 / July 2026

Dear Clients and Friends,

During the second quarter of 2026, the median account return for separate accounts managed by Greystone Capital was +7.2%. Year-to-date, the median account return was +8.6%, net of fees. Second quarter and year-to-date results compare unfavorably to the S&P 500 and Russell 2000 returns of +15.2% and +21.5% during the quarter and +10.2% and +22.5% year-to-date.

I'm somewhat satisfied with our performance year to date, as some of our investments have worked well, including Secure Waste and Pitney Bowes, tracking strong business performance, while others have lagged, including top five positions Natural Resource Partners and KITS Eyecare, and one business outside of the top five in Shift4 Technologies, each discussed more below.

As I reiterate in most letters, we do not own the indices, so there should be no reason why we should track their returns in any given period. We also don't own any of the small handful of businesses driving index returns, so performance deviations this quarter and through the first half of the year may seem extra wide. I'd caution against deriving any meaning from these short-term figures, good or bad.

To the market's credit, recent gains have been backed by genuine earnings growth, and explosive growth at that. But that growth is extraordinarily narrow, as a large percentage of the index's expected earnings growth this year comes from beneficiaries of the AI infrastructure buildout, a group of technology, semiconductor, and infrastructure businesses largely spending hundreds of billions of dollars with one another. Whether that spending ultimately earns an adequate return is among the most important questions in markets today. It's also a question we are not required to answer, because we own none of it, and our results will never depend on getting it right.

I mentioned in last quarter's letter that our returns will almost always be driven first and foremost by business fundamentals such as earnings growth, with multiple expansion serving as a potential cherry on top. In that respect, the market and I currently agree about what drives returns. Where we differ is where to look for that growth and what to pay for it. Ours is admittedly a slower approach, as business execution takes time, and our opportunity set is often driven by neglect, as the companies we seek tend to be mischaracterized, out of favor, or viewed as something they're not, which means improving fundamentals are not always recognized immediately.

In that vein, our longer-term numbers are what should matter. Since inception, Greystone Capital has returned a cumulative +222.0% compared to +113.8% for the Russell 2000, +72.2% for the Russell Microcap Index and +176.3% for the S&P 500. Although we will undoubtedly look different from the broad market in any given short time frame, I'd expect to continue generating strong returns over *longer periods* of time. As a result, my and my family's capital remains invested alongside yours, firmly aligning our interests.

"We do not wish to leave the impression that the new technologies will not transform human life for the better. The issue is simply that, in any investment sense, a participant in these industries is subject to considerable valuation risk that we do not wish to accept."

- Murray Stahl

It's difficult to write an investment update in 2026 without talking about artificial intelligence, especially considering where investor attention has gone. AI is the single biggest factor driving markets at the moment, and by far the most popular investing-related theme.

As a result, the 'AI Trade' has effectively *become* the market, with the hyperscalers, chip sellers and AI infrastructure companies together representing trillions of dollars, and roughly a third of the S&P 500. The quote above is relevant, as the late great Murray Stahl of Horizon Kinetics framed this idea better than anyone. The chip sellers are valued on the promise that each generation of chips makes the last obsolete, guaranteeing endless replacement, while the buyers are valued on the promise that this same spending eventually stops and hardens into durable cash flow. Both groups, as Murray put it, "[can't be right, yet they are valued as if they are](#)." In some areas, popularity has taken multiples to egregious levels, including 50-60x revenues for unprofitable, capital intensive, low ROIC businesses.

In nearly every letter I've written to you during the past six years I've talked about something that can be considered the opposite of popularity, which is neglect. This idea is the closest thing we have to raw material at Greystone and is largely the reason our companies are available at the prices they are, and sometimes the reason our investments take time to work. Nearly every great investment we've made came from one of two kinds of neglect, and the best setups I've ever found contained both at once.

Sometimes the market neglects a specific business or stock in the form of no analyst coverage, a checkered past, no natural buyers, and no clean public comps. Other times, the market neglects a time horizon, where business value appears far enough out that it sits beyond most managers' investment timeframe. Both forms of neglect boil down to the same thing, which is a mispricing where the correction requires behavior that the market is fundamentally unable to supply. Popularity and neglect represent two extremes in today's market, and capital has rarely been distributed between them as unevenly as it is right now.

This is positive for us. I think it's important to note that we can be incredibly bullish on AI and pass on the current opportunity set. During my time working in basketball, I learned the most from watching how the best coaches handled their rosters. The bad ones ran their system no matter who was on the floor and forced players into roles they couldn't fill. Like Kurt Rambis installing the triangle in Minnesota without a single player built for it. The best coaches did the opposite, coaching the players they had and shaping the scheme around the talent in front of them. I try to run Greystone the same way. I don't impose a rigid view on the market and wait for it to comply but rather try to adapt to the opportunity set we're given. I'd be more than happy to own great businesses at asymmetric prices within the AI complex. But as Murray stated, today, most of these businesses are *subject to considerable valuation risk that we do not wish to accept*.

Instead, far away from the AI trade, there are plenty of opportunities being neglected as capital flows to momentum driven stocks. This neglect results in mispriced earnings power, which typically

requires time and patience to surface, as opposed to rapid multiple expansion on the back of narrow and potentially unstable earnings growth. I'd much prefer to allocate your capital to unpopular companies with strong competitive positions, cash flow, capable management teams and strong growth outlooks, especially when available at prices that offer asymmetric returns. Investments like these fit the pattern of where we've made most of our money thus far. Even if they are neglected in the short term.

Nowhere does mispriced earnings power show up more reliably than in a category of company called niche industrials. These businesses operate in specialized, mission-critical corners of the economy such as fire protection, waste processing, electronic components, and mechanical services, and many of them pair strong core operations with misleading GAAP numbers, stale labels, and little to no analyst coverage. Because they violate most of the shortcuts investors use to assign value, the market consistently misprices them, and they've become one of the most reliable hunting grounds for good investments in our universe.

Consider our investments in **Limbach**, **APi Group**, **Bel Fuse**, and **Secure Waste Infrastructure**. If you screen investment ideas based on positive fundamental or technical attributes, as a large portion of today's actively managed universe does, these companies will not make the list. Each screened poorly, operated without a distinct label or a direct comp, appeared overly cyclical or confined to a small market, and created value through unit economics that took time to reach the reported financials. In each case, the market assigned a label, valued the business as the worst version of that label, and moved on.

Limbach is a good example of how screens can get it wrong. When we purchased our shares years ago, consolidated GAAP numbers made Limbach look like a low-margin mechanical contractor, a profile most investors would dismiss immediately. Inside the company, however, was Owner Direct Relationships, a recurring, higher-margin, asset-light service business growing 15-20% per year and solid returns on capital. The consolidated financials blended the two together, which meant the more attractive segment stayed invisible to investors. Spending time with management, employees and customers, one of which was located a mile down the road from my parents' house, was paramount in understanding the misperception, and revealed that service work carried gross margins 12-15 points higher and served a market growing several times faster.

APi Group revealed what can happen when a business operates without a clean label. Investors struggled with a durable business wrapped inside what looked like a cyclical one, as growth investors saw project-based construction and thought cyclical slow growth, while value investors saw steady cash flow and no multiple re-rating. APG was initially labeled a project-based contractor roll-up while management shifted the revenue mix from roughly 30% recurring inspection and service work to closer to 60% today, raising margins and cash flow while reducing cyclicity. What stood out during our initial due diligence was the potential margin story. Inspection revenue carried roughly ten points more gross margin than contract work, and monitoring roughly twenty, so every point of mix that shifted toward recurring work raised margins with near-mathematical certainty.

With Bel Fuse and Secure Waste Infrastructure, the distortions showed up in the reported numbers themselves. Secure's financials were burdened by accounting for its oil purchase and resale activity, which flowed through revenue and cost of goods at essentially zero margin and caused the

company to screen like a low-margin commodity business. Layer on an oil and gas customer base, and the market largely ignored Secure's network of permitted waste facilities that function as regional monopolies and valued the business at a single-digit multiple of cash flow.

Bel Fuse screened even worse. GAAP profitability was negative and margins sat at roughly a third of peer levels, despite products with long design cycles, high switching costs, and a high cost of failure, the same qualities the market paid up for elsewhere. Investors saw 'electronic components manufacturer,' assumed cyclical commodity business, and priced it accordingly. Conversations with a new CFO made the mispricing understandable, as Bel had looked at SKU-level profitability for the first time in decades, and despite holding sole-source positions on products, Bel had never systematically raised prices in its history. EBITDA margins moved from 5% to 15% once they did.

The other trait niche industrial share is their path to value creation. Much of the value creation happens through things like mix shifts, volume leverage on fixed assets, small acquisitions at attractive multiples, or growing installed bases, where progress reveals itself over 12, 24, and 36-month stretches.

I've found that these setups improve further when something arrives to force the issue. Across our best investments, a management change, a strategy shift, or a new approach to capital allocation has served as the catalyst that pulls hidden earnings power to the surface, and situations like these tend to introduce enough fresh questions and unknowns to keep the shares cheap right up until fundamental results inflect. The pattern across our investments here has been remarkably consistent, spanning different industries but the same misperception.

Company	Market's mental model	Business Reality
APG	Contractor roll-up	Life-safety service platform with 60%+ recurring revenue
LMB	Mechanical contractor	Asset-light recurring service network compounding cash flow
SES	Oilfield services	Regulated waste infrastructure with 80% recurring cash flow
BELFB	Component cyclical	Mission-critical connectivity supplier with high switching costs
PBI	Declining physical mail	Durable services and software layer with economies of scale

In each case, the market anchored to a label and valued the business accordingly. I'm often amazed at the advantages one can gain simply by meeting with management, talking to customers and employees, and spending time understanding a company's unit economics. This is why I've come to rely on a simple principle: unit economics matter more than GAAP financials. The market does an excellent job valuing stories, and a far worse job valuing unit economics that require primary research to understand.

As a result, a meaningful portion of our research effort remains pointed here. For investors willing to look past labels and do some digging, these companies remain some of the most consistently mispriced assets in public markets.

Portfolio Commentary

Since the start of the year, we've purchased three new investments, one niche industrial, one technology/communications business with industrial-like qualities, and another payments business alongside our investment in Shift4. Each appears to have mispriced earnings power and capable management doing what they can to close the intrinsic value gap. I'm busy researching many more as the opportunity set remains very attractive. I look forward to discussing more over time.

Secure Waste Infrastructure, discussed last quarter, was an excellent case study in neglect leading to mispriced earnings power. Since I've already provided commentary there, and the business is now in the process of being acquired, I'd like to turn to another top five position, a niche industrial that fits the same pattern.

Pitney Bowes (PBI)

This is the first time I've written about our investment in Pitney Bowes, which we started purchasing in 2025 and have continued adding through volatility. Our investment has increased nearly +70% on our average cost, but my view is that intrinsic value remains meaningfully above today's price. Pitney Bowes can be viewed as a turnaround story that began when a new management team and Board were brought in during 2023, and although much of the low-hanging fruit has been picked, the current valuation remains undemanding at a double-digit free cash flow yield. Continued share repurchases, debt paydown, the return of sell side coverage, potential monetization of the Pitney Bowes Bank, and a formal strategic review could result in a sale of the company from here, likely at a nice premium to today's price. I published [a longer research report](#) in May on the blog for those interested.

Pitney Bowes fits many of the criteria we look for in an investment, especially as a volume driven toll booth, and as mentioned, like Secure, the opportunity was born of neglect. PBI had a checkered past, poor management, no real ownership base, no public comps, and was a small cap with no top line growth operating in an industry associated with secular decline. The 'declining mail company' label deterred most buyers, and the strength of the business was masked due to years of reported GAAP losses driven by impairments, restructuring charges, and the now-divested Global E-commerce segment which was losing hundreds of millions of dollars annually.

Pitney Bowes is a niche industrial that helps businesses send mail and packages, providing software, equipment, financing, and sorting services that make the process easier, cheaper, and more efficient. The company operates two segments, SendTech and Presort. SendTech represents roughly two-thirds of revenue and 70% of EBIT and is the dominant provider of postage meters and mailing technology in the United States. The USPS authorizes only four companies to supply postage meters, and the barriers to entry are significant. Certification requires years of compliance history, and PBI's installed base of approximately 750,000 active meters generates recurring rental, supplies, service, and financing revenue with renewal rates in the high 90s. SendTech has a long history of profitability and high returns on capital and could offer some growth opportunities from here.

Within SendTech sits Pitney Bowes Bank, an industrial loan bank holding more than \$575 million of low-cost customer deposits that provides postage and equipment financing to roughly 400,000

long-tenured customers. No competitor can offer the same integration of equipment, software, and financing in a single relationship, and management is now evaluating options to grow or monetize the bank, any of which would surface value for which the market currently gives little credit.

Presort is the largest workshare partner of the United States Postal Service, operating a national network of 40+ mail sorting centers that process first-class and marketing mail on behalf of large corporate mailers before injecting it deeper into the postal network at discounted rates. Businesses that send mail in large volumes would rather not manage the sorting themselves, so they hand it to PBI, who commingles mail from many customers, sorts it in a way no individual mailer could achieve on their own, and splits the resulting postage discount with the customer. The USPS workshare discount is set annually by a statutory cost-avoidance formula, meaning pricing typically indexes to inflation independent of competitive dynamics, and PBI is the only national-scale operator in an industry otherwise composed of family-run regional players. Presort grew revenue in 11 of the past 13 years, has completed more than 30 tuck-in acquisitions of regional operators at low-single-digit EBITDA multiples over the past 25 years, and operates a largely fixed-cost network where incremental volume drops to the bottom line at contribution margins approaching 100%. Despite annual declines in physical mail, Presort has consistently outgrown those declines at low-single-digit rates through share consolidation, pricing, and new client additions.

Although it's true that physical mail volumes decline every year, it would be wrong to equate that with deterioration in PBI's core business. For example, SendTech has absorbed a 28% revenue decline since 2017 while expanding EBIT margins by 90 basis points to 32.8%. The view of 'melting ice cube' was incorrect, and I found PBI to instead represent a durable installed-base business with some pricing power, harvesting cash from a sticky and still-relevant customer base. This is where primary research matters, and with limited analyst coverage, I spent time rebuilding a decade of segment level financials while meeting with former employees and customers, which further reinforced my view of PBI's durability. As mail volumes decline, mailers who can no longer qualify for postage discounts on their own actually hand their volumes to PBI, pushing share toward the largest player even as the market shrinks.

As a result, the only meaningful revenue declines seen during the past decade took place during late 2024 and early 2025, when Presort revenue decreased -10%, interpreted as the long-feared acceleration of secular decline. What actually happened was a pricing mistake. In July 2024, the USPS implemented the largest workshare discount increase in the program's history, and competitors used the new economics to undercut PBI on larger regional accounts. Current management corrected the pricing issue in mid-2025, and PBI hasn't lost a single Presort customer since June of last year. Since then, new business wins have accelerated through the back half of 2025 and into 2026.

As with all our investments, management is incredibly important here and represents the exact type of alignment with minority shareholders we seek. PBI is run by Kurt Wolf, a fund manager and activist investor who became CEO last year. Admittedly, the base rate for success with fund manager-CEOs is not high. However, PBI has proven to be a strong operator and capital allocator and is incredibly aligned, owning at one point hundreds of millions of PBI stock. Since joining the Board and then taking over as CEO, Kurt exited the money-losing ecommerce business, eliminated more than \$200 million of costs, replaced nearly the entire operating team, corrected the Presort pricing error, and repurchased stock as aggressively as any management team I'm aware of. By all accounts, prior to Kurt, PBI was a corporate governance and capital allocation disaster, which is

now firmly in the rearview mirror, and today's PBI is materially better than the one he got involved with years ago.

Of note, Kurt's fund, Hestia Capital has been reducing their personal stake in PBI through a pre-scheduled selling plan, largely at prices representing a multiple of his fund's original cost, which I view as rational fund management rather than a signal about the business. Kurt is still a large personal owner, and we've benefitted from his alignment and strong capital allocation thus far.

On that note, capital allocation was and is at the heart of the investment thesis. During 2025, PBI repurchased 17% of its shares outstanding, retired another 15.9 million shares in the first quarter of 2026, and increased the buyback authorization to \$750 million, with management stating that repurchases remain the priority as long as the stock trades at a significant discount to intrinsic value. Given PBI's price appreciation, I wouldn't be surprised to see buybacks reduced from here in favor of debt paydown, which would carry its own re-rating value. Reducing net leverage from just under 3.0x today toward 1.5x by 2028 should justify a meaningfully higher multiple, and my math suggests every turn of EBITDA re-rating is worth roughly \$5 per share. Whether cash goes to buybacks or the balance sheet, value will accrue to us on a per-share basis, from continued execution and rational capital allocation.

As of this writing, at a share price near \$18, PBI carries a market cap of roughly \$2.5 billion against 2026 free cash flow guidance of \$360-410 million, an approximately 15% free cash flow yield. Using conservative assumptions for Presort recovery, no growth in free cash flow and a multiple below any infrastructure or services comparable, PBI would be valued in the mid-\$20s per share. If PBI can return to growth as management is positioning it to do, intrinsic value would compound from there.

Importantly, in June, PBI formally launched the second phase of its strategic review to evaluate the full spectrum of alternatives including a sale, and in late July added a director to the board's Strategic Review Committee whose experience includes evaluating strategic alternatives and overseeing mergers. Although I'm not underwriting a sale, infrastructure and logistics services comps regularly transact at 10-14x EBITDA, roughly double where PBI trades today.

Additional Investment Commentary

Natural Resource Partners (NRP)

Natural Resource Partners is our coal and soda ash royalty business, which I first introduced as a new investment in our Q4 2024 letter. Since then, pricing conditions for NRP's key commodities have worsened and NRP's share price has remained flat to slightly down for the past year and a half. The soda ash market is in disarray, and for NRP's Sisecam Wyoming JV, where they own a 49% stake in what has historically been a strong generator of royalty payments, is now consuming cash to service debt at the corporate level, with NRP having to provide a \$39M cash infusion as of the most recent quarter, which gave the appearance of continuing cash needs for the JV. Our work indicates that the cash infusion should be viewed as one time event, and over a much longer period of time, management is aiming for soda ash to become a very large part of the total royalty stream. On the coal front, despite increased global demand, the market remains a bit oversupplied, leading to unfavorable near-term price action.

As a reminder, we are not underwriting significant increases in the price of thermal or met coal, only that the state of the world remains the same, consisting of a severe supply demand imbalance. The world is once again on track to consume record amounts of coal, while production figures have declined nearly -2.0% from this time last year. There will be a time when the world no longer needs thermal coal, and to a lesser extent met coal, but those days are far away, and in the meantime, there are plenty of reasons to be bullish these commodities, with artificial intelligence adding yet another given the datacenter boom and widespread need for low cost and effective baseload power.

Keep in mind, NRP is a royalty business, so we are taking as little price risk as possible, with guaranteed minimum payments from NRP's lessors despite low production activity, and a balance sheet that can finally withstand lower prices should they materialize. This is not the same NRP from years ago, and management will begin to demonstrate that within the coming quarters, holding a net cash balance sheet and finally beginning to make sustained distributions of excess free cash flow, which as of today's share price should yield us in the neighborhood of 13% per year on close to trough free cash flow figures. Any normalization in the soda ash market, higher met and thermal coal prices, and carbon capture optionality, along with the occasional supply disruption, are pure upside to those numbers.

I remain confident that upside is greater than 100% of today's price over time, with a strong margin of safety underpinning our investment.

Kits Eyecare (KITS.TO)

KITS continues to build a unique business that is growing fast, is customer focused, and offers price and convenience advantages that are difficult to replicate. The lazy read on this business is that the moat rests on being vertically integrated, as KITS owns their optical lab, allowing them to manufacture eyeglasses in-house. While important, I think that view is incorrect. Plenty of industry incumbents own optical labs. What almost nobody else delivers is a quality pair of prescription glasses for roughly 1/3rd to 1/4th the price of traditional retail or optometrist, able to be shipped to a customer's door within two days. The cost advantages KITS has relative to their competitors allows them to pass those cost savings on to customers, meaning KITS moat is their price and convenience gap along with having the discipline not to close it by harvesting margin too early. KITS has also eschewed traditional marketing channels, opting for word-of-mouth and local influencer partnerships, allowing them to avoid the 'CAC is the new rent' paradigm, by my estimates, often spending 6-10x less than competitors to acquire a new eyeglasses customer. Most importantly, customer behavior is improving from year to year, with order frequency, average order values and retention rates all increasing, evidence that customers are starting to re-think what eyeglasses should cost.

Despite strong business performance through the end of 2025 and the beginning of 2026, KITS stock is down -30% YTD, and at one point was down close to -50%. Strong business results met with declining share prices are usually good situations to step in front of. I've been adding to our position as the thesis plays out and expect another strong year during 2026 and 2027 as KITS glasses business continues to grow and as they expand into new geographies and reach new customers.

One recent highlight includes KITS opening their second brick and mortar location, this time in downtown Toronto. Although I expect KITS to remain primarily a pureplay e-commerce business, select physical stores in popular geographies have shown to be excellent customer acquisition tools, providing another brand touch point to customers outside of Vancouver. Despite rapid growth, since inception KITS has been relatively concentrated in one geographic area of Canada, and the Toronto store will open additional opportunities for them to expand East and ultimately more into the US. I'm excited to visit the store this fall. I believe we are still in the early innings for KITS, and the growth runway remains massive, which is why my estimate of intrinsic value is multiples of today's share price.

For those interested, I pitched KITS at the Planet Microcap Conference in Las Vegas in June and hosted a fireside chat with Director of Corporate Development Olivia Evans. The videos can be found [here](#) and [here](#).

Shift4 Technologies (FOUR)

I originally shared the investment thesis for Shift4 in our [Q4 2025 letter](#), so I don't have much to add here. However, very shortly after that letter was published, FOUR reported their Q4 / FY2025 results, which were strong, but revealed weaker than expected guidance for 2026 including slower than expected growth, near-term headwinds for their tax-free shopping business, and lower than expected free cash flow conversion. Negative sentiment toward payments related stocks hasn't helped, and FOUR shares have declined -22% YTD, at one point down nearly -50%. I believe FOUR remains a compelling investment and could return multiples of the current share price, and I've been adding to our position. Importantly, I don't believe a lot has to go right from here for the stock to work.

FOUR should continue to grow faster than the market because they're exposed to integrated payments, have differentiated vertical software/products, and can cross-sell payments into their acquired customer bases. Also, incremental FCF conversion is still around 60%, which should drive 100-200 bps of annual total FCF conversion improvement as EBITDA grows. Beyond that, if the Global Blue deal doesn't turn out to be a massive disaster, as [I wrote here](#), FOUR will look incredibly cheap at today's valuation.

Shift4 trades at a mid-single-digit multiple of EBITDA and less than 10x my estimate of 2026 earnings. My base case estimate of intrinsic value sits between \$120 - \$160/share, using very conservative assumptions, and a multiple way below peer companies. This compares to FOUR's price of \$48/share today. In addition to reinvesting in the business, management is steadily repurchasing stock, and Founder Jared Isaacman made a significant purchase of stock in the open market as recently as May of this year.

Of note, Q1 results were very strong, and guidance was reiterated for the year, giving me confidence that things continue to trend in the right direction. Outside of FOUR, the payments space is incredibly attractive right now, and I'm busy researching a handful of opportunities.

Recent Developments

We onboarded several new investors this quarter including a small family office and fund of funds with incredibly aligned, patient and long-term capital. In both cases the due diligence process was mutually extensive, consisting of spending the better part of a year getting to know each other, ensuring a strong fit. I'm looking forward to both relationships growing over time. As I stated last quarter, the current opportunity set makes this an especially compelling time to allocate, and referrals are always welcome.

Greystone Capital Partners LP is our go-forward vehicle for new investor capital and is currently open to subscriptions. Once the transition is complete, reporting will move to the fund level, and future letters will be published under Greystone Capital Partners.

Finally, I've decided to forego a formal annual meeting this year given the size of the research pipeline and upcoming travel. I will likely record some kind of virtual commentary in the coming months which will be distributed to all of you, and as always, I'm happy to discuss our investments or anything else portfolio related any time. Thank you for the opportunity to manage your hard-earned savings. Please feel free to reach out anytime.

Thank you for reading.

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