

Q3 / October 2025

Clients and Friends,

During the third quarter of 2025, the median account return for separate accounts managed by Greystone Capital was -3.6%, net of fees. Year-to-date, the median account return is +1.6% net of fees. Third quarter results compare unfavorably to both the S&P 500 and Russell 2000 returns of +8.1% and +12.4%. Because client portfolios are invested in a concentrated way consisting of small companies mostly outside of the major indices, our returns should typically vary from the returns generated from those indices.

This quarter's letter serves as a brief update, with minimal changes during the past few months. My schedule has been busy with research and travel (exactly how I prefer), and I've been working hard on new ideas that I look forward to discussing publicly soon, one of which has become a top five position. This business fits our criteria of great business, excellent management and a cheap valuation, possessing a long runway for compounding our capital. **We are currently raising capital to put behind this specific idea.** For those interested, please reach out for more details.

Negative performance this quarter was largely driven by Sylogist and Innovative Food Holdings, which declined -30% and -50% during the quarter. As you'll read below, I believe both declines to be more issues of timing and sentiment as opposed to anything else. Year-to-date, some portfolio management mistakes on my part have also held us back, while other holdings have lagged the market, despite strong business performance. I view this weakness as opportunity and remain optimistic about what's next for our businesses. I'm confident in our approach and have added personal capital to the strategy, further aligning our interests.

As a reminder, we have launched our commingled investment fund, **Greystone Capital Partners LP**, which is now accepting subscriptions from accredited investors. As mentioned, moving forward, we will no longer be onboarding individual separate account clients. In addition, within 1-2 quarters, performance reporting in these letters will favor the fund. Remaining separate account clients have daily performance transparency as has been the case since inception, and as always you can reach out with any questions.

"If we try to play like the Yankees in here, we will lose to the Yankees out there."

- Billy Beane, as portrayed by Brad Pitt in Moneyball

As you know, I place little weight on short-term performance given the limited conclusions to draw from any 3, 6, or 9-month period. Our diversion from the market's results is to be expected at times. We don't invest in the market, nor do we attempt to mimic market performance. In any given year, just a handful of businesses will drive our results, and sometimes patience is needed before seeing these results materialize.

The good news is that our companies are backed by real assets, real cash flows, and clean balance sheets, a foundation that matters far more than interim price movements. By contrast, much of the recent market rally, especially in small caps, is being driven by thematic flows and speculative appetite. We have almost no exposure to those pockets of the market. Our lack of FOMO (fear of missing out) is consistent with our philosophy, and I believe it positions us well over time.

Despite what looks like easy money being made, investors are taking risks that we cannot get behind, including investing in companies with no revenues, farcical business models, or exciting 'theme' or 'story' stocks with little fundamental backing. You'd have a good laugh (or maybe a good cry) if I showed you the largest holdings in the Russell 2000 (IWM) and Russell 2000 Microcap (IWC) indices, up 11% and 20% YTD.

On the other end of the spectrum, investors are overpaying for 'quality,' a term that's now being used as a replacement for critical thinking and rational valuation work, bidding the market's largest businesses to valuations that imply unattractive forward returns with little downside protection. Paying 35-55x free cash flow for mature businesses translates into low single digit free cash flow yields and mid-single digit forward IRRs, *if everything goes perfectly*. If multiples compress even modestly, permanent capital impairment takes place.

Unfortunately, this simple analysis doesn't eliminate *the feeling* of opportunity cost. Sitting out the market's most celebrated winners can be difficult, and the next several years could echo the last several. But when the cycle turns, the consequences tend to be permanent, not psychological. Paying high prices for low return streams or speculating on themes without fundamentals has a long track record of ending in *actual losses*, not just the opportunity kind.

When allocating capital, my job is to avoid the actual losses, by weighing the durability and fundamentals of a business against the price we're being asked to pay. Our bar is set high in this regard, eliminating most potential investments, and when I look at our portfolio, I see multiple businesses that could double or triple within a 3-5-year period, implying 15-25% IRRs or greater, with strong downside protection. I won't be correct in every decision, but ours is a position of strength compared to the rest of the market. As our businesses continue to grow their intrinsic value and compound earnings and free cash flow, the risk we are taking with our invested capital is *falling*.

In a market like this, I'm grateful for the independence to allocate capital based on fundamentals rather than fashion. Periods like this have historically meant underperformance for disciplined, value-conscious investors, especially those focused on smaller, cash-generative businesses like ours. But the daily scorecard matters far less than the trajectory of the companies we own. Trying to mirror today's market would push us toward speculative themes or fully priced quality. We will continue to operate where the odds are better...in the niche corners of the market where inefficiencies persist and prices overstate risk.

Portfolio Commentary

As of the end of the quarter, our top five positions consisted of **Natural Resource Partners, KITS Eyecare, APi Group, Medical Facilities Corp.** and an **undisclosed company**. Our top six holdings represent 75% of capital. Our Q4 and year end letter is typically reserved for discussing top five positions more in depth.

During the quarter, we sold out of our position in **Bel Fuse** to allocate to higher forward IRR opportunities, as the stock exceeded our estimate of intrinsic value.

Sylogist (SYZLF)

Shares of Sylogist declined significantly following less than stellar Q2 results and a reduced FY25 outlook that came as unexpected. This was in direct opposition to management's bullishness following Q1 results and after years of strong business execution. Many of the near-term issues are timing related as opposed to structural or competitive issues, but some additional hiccups were revealed in Q2 that changed my estimate of the forward return profile and risk/reward.

As a result, I reduced our position as I no longer feel Sylogist meets the requirement for a top five holding, where it's been for over three years. All is not lost for the business, which is why we have not exited completely, and I believe there is still a path to a very positive return moving forward, but my conviction level and compared to the risk/rewards elsewhere in our portfolio necessitated action on my part. I'd like to give it some time before discussing my reasoning in further detail and will be monitoring our position closely during the next few quarters.

Innovative Food Holdings (IVFH)

We started this year with IVFH as a top five position, and with the benefit of hindsight, should have taken more profits above \$2.00/share as the valuation became quite stretched. We have officially round tripped most of our investment, which has disappointed both from a business perspective and share price perspective. Like Sylogist, I believe there is a fairly easy path to a positive outcome within the next few quarters. The Board agrees, and during the quarter, instituted a management change, which should prove a net positive, as IVFH will now redirect resources to their core specialty food business. If management's efforts in this area return stability and/or growth to the drop-ship business, historically a 20% grower, there is significant upside to today's price.

Recent Developments

We continue to welcome thoughtful, like-minded investors into the fund, and I've been encouraged by recent conversations with prospective partners. We even hosted some in-person visitors at our modest West Chester HQ. It remains an excellent time to allocate to our strategy, and I always enjoy connecting with investors who share our long-term mindset. The best way to determine whether Greystone is the right fit is to read through the 21 quarterly letters on our website. Many new partners already have. Those letters tend to serve as an effective filter for investors aligned with our patient, fundamental approach.

As always, I welcome introductions, referrals, and direct outreach from those interested in learning more. Thank you for reading and please feel free to reach out anytime.

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Disclaimer: Past performance is no guarantee of future results. Investing involves risks which clients should be prepared to bear, including but not limited to partial or complete loss of principal originally invested. Investing in small and microcap companies can result in additional volatility and higher risk due to comparatively low market capitalization, more sensitivity to economic and market conditions, and more limited managerial and financial resources. In addition, small companies typically trade in lower volume, making them more difficult to purchase or sell at the desired time and price or in the desired amount. Please refer to Form ADV Part 2 brochure for more information about Greystone Capital Management and its personnel.