
Q1 / April 2026

Dear Clients and Friends,

During the first quarter of 2026, the median account return for separate accounts managed by Greystone Capital was +1.4% net of fees. First quarter results compare favorably to the S&P 500 and Russell 2000 returns of -4.3% and +0.9% during the quarter. 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.

As a reminder, **Greystone Capital Partners LP** is our go-forward vehicle for new investor capital and is currently open to subscriptions. Because capital is currently being onboarded into the partnership, this quarter's letter reflects the performance of legacy separately managed accounts. Once the transition is complete, reporting will move to the fund level and future letters will be published under Greystone Capital Partners. I continue to believe the current opportunity set makes this an especially compelling time to allocate.

As I've often repeated, I place little weight on short-term performance, but a positive gain in a quarter like this one is a good result. Broad indices were negative, volatility increased materially, and several higher multiple areas of the market experienced meaningful drawdowns. Our positive return was driven primarily by positioning, as we own no software and no 'quality' stocks trading at absurd valuations, instead remaining focused on smaller and cheaper corners of the market.

While it's not always additive to communicate on a three-month basis, particularly when our Q4 letter was published at the end of January, I thought it would be useful to briefly revisit how I think about investing in an environment like this one. Separately, we had a significant portfolio event take place at the start of Q2 worth discussing.

The past several years has shown that there is almost always something for investors to worry about. Since 2020, markets have had to process a pandemic, an inflation spike, a rapid rate-hiking cycle, war in Ukraine, a regional banking crisis, repeated recession scares, and now renewed concerns around AI, energy, and geopolitics. Despite many of these developments being real and significant, the market has also shown a remarkable ability to absorb shock and move on, often more quickly than investors expect.

That is why I spend very little time trying to forecast the next macro event and much more time studying businesses that can perform well across a wide range of external conditions. My focus is on businesses where the product or service, cash flow, and capital allocation matter more than the daily news cycle, and where demand remains durable and business specific. People still need glasses and contacts, HVAC systems still break, hospitals still perform surgeries, fire safety systems still need to be inspected, energy waste still must be disposed of, and metallurgical coal must be mined.

In many cases, we also look for capital allocation to do a meaningful portion of the heavy lifting. Buying a good business at a low valuation, with durable cash flows and a management team willing to return capital intelligently, can produce an attractive result even if the market never assigns a higher multiple, and even if the broader backdrop remains difficult, whether that means recession, war, inflation, or some other form of macro stress. That is a very different setup than owning a statistically expensive business, even a great one, where everything must go right, both at the company level and in the outside world, simply to earn an average return.

Medical Facilities Corp. is a useful example. No matter what's happened in the broader market or the world over the last several years, there has been very little correlation between those events and the underlying need for surgical procedures performed in specialty hospitals. Medical Facilities is an unglamorous, largely undisruptable business tied to durable healthcare demand rather than investor sentiment. Despite the world not getting any calmer since 2023, the stock has doubled. Importantly, the market did not award the business a meaningfully higher multiple. Instead, management created substantial per-share value by selling assets and using those proceeds, along with existing cash flow, to repurchase nearly half of the company's shares outstanding. That is exactly the sort of setup I am drawn to, where per-share value steadily increases even when the world gets scary.

We own several businesses that fit this mold, including **Secure Waste Infrastructure**, one of our highest-conviction investments, which I will discuss for the remainder of this letter.

Secure Waste Infrastructure (SES.TO)

There are times when the market values businesses based more on what is easiest to measure, classify, or compare than on what actually drives their economics, causing a good business to appear mediocre when viewed through the wrong lens. This is especially true in throughput or volume-driven businesses, what Warren Buffett has often described as toll booth businesses, where the difference between a commoditized operator and a durable moat often doesn't show up in reported margins, consolidated financials, or industry classification, but rather in the unit economics. For a large swath of today's market participants, unit economics are not the driving force behind value discovery or price discovery. But in businesses like these, the *incremental economics*, what happens to the next unit of volume flowing through the system, are what matter most.

The framework is simple. Once fixed capacity is built, the income statement shifts from a cost structure story to a volume story. That is the essence of toll-booth economics, where each additional unit moving through an existing infrastructure base carries very high incremental margins and converts efficiently into free cash flow. Over time, as utilization rises and the system matures, growth may slow, but the business becomes increasingly valuable because every additional user, gallon, or ton is monetized through a largely fixed-cost network.

In the simplified example below, note what happens to the operating profit of the hypothetical business as volumes rise, even with price held constant. Because the fixed-cost base is already in place, each additional unit processed carries much higher incremental margins, causing profit to grow much faster than revenue. That is the power of operating leverage in a volume-driven toll booth business.

Example A: Operating Leverage within a Volume Driven Toll Booth Business

Year	Units Processed	Price / Unit	Revenue	Fixed Costs	Variable Cost / Unit	Total Cost	Operating Profit	Margin %
1	100	\$1.00	\$100	\$60	\$0.20	\$80	\$20	20%
2	110	\$1.00	\$110	\$60	\$0.20	\$82	\$28	25%
3	121	\$1.00	\$121	\$60	\$0.20	\$84	\$37	30%
4	133	\$1.00	\$133	\$60	\$0.20	\$87	\$46	35%
5	146	\$1.00	\$146	\$60	\$0.20	\$89	\$57	39%

The model is even more impactful with a business that possesses pricing power. Small price increases layered on a largely fixed cost base produces outsized profit growth. In the example below, in year five, despite the business not changing materially - no new plants, trucks, buildings, capex - operating leverage turns a 60% revenue increase into a 275% profit increase.

Example B: Operating Leverage within a Volume Driven Toll Booth Business with Pricing Power

Year	Units Processed	Price / Unit	Revenue	Fixed Costs	Variable Cost / Unit	Total Cost	Operating Profit	Margin %
1	100	\$1.00	\$100	\$60	\$0.20	\$80	\$20	20%
2	110	\$1.03	\$113	\$60	\$0.20	\$82	\$31	28%
3	121	\$1.06	\$128	\$60	\$0.20	\$84	\$43	34%
4	133	\$1.09	\$145	\$60	\$0.20	\$86	\$58	40%
5	146	\$1.12	\$163	\$60	\$0.20	\$88	\$74	46%

As discussed, economics like these aren't always reflected in reported or GAAP financials. When a business is viewed on a consolidated basis, low-utilization assets, legacy operations, pass-through revenue, depreciation, or corporate overhead can all make margins appear lower and the business look less attractive than it really is. But that doesn't change the economics of the next unit flowing through the system, and the gap between reported economics and incremental economics is often where the opportunity lies.

Secure Waste Infrastructure, a waste management and energy infrastructure business, was one of our highest conviction examples of both frameworks, a volume driven toll booth business that was also being mischaracterized by the market. You likely noticed shares of Secure in your accounts since last year, when we first started buying our position, so this section was meant to be less of an introduction to the investment and more of a detailed public explanation of why we own it.

However, as I was finalizing this letter, with a much longer and more detailed discussion of Secure and its business model, the company [announced an agreement to be acquired](#) by GFL Environmental (GFL) for total consideration of \$6.4 billion. That development obviously changes the immediate valuation and likely our exposure going forward. Rather than include a longer stand-alone writeup that is now less timely in this format, I think it makes more sense to briefly explain

what Secure represented in the portfolio, why I was drawn to the opportunity, and how I am thinking about the proposed transaction. For those interested in the more detailed research and original underwriting behind the investment, please feel free to reach out.

As mentioned, Secure is a waste management and energy infrastructure business that processes, recycles and disposes of waste, wastewater and byproduct from oil and gas drilling in Western Canada. Secure owns a valuable network of waste and energy infrastructure assets through which volumes of produced water, solid waste, and other byproducts must flow. What makes their infrastructure so attractive is that the volumes are sticky, regulated, and largely non-discretionary, while disposal is expensive and often impractical for customers to handle or transport elsewhere. Just as importantly, the network would be extremely difficult to replicate, requiring substantial capital, years of permitting, and long-standing customer relationships. Those characteristics give Secure much more pricing power, resilience, and reduced cyclicity than the market has historically appreciated.

At the time of our initial investment, Secure was being viewed as, and valued like a cyclical energy services business beholden to the price of oil. That view would accurately describe Secure's past, but since 2014, the company has executed a remarkable transformation, shifting its revenue mix from more cyclical oil and gas services tied to new drilling and completion activity, to largely waste management revenues tied to ongoing production activity. The effects of this shift can't be overstated, as one aspect of the industry is incredibly cyclical, while the other is not. Today, Secure more closely resembles a municipal waste business than anything energy related, as 80% of revenues and cash flows are recurring waste management cash flows, compared to 40% a decade ago, providing a long runway for organic growth, reinvestment and price increases.

Management has proven to be excellent operators and capital allocators, successfully transitioning the business from cyclical energy services to waste management focused, and aggressively repurchasing undervalued stock. Since initiating their buyback program in late 2022, the company has reduced total shares outstanding by 25%. It's no surprise that since 2020, Secure shares have compounded at 49% per year, versus 16% for the S&P 500 / TSX Composite.

At today's price of roughly CAD \$22/share, Secure trades at approximately 10.8x 2026E EBITDA, while waste management peers typically trade at mid-teens multiples. Using conservative assumptions that don't rely heavily on multiple expansion, shares offered an additional 50-60% upside during the next few years. Under a scenario where the company continued repurchasing 8-10% of shares outstanding annually and the market began to recognize Secure for what it actually is, a recurring waste business rather than a cyclical energy services provider, the upside would be considerably larger.

The proposed GFL / Secure acquisition obviously changes the outcome here, and I'm still working through the precise valuation and portfolio implications. At a minimum, the transaction represents external validation of the quality and strategic value of the asset. At first pass, however, the deal still appears to materially undervalue the stand-alone Secure business and represents a very disappointing result relative to a long runway for growth and reinvestment. Shareholders have the option to receive CAD \$24.75 in cash (about a 15% premium to Secure's current share price), or various combinations of cash and shares of GFL. I studied GFL during the due diligence for Secure and found it to be a good business run by a quality operator, but not as attractively valued as Secure. The pro forma business will be larger and more diverse, but whether we continue to own

the position in its current form, in GFL, or not at all will depend on valuation and the attractiveness of the opportunity set at that time.

Based on our roughly CAD \$15.5/share cost basis, the deal consideration implies a gross return of approximately 50–60% in just eight months, depending on the final mix of cash and equity received. While I believe the transaction cuts short what could have been a much longer compounding runway, it nonetheless represents a strong result and a timely validation of the thesis.

Recent Developments

During the quarter, I [penned some thoughts](#) on investing, systems based thinking and how I evaluate businesses, based on some insights from my time in sports, along with over a decade in public markets. I hope to add to these thoughts over time.

In January, I was invited on [The Business Brew Podcast](#) with Bill Brewster, where we talk my background, Greystone's investment process and dive into some of our portfolio companies. Bill is a great host and I enjoyed our conversation.

This is an interesting time in both markets and history through which I am excited to be learning and investing. I will reiterate that now is an excellent time to allocate, and if you know of anyone who might enjoy reading these letters, feel free to forward. Referrals are always welcome. Thank you as always for the opportunity to manage your hard-earned savings. I am incredibly appreciative.

Please feel free to reach out anytime. Thank you for reading.

Adam Wilk
Greystone Capital Management
www.greystonevalue.com
Email. adam@greystonevalue.com
Direct. 302.593.4483

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