



# PINCHOT LANE PARTNERS

New Investor Presentation

January 2021

# NOTICE

The information contained in this presentation is proprietary and strictly confidential, has been prepared solely for informational purposes, and is not an offer to sell or a solicitation of an offer to buy interests in Pinchot Lane Partners LP (the “Fund”). No such offer or solicitation in the Fund will be made prior to the delivery of the Fund’s confidential private placement memorandum, limited partnership agreement, subscription documents and other associated documentation (collectively, “Offering Documents”). Before making an investment decision with respect to the Fund, potential investors are advised to read carefully the Offering Documents, and to consult with their tax, legal and financial advisors. These materials do not purport to be complete and are qualified in their entirety by reference to the more detailed discussions contained in the Offering Documents.

# FUND OVERVIEW

- Pinchot Lane Partners is a value-focused investment partnership seeking to invest in publicly-traded securities across major global stock exchanges (e.g. New York, Toronto, London, Hong Kong, Euronext, etc.)
- Seeks long-term capital appreciation by investing in a concentrated portfolio of securities, predominantly equities
- Long-biased with low portfolio turnover (not a traditional “hedge fund”)
- Employs time-tested, value-driven investment approaches rooted in deep, fundamental research methods developed over a decade of professional investing
- Constant focus on achieving superior risk-adjusted returns, over the long-term
- Individual name concentration of up to 40% at cost, typically 5-15 names in portfolio
- Run by a sole managing member with the assistance of professional, capable external service providers
- No use of portfolio leverage (margin) as a core operating principle

# MANAGING PARTNER

Andrew “Drew” Peng is the founder and sole managing principal of Pinchot Lane Partners. Over the last two decades, Drew has developed a deeply analytical, fundamental investment approach influenced by the breadth of his career, which has spanned multiple industries and roles. Drew started at McKinsey & Company in 2000 as a business analyst developing corporate strategy in sectors ranging from telecommunications, agriculture, to retail/consumer. He worked as a marketing senior associate at Del Monte Foods beginning in 2002, where he supported general management in the most profitable segment of the company and led the introduction of several new products. In 2004, Drew joined the technology buyouts investments team at the Carlyle Group (Nasdaq: CG), where he evaluated investment opportunities, completing the take-private of a \$1 billion financial technology provider that has subsequently returned to the public markets. From 2006-10, Drew worked for Permira Advisers in New York and the Bay Area, completing several large capitalization technology buyouts and assisting in the development of the firm’s west coast technology practice. Following 2010, Drew pursued intensive language training in China, after which he returned to the U.S. and began actively managing his personal assets, largely concentrated in the public markets. He is a student of the value investing philosophy, led by the teachings of acclaimed value investors such as Benjamin Graham, Warren Buffett, Charlie Munger, Seth Klarman, Howard Marks, and Mohnish Pabrai. Drew is an avid reader and traveler, and enjoys recreational sports and exercise. Drew was also a founding board member of the Durham Co-op Market, a growing grocery co-operative based in Durham, NC.

Drew graduated *magna cum laude* and *Tau Beta Pi* from Northwestern University in 2000, where he received a B.S. in Materials Science and Engineering and a minor in Economics. He grew up in Woodridge, IL and Chapel Hill, NC and currently resides in Carrboro, NC.

# HISTORICAL INVESTMENT RESULTS

Year	Performance Benchmark		Pinchot Lane Partners Performance		(B)-(A) = Relative Performance
	S&P 500	(A) S&P 500 Total Return	PLP Strategy Performance (Gross)	(B) Net of Mgmt Fee + Incentive Allocation	
2012	13.4%	16.0%	23.3%	18.4%	2.4%
2013	29.6%	32.4%	43.2%	33.3%	0.9%
2014	11.4%	13.7%	8.4%	7.2%	(6.4%)
2015	(0.7%)	1.4%	2.2%	1.5%	0.1%
2016	9.5%	12.0%	34.4%	28.0%	16.0%
2017	19.4%	21.8%	20.9%	16.6%	(5.2%)
2018	(6.2%)	(4.4%)	(1.6%)	(2.3%)	2.0%
2019	28.9%	31.5%	31.1%	26.5%	(4.9%)
<b>2020</b>	<b>16.3%</b>	<b>18.4%</b>	<b>128.3%</b>	<b>97.2%</b>	<b>78.8%</b>
<b>Cumulative</b>					
2012-20	198.7%	259.4%	836.8%	524.6%	265.2%
<b>Annualized</b>					
2012-20	12.9%	15.3%	28.2%	22.6%	7.3%
<b>Value of \$100,000 invested at inception</b>					
2012-20	\$298,677	\$359,417	\$936,765	\$624,574	\$265,157

Note: Historical record shown includes Managing Partner’s personal portfolio investment performance for periods prior to fund inception in January 2018; Investment results are unaudited; Returns shown are pre-tax to partners; Management Fees and Incentive Allocation as per “Fund Fees & Expenses” slide.

Disclaimer: Past performance is no guarantee of future results and no representation is made that results similar to those shown can be achieved. An investment in the Fund may lose value. The returns of the S&P 500 index is provided for informational purposes only. The S&P 500 is a broad-based securities index that is considered representative of the U.S. stock market in general. No correlation between the returns of such index and the Fund is implied.

# WHY PINCHOT LANE PARTNERS?

## For Companies

- Patient, engaged capital aligned with long-term, strategic approach to growing businesses and stakeholder value
- Shareholder who offers constructive, open-minded dialog and feedback based on independent thinking and analysis
- Source of research and industry knowledge based on a specialist's approach to deeply understanding economic trends and industry competitive dynamics
- Willingness to “go to bat” when helpful to support a portfolio company's long-term mission
- Focus on sustainability and broader consideration of all stakeholders beyond solely equity shareholders

## For Investors

- Committed, fully-aligned investor approach to creating long-term wealth
- Fee structure that seeks to profit only on actual investment performance above a benchmark rate
- Philosophy of not taking unnecessary risks, or pursuing trading activity for its own sake
- Principal's relevant industry experience in corporate strategy, operations/general management, and private equity
- Owners' mentality – antithesis of a day-trading approach in favor of owning shares of assets for the long term

# INVESTMENT STRATEGY

## Long-term compounders

- Under-valued to reasonably-priced high quality assets with potential for long-term attractively compounding growth

## Turnarounds / Transformations

- Companies in the midst of a transformational strategy to enhance growth and returns on invested capital

## Workouts

- Situations with clear catalysts for value realization via corporate actions
- Includes merger arbitrage situations, break-ups, liquidations

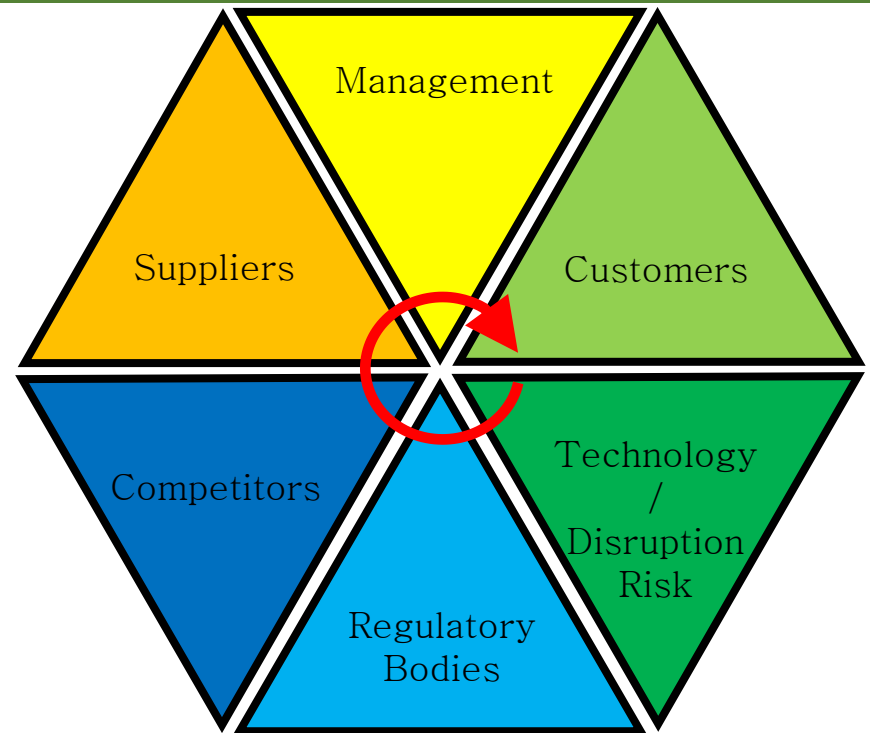
## Clear value dislocations

- Bargain securities
- “Fifty cent dollars”
- Typically small and under-covered by analyst community
- Extremely rare

Margin of Safety, Opportunistic entry points

# DEEP, FUNDAMENTAL RESEARCH

- Employ 360-degree approach
- Embrace “second-level thinking”
- Consider comprehensive competitive landscape
- Prioritize long-term expected performance without sacrificing short-term situational awareness
- Evaluate multiple scenarios, construct detailed economic models
- Where appropriate, conduct focused conversations with management teams
- Use tailored “checklists” prior to and during investment
- Marry bottoms-up analysis with top-down themes and insights



Competitive advantage lies not in accessing proprietary data, but in leveraging publicly available information differently



# INVESTMENT PROCESS

- Identifying top-down themes catalyzes a deeper dive into a particular industry vertical
- Identification of individual names, begin reading public filings and IR materials
- Add selected names to “Focus Lists” for further research and monitoring
- Find related companies or analogs from other industries
- Meticulously decompose and analyze underlying unit economics
- Understand pricing drivers and nature of revenues
- Assess quality of business, management (including performance incentives)
- Assess health and quality of industry structure (competitors, technology, potential disrupters)
- Build economic model of business with conservative assumptions about future prospects
- Establish target valuation looking out 2-3 years
- Evaluate margin of safety on a reasonable set of assumptions

# INVESTMENT EDGE

- Patient, disciplined approach that leverages intensive primary research, including site visits, discussions with industry players, management, experts, and customers
- Deep desire to understand how competitive markets work based on unique company strategies and underlying economics; no static view of industries and companies
- Simple investment theses; primary drivers of value creation must be able to be spelled out on the “back of an envelope” using simple math
- Objective is to understand the target company and its markets better than any sellside research analyst and develop an understanding of the target’s strategies from the perspective of a CEO
- Search the investment landscape for under-covered markets and companies, ranging from small to large-cap assets
- “Time arbitrage” – willingness to invest in stories that take years to play out, subject to the appropriate risk/return picture
- Behavioral Psychology – Analysis of the factors driving market pricing and trading dynamics; constantly looking for a credible “variant perception” or misunderstanding about a company and its long-term prospects

# INVESTMENT PHILOSOPHY

- Opportunistic approach – no predetermined or fixed weighting for the kinds of investments that go into the portfolio (sector, asset class, geo, etc.)
- The fund needs to be in a position to react to what the markets offer, *opportunistically*, within the fund's circle of competence
- For long-term compounders, intense focus on long-term sustainability:
  - Hard-to-replicate intellectual property
  - Lowest cost position
  - Entrenched brand/reputation
  - Market share gainer
  - Barriers to entry
  - Rational industry structure and conduct
  - Benign regulatory outlook
  - Consideration for welfare of all stakeholders
  - Prudent, competent management that plans and acts for the long-term
- For all investments, adhere to the downside protection mantra, “heads I win, tails I don't lose much” (as per Mohnish Pabrai, concept of asymmetric payoffs)

# DEFINING “LONG-TERM”

- Five years or more, preferably through a full economic cycle
- Willing to trade short-term volatility for long-term outperformance
- A long-term focus does not mean making an investment and walking away for five years; investment strategy is predicated on constantly checking and re-checking thesis and valuation for the duration of the investment to determine if original hypotheses continue to hold, and if further capital should be invested

# RELATIVE PERFORMANCE

- Fund's performance benchmark is the S&P 500 index
  - Importantly, this benchmark is selected because it is considered the next best alternative for limited partners in the fund
  - The fund does not, however, have any mandate to exclusively invest in domestic, large-cap equities, or even be fully invested at any given time
- Investment objective is not to beat broad market indexes each year but to achieve long-term (5+ years) compounded outperformance
  - Fund is likely to underperform index over periods of intense market exuberance
  - The fund will have negative performance years given long bias, particularly in bear markets

# RISK MANAGEMENT

- 1) Appropriately defining risk as a long-term investor
  - Risk of permanent loss of capital
  - Risk of insufficient return
- 2) Knowing what you own
  - Sources and nature of demand
  - Pricing power
  - Industry competitive dynamics
  - Relative cost of production/supply
  - Threat of disruption
  - Capital structure, financial leverage, funding needs
  - Regulatory risks
- 3) Understanding effects of cyclicality on underlying business
  - Secular vs. cyclical demand
- 4) Knowing what could go wrong / Knowing what you don't know
  - Anticipating, in advance, all the ways that an investment could go wrong
- 5) Assembling a portfolio that is durable against market dislocation
  - Industry diversification, position sizing relative to risk-adjusted return

# FUND FEES & EXPENSES

- Pinchot Lane Partners will run with a lean expense and overhead structure
- Management fee: Fund expenses to be passed through at-cost and include:
  - Minor research expenses
  - Limited legal work (annual regulatory filings)
  - Accounting, tax statement preparation
  - Printing and other miscellaneous clerical expenses
  - Limited to a maximum of 0.50% of investor capital, paid at the beginning of each quarter
  - Any fund fees and expenses in excess of 0.50% absorbed by Managing Partner
  - If fund grows in size, annual expenses could very well be less than 0.50%
- Incentive Allocation: Managing Partner to receive 25% of gains above 6% hurdle rate (APY), measured and allocated at the end of each fiscal year
  - Fund performance below hurdle rate accrues to following year hurdle rate
  - Cumulative hurdle + high water mark

# SERVICE PARTNERS

- Fund administration: The Nottingham Company
- Brokerage/Trading Platform: Interactive Brokers
- Accounting & Tax: Akram & Associates PLLC
- Depository Institution: Wells Fargo
- Legal: Purrington, Moody, Weil LLC



# INVESTMENT PARAMETERS

- Minimum initial investment \$150,000
- Investors have opportunity to add capital on January 1<sup>st</sup> and July 1<sup>st</sup> (semi-annually) and at General Partner's discretion
- SEC-accredited investors only
- Redemptions (except for initial funds intake period) on December 31<sup>st</sup>
- 60-day advance notice for redemptions
- Reporting: Quarterly account balance statements, annual & semi-annual letters, annual tax statement (K-1) issued during first calendar quarter of year
- General Partner/Investment Manager: Pinchot Lane Investment Management LLC
- Limited Partner: Pinchot Lane Partners LP

# CONTACT

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