
Grey Opal Capital Management L.P.
77 W Wacker Dr, 4500. Chicago IL 60601

First Annual Letter to Limited Partners

Comments on Our Investment Strategy

When we started, we were small, now we are finally finding our footing. Our strategy involves Stocks, Options, Real Estate and Cash. When we believe one segment is undervalued, we will be heavily weighted there (ie. Right now, with real estate) Once those sentiments shift we can expect to cash out real estate and deploy cash back into stocks or hold onto it. The fund is a beautiful structure because it allows for this flexibility.

The General Stock Market Picture in 2021

In the first quarterly letter to y'all I spoke about the lack of confidence I have in brokerage account portfolios being competitive. I think it's time to explain more....

When you are constrained into a single strategy (though you can buy many stocks, it's all in the sphere of a brokerage account) you are at the mercy of not just the market, but yourself. You will find that the returns aren't enough, you start staring at cash that's "not working for you" and get anxious to invest it- just to see others outperforming you in this rat race....

I let those mental market games drive me crazy for years, and now I don't invest in a brokerage account anymore... aside from what I need to live on, all my money is in this partnership. This partnership is different than your average brokerage account, we can truly diversify and hedge against many risks. The most special part about this partnership is the long-term nature of its performance, we mark our books every month...not daily. There is no FOMO for us and no competition because we are not staring at an account balance every day.

I'd like to reiterate that while we have had above expected performance...I do not expect it to continue. In fact, I'm sure there are years we will underperform the market. My current view is that the market is overvalued, which means that we are under exposed in stocks. This will potentially lead us to underperform the market when its constantly going up- but hopefully will save us if it decided to go the other way for a while. Nevertheless, I do not let dogmatic views dictate how we invest, I take multiple factors into account, and we are making the best decisions on a monthly/yearly basis.

Our activities in 2021

The year started out very interesting for us. Intel - one of our early longs went thru the roof and cashing that out opened many doors for us.... the best door being that to Lake Travis. With other successful stock bets, we were able to breathe and do what's in the best interest for this partnership over the next 10 years (I hope y'all stay for the ride)

Lake Travis.... A lake just northwest of Austin Tx: A city that would eventually see millions flock to its city and multiple companies relocating too.

We took homage in Lago Vista and neighboring Jonestown Tx. 2 cities that are up and coming in my view and will be the future lake capital of Austin. While there is a lot of space in/around

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Austin there is only 1 lake Travis. Eventually as people fill up rural towns, they will flock to the lake to get away from the “noise”

We purchased: 4 pieces of property in Lago Vista, totaling 1 acre, and 1 piece of property in Jonestown at .5 acres. The Lago Vista lots are enough for 3-4 residential home builds (2 of the lots are connected) , and the Jonestown property is enough for 1 commercial build (initial concept for this will be attached).

During our love affair with Lake Travis an opportunity came up in Chicago that we could not pass up. A condo/hotel unit at Trump International Hotel and Tower. We acquired unit 2108 at more than a 75% discount to its sales price in 2007... I will attach a statement outlining how we make money on this unit. We paid for it in all cash, but it's a hotel room- so we make revenue from it being used (rented out) and we pay expenses for hotel management fees.

All these purchases were after an intense due diligence process and even tougher negotiations. We turn down 10-20 ideas for every 1 that we ultimately invest in.

So, we have 6 properties as of now and enough cash/intrinsic value to develop them over the coming years. I'm also exploring a partnership with seasoned developers to take some risk off our plate for the first couple projects. All options will be considered, and I look forward to the outcome in 2022.

Stocks and other bets

What can I say, I hate stocks right now.....?

As I write this, there have been a handful of stocks that got crushed by 30% in 1 day recently.... MRNA, PENN, PTON, ZG, SNAP just to name a few (there are many more)

I still believe personal money should be in index funds or crowdfunded venture deals. What people don't understand about index funds is that they are meant to take stress off your mind. Make investing easier- and I hope that watching other people make more money than you isn't something that angers you.... we all must eat. I am always focused only on what's in front of me, what I can control, and how I can help others. The rest I just don't have time for.

With that said, I think the entire stock market is overvalued right now. Including index funds. I am taking a very much risk off approach and holding a sizeable cash position for us. I do believe once this euphoria of buying settles in, we will get a drop back to reality.

Good news: our top inflation hedge (land+ real estate) will sustain us in the meantime. I look forward to the back half of this market rollercoaster.

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General Fund Commentary

Given the flow of deals this year we have moved heavily into real estate. The opportunity is tremendous. That is why I have decided we will not be raising new money into the fund. Existing investors will be allowed to add but that's it. We will be playing out these land development deals and building our track record.

Valuing the fund at a discount would be unfair to new investors and to y'all. It would create unnecessary headache for us to please everyone. So, with that in mind, we are going to just do our work and enjoy the life we have.

Our first audit from Spicer Jeffries is this year, they will also be doing our taxes and sending the partnership K-1 Documents to y'all like last year. I will have more information on this when appropriate.

I have also decided our yearly charitable contribution: We will be buying 1000 pairs of socks for local homeless shelters this winter. This year our efforts will be specific to Chicago. I encourage all of you to also look inward this holiday season- pay it forward.

Finally, I owe a big thanks to y'all. This is our 1-year anniversary, couldn't have started without you. I hope you are satisfied with the investment returns this year and years to come :)

Best,

Dhruv Dhawan

Dhruv Dhawan
Founder/CIO