



5-Year Letter: The Power of Stagnation and Long-Term Protection

Dear LPs,

This November marks a significant milestone: five years since we launched Grey Opal Capital Management LP. Our firm began with a singular, unwavering mission: to achieve investment returns uniquely and appropriately, guided by a 50-year investment time horizon.

Our journey to date is a testament to the fact that to get rich slowly is a radical act in today's financial world. We are not focused on winning quarters or even years, but on the decades—and that means our primary goal is to protect drawdowns above all else. We are profoundly satisfied with periods of stagnation in total returns because it confirms that our discipline is working, and we are preparing for the next inevitable storm.

A Tribute to Our Inspiration: Warren Buffett and BRK.B

Our investment philosophy is directly inspired by the greatest long-term compounder of all time, Warren Buffett. He has proven that endurance and consistency are the ultimate alpha. His success was not about radical changes, but an unwavering dedication to his core principles, compounding his wealth over decades.

We believe so strongly in this philosophy that Berkshire Hathaway (BRK.B) is now our #1 holding in our public equity portfolio. It is not just a stock position; it is a physical commitment to the very values that underpin our fund: debt-free strength, capital allocation excellence, and a focus on compounding power.

As the Oracle of Omaha once demonstrated with Berkshire's own performance—enduring a nearly 50% loss in 1974 while holding true to his principles—the greatest risk is not temporary underperformance, but permanent capital loss. Our focus is on avoiding that permanent loss, ensuring that when the "perfect pitch" arrives, we have the cash and the composure to swing big.

Deep Dive: Our Process and Holdings

I. The Grey Opal Process

Our process is defined by caution and preparation, which we believe is the "path less traveled" in a speculative world:

- **Risk Aversion & Liquidity:** We embrace a debt-free approach. All of our private investments have been 100% down, and our minimum threshold for any acquisition is 30% down. We are committed to holding more cash to be prepared for the kind of market opportunities that only arrive during a crisis.
- **Economic Outlook:** We have consistently maintained a cautious outlook since late 2022. Our initial concerns about high interest rates and stagflation shifted to a more recent view (Feb 2025) of coming deflation due to a lack of demand. Our positioning—cash-heavy and invested in durable assets—is built to survive either scenario.

II. Current Portfolio Breakdown

Asset Class	Holding/Strategy	Investment Thesis Summary
Private Equity (Land)	Land in Travis County (TX)	Our "top savior" and ultimate inflation hedge. It provides a store of value with low tax rates and is insulated from housing leverage risk. The thesis is reinforced by the highly-rated Leander Independent School District (LISD) and confirmed development potential (well system, existing sewer infrastructure).
	Lake Terrace Property	Slated for development once interest rates return in our favor. We will not rush the project or take on unfavorable financing, reminding ourselves that the real estate cycle can take an exceptionally long time (as one contact in Sun Valley, ID, experienced with a project waiting nearly two decades for permits). We will never risk the fate of the whole fund on one investment.
Public Equities	Top 3 Holdings: BRK.B (#1), AMZN (#2), UPS (#3)	BRK.B is an investment in pure capital allocation; AMZN provides exposure to both e-commerce and cloud infrastructure; and UPS offers a high-quality global logistics operation.
	Smaller Positions	BAER, PGR, and QCOM.

Asset Class	Holding/Strategy	Investment Thesis Summary
	Exited Positions	We successfully exited our positions in WM, TFC, IEP, and LUV this year, realizing value and consolidating capital into our highest conviction picks.

The Future of the Fund: A Golden Decade & A Note on Commitment

Our goal remains ambitious and simple: to achieve 10x returns on our capital. However, we will reach this goal on our own terms—through patience, discipline, and waiting for the right value.

Consistent with the philosophy of our greatest inspiration, Warren Buffett, I will continue to keep a majority of my personal net worth invested in Grey Opal Capital Management LP. This is not just alignment; it is a firm, long-term commitment that ensures our incentives are perfectly aligned for decades to come.

Capital Strategy & 2026 Plan

We plan to add more capital to the fund next year. Following our commitment to our current partners, we will adhere to the following capital addition structure:

1. Existing LPs will be given the first preference to add capital to their current commitments.
2. I will then continue to add my own capital to the fund.
3. We will continue to avoid adding new investors to the group as long as we can maintain our desired scale. While the fund may eventually be opened up to new LPs, for now, we will remain focused on our existing partnership.

A Deep Dive into Berkshire Hathaway (BRK.B)

As the largest long-term conviction holding in our public equity portfolio, our investment thesis on Berkshire Hathaway (BRK.B) is worth revisiting, as it continues to strengthen, particularly in light of emerging secular trends.

We are not simply buying a stock; we are acquiring a collection of durable, cash-generating businesses at an attractive valuation, overseen by a management team with an unparalleled capital allocation mindset. The beauty of the Berkshire ecosystem is that it provides a protected path to capitalizing on the most profound transformations in the global economy—a concept best exemplified by its energy utility arm.

AI, Energy, and the Powerhouse of the Future

For the first time in two decades, U.S. electricity demand is surging, and the primary catalyst is the Artificial Intelligence (AI) boom. The energy consumption of new data centers is growing at an unprecedented, exponential rate, straining power grids nationwide. The ability to supply massive, reliable power is now the single greatest constraint on the growth of the AI industry.

This macro shift is where Berkshire Hathaway Energy (BHE), led by Greg Abel, is uniquely positioned to become an absolute powerhouse.

- **Foundational Enabler:** While many investors are betting on volatile AI software companies, Berkshire is taking the protected path: becoming the foundational infrastructure provider. BHE's regulated utility model means that their enormous, necessary investments in the grid—such as the Greenlink Nevada and North Plains Connector projects—become rate-base assets that generate predictable, long-term returns.
- **The Grid is the Bottleneck:** The AI race is now an energy race. Companies building next-generation compute are flocking to utility operators that can guarantee scalable, reliable power. BHE, with its expansive footprint and unparalleled ability to deploy massive, low-cost capital for grid modernization and clean energy generation, is positioning itself as the key enabler for the next wave of American technological expansion.
- **Decades of Infrastructure:** Berkshire is investing today for demand 5, 10, and 20 years out. It is an indirect, durable, and highly intelligent bet on the long-term success of American innovation, all without the speculative risk associated with picking specific technology winners. Berkshire will be a powerhouse.

Expanding Our Activism Mandate

Given the recent volatility and potential financial blow-ups we see on the horizon—a direct result of years of speculation and leverage—we expect unique opportunities to arise in the next 12 to 36 months.

As such, we intend to formally and selectively expand our focus on activist investing to include the potential acquisition of larger stakes or even full private businesses. Our approach will remain disciplined and true to the style that has guided us:

- **Buffett Style:** We will play strictly within our budgets and maintain our commitment to minimal or no debt. We will not engage in leveraged buyouts or financial engineering.
- **Cash Flow Focus:** Any acquisition will be centered around businesses that generate direct, predictable, and robust cash flow back to the fund. Our priority is durability, stability, and the ability to compound capital safely for decades.

This strategy ensures that when the market offers a "perfect pitch," we will have the capital and the mandate to swing for true value, providing an asymmetric upside opportunity for our investors.

A Heartfelt Note of Gratitude and Commitment

As we close out this update, I want to take a moment to express a deep, heartfelt gratitude to all of our Limited Partners.

It has been five years since we launched Grey Opal, and you have truly been the best partners an investment manager could ever ask for. Your trust, patience, and conviction in our disciplined, long-term approach are the foundation of everything we do.

Please know that I will continue to give 100% of my focus, energy, and effort to you, our partners, forever. I fully expect our relationships to blossom well past 50 years. We are building a partnership that is measured not in quarterly returns, but in generations.

Thank you for everything.

Best,

Dhruv Dhawan