GOUDY PARK CAPITAL

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	CY2020 Return
Goudy Park Capital	144.94%
Russell 2000	19.96%
MSCI World Small Cap	16.47%
S&P 500	18.40%

Dear Limited Partners,

Goudy Park returned 31.68% in Q4. The quarter's biggest contributors included our positions in GreenBox Pos, Intrusion, Aspira Women's Health, Ammo Inc and Avid Bioservices. The biggest adjustments we made to the portfolio in Q4 were to reduce our holdings in e-commerce related companies and increase our holdings in sectors that were hardest hit during COVID, which included industrials, restaurant technology, travel and medical technology companies. During the quarter we sold out of our position in Leaf Group and reduced our holding in CarParts.com by approximately 40% and initiated or added to positions in Avita Therapeutics, StrataSkin, GreenBox Pos, Dragontail Systems, Orbital Energy Group, and Vapotherm. While we continue to overweight technology and in particular e-commerce given the attractive long runway for growth in our portfolio companies, the returns we generated from these investments in 2020 were extraordinary and cannot be sustained given the substantial multiple expansion. As a result, reducing the weighting in our portfolio is appropriate given that we see larger gains to be had in high quality companies that suffered disproportionately from the COVID19 pandemic.

Goudy Park had an exceptional year in 2020. The fund returned 178% Gross and 145% Net surpassing the return of our benchmark by over 7 times on an after fee basis. More impressively, the fund captured 225% of the S&P 500's upside return and captured only 20% of the S&P's downside return. What this means is that when the S&P went up, our fund went up more than twice as much, and when the S&P declined, our fund went down 1/5 as much. Furthermore, the fund's max drawdown was 14% in March versus the S&P of 19.9% and the Russell 2000 of 30%. The fact we achieved this with a long-biased strategy in small cap equities that tend to be more volatile than large caps is what makes these results that much more impressive. The fund's Sharpe ratio was 4.4 versus the S&P and Russell 2000 of .52 and .48 respectively. This is another quantitative measurement that demonstrates that the fund generated 9x better risk adjusted returns than the benchmark. When analyzing our 2020 portfolio, we had both a high slugging percentage and a high batting average across the portfolio with our largest positions, Temple and Webster, CarParts.com, GAN and Aspira Women's Health generating the greatest attribution. We had 12 positions generate over 100% returns in 2020. The only position greater than 1% of the portfolio that generated a loss was Galaxy Gaming, which is now trading over 20% above our cost basis. Lastly, we made money on our short portfolio, which was perhaps the greatest achievement of 2020. We did not short actively in 2020 other than in February through May and it was a small percentage of our portfolio. However, the fact that we reduced our portfolio risk and defended our capital well during the height of the pandemic by using opportunistic shorts and cash proved to be wise tactical decision. We had the awareness to drastically reduce our short positions in the 2H of the year, once the Fed became extremely accommodative.

One critical aspect of our success is the team we have assembled at Goudy Park. Maya, Ebin and I have now been working together for almost 2 years and I am incredibly blessed to have two colleagues who operate with the utmost integrity and discretion and who are as hardworking and smart as I could have ever asked for. Ebin attended Andover and the University of Chicago and he has taken full advantage of his opportunity at these outstanding institutions. He is curious, willing to challenge conventional thought, eager to learn, and willing and able to articulate his unique insights. His contributions are evident, and I suspect I will be learning more from him as our relationship grows. Maya has done an outstanding job in her role as director of operations. This is a critical role and its function essentially oversees all of the non-investment decisions that go into our day-to-day operations. It is her tireless and meticulous effort that allows Ebin and me to have the time to uncover new ideas, diligence them and assess how they might fit into our portfolio. Sometimes a private placement opportunity will present itself on short notice and without Maya's ability to coordinate and establish trading and banking relationships and get approvals with the compliance teams, our administrator and our prime broker, we would miss out on some very compelling investment opportunities. The two of them also put together the quarterly presentations that accompany our investor letters. As much as I am proud of the returns of the fund, I am most proud of the team we have established, and as we continue to work together, I am confident that we can grow and only get better.

As we look back on 2020, the question we get asked most is what drove our outperformance and more importantly is it sustainable. The single biggest driver of our outperformance is our differentiated process and unique sourcing of ideas. While we do not guarantee high returns year after year, we do believe that our process is consistent and sustainable. Therefore, how we generated our ideas in 2020 was no different than how we have been generating them since we launched our fund and our process remains the same, but hopefully we get better at executing it as time goes by. As we have written about and discussed at length in previous letters, our process is defined by company criteria, sourcing, due diligence, and portfolio construction. It is this collection of inputs and the analysis we deploy that makes us unique and defines our investment process. Instead of getting into the details of individual positions in this letter, I thought it would be helpful to review what makes Goudy Park unique.

We look for a specific set of criteria in the companies in which we invest. We target durable businesses that offer essential services or products with high service retention, ideally with significant operating leverage in large markets. Characteristics often include recurring revenue, subscription models, network effects, razor-razor blade models (disposables) and companies that are leaders in their markets. Industries we tend to focus on are software, e-commerce, medical technology (including diagnostics), telemedicine, manufacturing, disposables, business services and industrials. Durable businesses with stable revenue and low customer churn are more resilient in economic downturns. We look for companies that can sustain high organic growth or for companies that have a strong platform and cash flow that can grow through M&A. We look for management teams that have prior experience and boards of directors that have significant independent representation. We also want to invest in companies where the management has invested their own capital in the business. We do not like company structures with low insider ownership and heavy stock option grants.

We find our ideas through powerful sourcing. We have a proprietary database of all the companies we have invested in and evaluated over the last 5 years. This is supplemented by the stock screens we run using various databases to surface more companies in our investable universe. Our universe is $30m-$5B market cap companies. However, our primary focus has been in the sub $300m market cap range given the greater pricing inefficiency, although we do have investments in four companies currently with over $1B market caps. Whether we are screening or using our network of relationships to uncover new ideas, it starts with a good business model, strong operators with integrity and a compelling valuation with catalysts to unlock value. Some of the most fertile areas for finding ideas has been looking for undiscovered stocks that trade over the counter, stocks that don't have research coverage, undiscovered stocks that trade in foreign markets, spinoffs, broken IPO's and other turnarounds or special situations.

In 2020, we made investments in 7 companies that were uplisted to the Nasdaq or NYSE during the year. On average, these companies saw their stocks more than double in the following 6 months after they uplisted. Why do we focus on these types of investments? The answer is that many of these companies are not efficiently priced as they have not been discovered by the market, and therefore are predisposed to being undervalued. Secondly, we also get tremendous access to these management teams and boards of directors as we are often one of the first institutional funds that invest in their companies. One of the keys to our business is knowing what is meaningful and what is not and what are the catalysts for a company to be re-valued higher. Getting uplisted, getting research coverage and getting to break even profitability are certainly some of the meaningful catalysts that we focus on and try to get in front of, when investing. Lastly, instead of competing against funds with huge research capabilities such as Citadel or Elliot Management, we are largely competing against retail day traders who are not doing deep research. Most investors are not familiar with the opportunities we focus on and instead choose to overpay and accept lower returns for the certainty that comes with owning efficiently priced large cap stocks. This is only reinforced by institutions that would rather generate lower returns and not risk higher volatility. These large funds need large, liquid companies to be able to put their billions of dollars to work. However, certainty and instantaneous liquidity come at the price of lower returns. We would prefer to bet on our own process and due diligence and invest in companies that are being priced inefficiently that provide far greater upside than investing in companies that the market values at a huge premium and which offer a much lower return.

Due Diligence is the process by which we evaluate potential investments. Once we have identified an investment that we find of interest, we will run a valuation analysis based on the prior three year's of revenue, EBITDA and Free Cash Flow. We will then review the balance sheet and cash needs of the business. Our next step will be to evaluate the company's valuation relative to its peer group. If this process suggests there is material upside, we will then set up a call with the management team to introduce ourselves and have a preliminary discussion to learn more about the business and get our initial questions answered. After getting our initial questions answered we will then go about building a model on the company based on worst case, base case and upside case assumptions. Following that, we will compare our analysis to Wall Street estimates and see if there is a significant disparity. We want to find situations where the Wall Street assumptions are significantly different than the projected results for the company. Once we have a working model, we will set up a second call or meeting with management to ask more detailed questions and better understand the difference between the Street's model and the upside scenario in our model. We want to understand if the probability is extremely high that the company in question can outperform the sell side numbers and achieve our best case scenario. After this meeting, we will then focus on doing sales and product due diligence. This includes visiting stores, talking to customers and suppliers, former employees, board members, doctors, patients, etc. We make an effort to really get to know the people running the company and what customers think about their products. This information also gives us more credibility with management when we have further meetings because it shows we are committed and thorough, long term investors. If after doing our due diligence we are comfortable with the investment thesis, believe we can make a 100% return within 3 years and keep our downside to 20% (permanent loss of capital) and the valuation is compelling, we will look to initiate a position.

Portfolio construction is the process by which we determine how to size the positions in our portfolio. Our goal is to have the most capital allocated to our best ideas. One of the reasons why 2020 was such a good year for our fund was that not only did we do a good job of picking stocks that performed well, we also put the most money into the stocks that performed the best and did not have any large positions that had significant losses. Our objective is to have 50-75 percent of our capital in our 10 highest conviction ideas and then have another 10-20 stocks that we spread across the rest of our portfolio. Some of the smaller positions become bigger over time as we get higher conviction or there are buying opportunities, and some always stay small for liquidity reasons or we just couldn't buy enough before they rose in value. Every day we update our models so we can review and determine what the upside and downside return is for each stock in our portfolio. Each position has to justify where it is ranked in our portfolio on a daily basis to determine if it is correctly valued, relative to its risk-reward compared with other names in the portfolio.

Goudy Park's assets under management have now grown to over $70mm and I am the largest investor in the fund. My investment constitutes a majority of my net worth. Our singular focus is on finding outstanding investments and generating absolute returns. We have proven our process works and we will not change it to accommodate investors. We will not bend our process and principles in order to gather more assets. I know each of you personally and each of you know why you have invested in Goudy Park Capital. You recognize the uniqueness of our opportunity set and you realize that in order to maximize our gains, we need to stay true to our process. This requires investing for the long term and embracing volatility as your friend as opposed to your enemy. This strategy would not be successful if I had short term oriented, low volatility, high liquidity focused institutional investors, who wanted us to invest for monthly returns. I am grateful to have an investor base that allows us to do what we do best and exploit the market inefficiencies that are available in our strategy. It is your patience and your committed capital that allows us to deliver the performance we have been able to achieve. Our success comes from a carefully built process and infrastructure, of which all of you play a part.

Thank you again for giving me the opportunity to pursue my passion and to do it to the best of my capabilities with my capital invested alongside yours. Here's to making 2021 another productive year for all of us.

Best Regards,

James W DeFrancy Jr

Jamie