

Constructive value investing in the small-cap space

Northern Right Capital Management, LP is an SEC-registered investment manager focused on constructive value investing in the small-cap space. Founded in 2010, the firm has a track record of creating long-term value for its partners by managing a concentrated portfolio of investments selected through a rigorous, bottoms-up and fundamentally-oriented research process. Northern Right is based in Darien, Connecticut and is 100% employee-owned.

Strategy

We are value investors focused on the small-cap space, who seek to unlock value through active engagement with management teams and boards. We seek opportunity in quality companies that are trading at levels well below the intrinsic value of the business, where we have significant downside protection in the form of hard assets, cash flow, and other value drivers that are ignored or misunderstood by the market. Beyond valuation discrepancies, we look for companies with stellar balance sheets, durable businesses, favorable competitive positioning, and secular and cyclical tailwinds. Lastly, before we purchase a business, we want to identify a path to value realization. Mispricings can occur for many reasons, some transitory and others more long-lasting. We invest only in situations where the mispricing will correct either as a result of an existing catalyst or through our active engagement with the company.

In our experience, activism is a particularly effective strategy in the small-cap world given the prevalence of less sophisticated management teams and board members, and the fact that smaller companies are not typically subject to the same degree of external scrutiny from investors, sell-side analysts, the media, and other stakeholders, as

Approach

Security selection is at the heart of everything we do at Northern Right. Each company we invest in must first undergo an extensive due diligence process whereby we seek to understand the quality and durability of the business, its economic model, investment opportunities, and ability to weather the gyrations of the business cycle. We also work to understand the broader industry in which the business operates – the competitive landscape, secular and cyclical trends, regulatory issues, and other factors liable to affect the profitability or riskiness of the industry as a whole. We perform deep-dive, investigative primary research to uncover insights into these and other issues and fully vet the key tenants of our investment thesis. And underpinning all of our work is thoughtful and rigorous financial and valuation analysis intended to conservatively evaluate each business and stress-test our assumptions.

The nature of our strategy demands we take concentrated positions in companies that we are willing to hold in the portfolio for considerable periods of time. Occasionally our thesis might play out in short order, either as a result of an existing catalyst or swift action at the board level, but with each investment we make, we buy with an understanding that our approach is most effective over a multi-year horizon, during which we look to more than double our investment. Given this framework, we invest only in our highest conviction ideas.

Team

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