

GreenHills Ventures – Interview with Lois Peltz, Founder and President of Peltz International Inc.



Q&A Series with Peltz International Inc.

Lois Peltz: Emanuel, tell me about GreenHills Ventures

Emanuel Martinez: GreenHills Ventures was established in 2001 as a private investment holding company and is General Partner for GH Fund I and GH Fund II, an early stage investment fund, and GH Wealth Management Holding, a wealth management firm focused on alternative investments for its ultra-high net worth individuals and multi-family offices. GH Fund II seeks to invest \$ 1.0 - \$ 5.0 million range in early stage companies and GH Wealth Management Holdings seeks to invest \$ 5.0 - \$ 25.0 million range in mid to late stage companies. We formed GreenHills Ventures when we experienced multiple liquidity events resulting in an accumulation of excess cash which did not yield attractive returns. Our motivating reason was to continue doing what we had successfully done prior to forming the firm but formalizing our process by utilizing best practices, fundamental investment strategies, and seeking to exit through acquisitions. We combined our capital commitments to manage the cost and risk as well as attract other family offices seeking to utilize our infrastructure and good performance.

Lois Peltz: Tell me about your role

Emanuel Martinez: My role is general managing director. I manage our limited partners, investments, capital commitments made by our private clients (mostly single and multi-family offices) and our own capital commitments from multi-family entities in Europe, Asia, and Latin America. The firm has 9-10 professionals mostly on the legal team and due diligence team. The firm outsources certain critical activities related to intellectual property review, third party independent valuation, independent accounting, etc. while keeping the investment decision with the managing partners.

Lois Peltz: What is the philosophy on investing?

Emanuel Martinez: Our investment mandate is central to our investment thesis which utilizes our Earned Value Milestone-based investment approach. As a lead or co-lead investor, we aim to build strong financial discipline and operational execution to achieve sound business fundamentals through Earned Value Milestone investments to quantify enhanced valuations. Our approach focuses on key business drivers, financial performance, and overall fiscal discipline to quantify increased valuation for the companies in our portfolio.

Lois Peltz: How do you work with other families?

Emanuel Martinez: As part of our GH Wealth Management Holdings, we work with over 480 private clients, mostly single family and multi-family offices. By pooling them into an investment round, we are able to increase the total amount invested while managing the risk and structuring the investment with our principal capital alongside their investment. Most of our private clients have been disenfranchised by major venture capital funds due to their high management fees and poor overall performance. Since we have no management fee, it allows us to focus on a higher distribution which aligns our interest with our private clients.

Investment Activities

Lois Peltz: What areas do you invest in? What is your typical asset allocation?

Emanuel Martinez: Our firm makes principal investments from our early stage fund (GH Fund II) in select early stage companies and (GH Wealth Management Holdings) with larger round investments in follow-on investments in early stage and larger round investments in mid stage companies. Our focus across both investment arms is healthcare technology, medical devices, wireless and mobility, cloud computing, SaaS (Software as a Service), data analytics and artificial intelligence, cyber security, Block Chain platform, as well as other opportunities. We review and revise accordingly our asset allocations every year. Depending on our current performance in portfolio companies as well as market and industry changes in our main sectors and industries, we revise our allocations. In general, however, we have approximately 15-20% of our fresh capital investment allocated towards medical devices, another 10-15% in healthcare technology, and the 65%-75% is evenly allocated across our other target markets.

Lois Peltz: What are your thoughts on private equity? Venture capital?

Emanuel Martinez: In general, we believe capital investments in young promising companies is the foundation to the growth and sustainability of a vibrant and healthy economy. The challenge is when we have excess capital that is sprinkled around to demonstrate capital deployment without realizing a quantifiable value creation. For example, there have been more companies with great technologies and vision destroyed because their investors are looking to create unicorns with multi-billion dollar valuations without a road map for a clear path to a liquidity event. The Initial Public Offering strategy has always been an option. However, when you look at the percentage of companies that go public, at most 20% hold their opening prices which seems to suggest that the other 80% fail to reach their price targets.

Lois Peltz: What sectors do you find the most interesting in venture capital and private equity?

Emanuel Martinez: Medical devices, Artificial Intelligence, Machine Intelligence, Block Chain, Fintech.

Lois Peltz: How involved are you with blockchain and/or cryptocurrencies?

Emanuel Martinez: We started making investments in blockchain and see the advantages it has to offer to both the enterprise and the consumer. We are watching closely on how major corporations are adapting blockchain into their product offering by partnering with early stage blockchain companies. These relationships are positive indications there will be increased acquisitions.

Lois Peltz: What strategies do you like on the hedge fund side?

Emanuel Martinez: We hire certain hedge fund advisors to create a short and long term strategy for a portion of our cash positioned for cash reserves and scheduled for capital deployment given our investments in our portfolio companies.

Lois Peltz: Are you involved in socially responsible/impact investing?

Emanuel Martinez: We don't currently have a socially responsible or impact investment focus because we do that at our corporate level.

Lois Peltz: What about direct lending?

Emanuel Martinez: We have major institutional partners and investors that have an appetite for specifically structured lending products. With other firms we partner with, we provide short term asset based credit facilities. These are cost efficiently priced, especially when our firm is an equity investor. Our layer of equity often provides investors with an extra level of security.

Lois Peltz: What is the allocation like geographically?

Emanuel Martinez: Our firm only invests in companies incorporated and domiciled in the United States. Our primary focus is the Northeast and Southeast, however, we look at other companies in other states where recruiting expertise can complement management and development. At the start of 2018, we created a separate firm, Global Hills Group, to look at interesting companies in Europe that could develop their market presence in the United States. We can leverage our corporate relationships to facilitate their commercialization and increased market share in the United States. In a way, we are following the Y Combinator model and accelerate them along with both capital and a clear path to build their business in the United States.

Deal Sourcing and Due Diligence Process

Lois Peltz: How are deals sourced? How important is co-investing?

Emanuel Martinez: We hear about deals from other family offices including some our private clients on the wealth management side as well as investment banking firms. We are starting to see an increase in co-investments made by family offices in order to manage their risk. Our firm is uniquely poised to lead and manage those co-investments by virtue of our multi-tranche investment mandate. We see many co-investment opportunities where other shareholders look to us to lead the next round. We restructure existing notes in a valuable co-investment opportunity for them while eliminating unnecessary liabilities from their balance sheet. This clears the path for our equity investment, leading to increased valuations for the company down the road which usually readies the companies for a larger follow-on investment.

Lois Peltz: How long is the due diligence process?

Emanuel Martinez: We believe due diligence is a mutuality of effort. It takes both parties to commit to our process which usually takes 45-60 days. The firm has invested significantly in developing a cloud-based platform which has been referred to as a “best practice” by Ernst & Young, Price Waterhouse Coopers, and Grant Thornton. Our due diligence room is highly secured and uses a double authentication system which alerts our IT staff whenever a user enters our system. In addition, each of the due diligence folders are topically organized to replicate our due diligence list to facilitate the information and track its level of completion every week, leading up to our investment decision and the closing of our investment.

Lois Peltz: Do you seed managers? If so, what type?

Emanuel Martinez: We invest in people, therefore, by definition we do invest in managers and founders that have good operational track records and have expertise and relationships within the company’s industry. The type of companies vary but most of them have been in technology where it’s not as capital intensive and less regulatory requirements exist such as medical device portfolio companies.

Evolution of Family Offices and Outlook

Lois Peltz: What are major challenges facing family offices?

Emanuel Martinez: We believe family offices will continue to grow assets due to investment management and investment returns. Our major challenge is our investment mandate competing along side a traditional venture capital or private equity firm where an abundance of capital cash infusion is consummated upon closing. The companies are asked to spend unnecessarily in areas that may be premature given the company product development cycle.

Lois Peltz: What is the role of the younger generation in today's family office? What has changed?

Emanuel Martinez: This is a difficult question to answer. The younger generation in today's family offices are into technology while much of the wealth in our family offices were created in old brick-and-mortar companies, consumer driven businesses, real estate, etc which required significant amounts of capital investments.

Lois Peltz: How do you see family offices changing in the next few years?

Emanuel Martinez: I believe the pooling of family office investment strategy, like the one we developed, will continue to grow exponentially in the next few years. Many factors affecting this upward trend include the length of time the next generation takes to acquire interest, experience and mentoring while combining the advent of their technological acumen with the opportunity to find innovative companies that change the way we live now and in the future.

For information regarding this Interview visit <https://peltzinternational.com/qa-with-emanuel-martinez-greenhills-ventures>

About Peltz International Inc.

Lois Peltz, Founder and President of Peltz International Inc., led Infovest21 since January 2000. before founding her new corporation. Prior to Infovest21, Peltz was Managing Editor of MAR Hedge, and, previously at Merrill Lynch for twelve years in various capacities including Vice President and Manager of the Marketing Services/Advisor selection. At Futures Investment Partners, she was responsible for advisor analysis, alternative fund structures, the review of all current funds and marketing support for funds and pools at the Merrill Lynch's managed futures subsidiary. Peltz graduated Phi Beta Kappa from Vassar College, received a Masters in International Affairs from Columbia University and a Masters in Business Administration from New York University. Peltz is a frequent speaker at numerous conferences and writes columns for various publications. Her book, The New Investment Superstars, was published by John Wiley & Sons.

(For information visit <https://peltzinternational.com/>)

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