

July 11, 2025

RE: Letter to Limited Partners, Q2 2025

Dear Partners,

The fund returned 22.16% (net of all fees and expenses) for the second quarter of 2025.¹

	Net Performance			
	2025		Since Inception*	
	Q2	YTD	Total	Annualized
Aventine Capital Partners LP	22.16%	29.40%	21.6%	19.9%
MSCI ACWI ex-USA ²	12.03%	17.90%	17.6%	16.2%
S&P 500 ³	10.94%	6.20%	19.3%	17.8%

**June 2024*

Portfolio Composition				
Top 5	Top 10	Long	Short	Net
56.1%	86.0%	91.1%	0.0%	91.1%

Geographic Exposures			
North America	Europe	APAC	Emerging
14.0%	70.2%	0.0%	6.9%

The following top five holdings accounted for 56% of the portfolio (alphabetical):

Alight: This US-listed benefits management firm provides outsourced administration of healthcare and retirement benefits for mostly enterprise clients. It serves 70% of the Fortune 100 and 50% of the Fortune 500. Revenue is 92% recurring, with over 95% retention. Alight was a division of Aon that was acquired by Blackstone in 2017 before listing in 2021. Operational missteps in 2023 led to elevated client churn that has negatively impacted revenue growth in 2024 and 2025. Reputable activist investors helped refresh the board in early 2024 and an experienced new CEO, Dave Guilmette, was appointed in August 2024. He has upgraded the management team, stabilized churn and divested the lower-margin Payroll and Professional Services divisions for \$1.2bn (10x EBITDA and 24x free cash flow), leaving a focused and higher quality benefits management business. In early 2025 the company introduced a dividend and authorized a \$281m buyback program (>8% of the market cap) that it intends to use opportunistically. Alight currently trades for 8.5x my estimate of midterm free cash flows and less than half the earnings multiple of peers.

Helios Towers: This UK-listed telecommunications infrastructure company is a leading operator of cellular towers across nine markets in Africa and the Middle East. The business acquires, builds and maintains the towers on which mobile network operators (MNOs) install and operate their antenna equipment. African

mobile user penetration and data consumption rates are less than half those of developed markets. Helios stands to benefit as demographic trends and rising data usage drive higher tenancy ratios on its towers. Since listing in 2019, Helios has expanded from five to nine markets and doubled its tower count to 14,400 via a series of acquisitions while maintaining relatively low leverage. Contracts are 70% hard currency with blue-chip global MNO clients and include pass-through clauses for power and cost inflation. This high-margin business (50% EBITDA margins and 10% maintenance capex costs) offers a utility-like service with inflation protection. Helios trades at a material discount to global peers despite having lower leverage, higher growth rates and an inflecting free cash flow profile. The enterprise currently trades at 7.5x next year's EBITDA and 5.5x my estimate of mid-term EBITDA, far below recent industry M&A transactions.

TT Electronics: This UK-listed business is a global designer and manufacturer of electronic components serving Original Equipment Manufacturers (OEMs) across a wide range of end markets. Over 70% of its sales are low-volume, high-spec components and over 50% serve highly regulated industries including healthcare, aerospace and defense. TT has grown over the years via M&A and operates 18 design/manufacturing facilities on three continents, utilizing a highly federated operating model that has led to inefficient operations and below-peer margins. The company is executing an aggressive restructuring program designed to cut costs and streamline operations. Following a September 2024 profit warning, the market has lost confidence in management and in April 2025 the briefly-tenured CEO resigned, with the new CFO taking over on an interim basis. The company has received at least three non-binding acquisition offers from two bidders, the highest of which was an all-cash offer of >140p/share. The board rejected each bid as “fundamentally undervaluing” the business and is committed to the ongoing restructuring program. Shares trade for 6.5x my estimate of 2027 earnings and 5.0x management's target earnings potential.

Vicat: This French-listed materials business operates vertically integrated cement, aggregates and ready-mix concrete plants across twelve markets globally. France is 30% of sales and the U.S. is 20%. It is controlled by a multigenerational founding family who are active in management and own 63% of the equity. Free cash flow has been suppressed for several years due to large growth capex initiatives, most notably in Alabama and Senegal. Both projects completed in 2024 and capex is poised to decline to historically normal levels. As with peers, Vicat suffers from a severe undervaluation of its North American operations, which represent 23% of group EBITDA but if valued in line with U.S. peers is worth 48% of Vicat's enterprise value, leaving the rest of the business trading at 3.3x EV/EBITDA. It is unlikely the family will do anything to address this undervaluation, but options exist. Meanwhile the 6.3% dividend yield (on our cost basis) and low-teen levered FCF yield provide a valuation underpin. Shares trade at large discounts to peers, below replacement cost and for less than 4x my estimate of mid-term EV/EBITDA.

Vistry Group: This British homebuilder utilizes a differentiated model of partnering with public and private sector property managers to develop or redevelop land into residential communities for sale, for rent, and for government-subsidized homes. Unlike traditional homebuilders, Vistry's partnership model delivers a less cyclical earnings stream that requires less upfront spending on land and development, allowing for returns on capital employed that can exceed 40%. During the fourth quarter of 2024 the company issued three profit warnings for matters that I believe are isolated and resolvable. Shares traded down sharply and remain around 1.0x P/NAV, implying that little value is being assigned to future earnings. The UK remains structurally underbuilt, particularly in the types of affordable housing in which Vistry specializes. Shares trade for 4.5x my estimate of mid-term earnings and a low-teen free cash flow yield.

Some comments on our first year (13 months)

The portfolio is one year old. I'll normally limit performance related comments to the year-end letters, but I'd like to make two points now regarding the shape and composition of our returns to date.

The shape of the portfolio's returns has been a good example of the volatility you should expect. We were -6% in our first seven months and +29% in the subsequent six months. Results will never be smooth and I view market volatility as an opportunity, not a risk. I underwrite intrinsic values and buy shares when market prices imply material upside with limited downside. I will never time bottoms perfectly, but over time my estimates of intrinsic value and stock market prices should converge. A central goal of these quarterly letters is to keep you informed of my thinking, in the hope that you can share my long-term conviction towards the portfolio's expected future returns, regardless of current short-term performance.

Critically, the composition of our strong returns during the last six months does not reflect any shift in strategy. Our largest positions are unchanged. I used no leverage or derivative securities to achieve these results. Our average net exposure over the last 13 months was 73% (simple average of month-end figures). These returns were achieved the only way I know how: by owning a concentrated portfolio of objectively inexpensive securities with attributes that suggest future outperformance.

The year-to-date performance has been broad-based and not driven by any single holding. Nine of our thirteen current holdings have seen their share prices appreciate double digits this year. Five have increased over 50%. We did this without owning meme stocks or businesses with high financial leverage. Our companies are cash-generative and, in many cases, optically boring, with undemanding valuations and low market expectations. In other words, I think we've achieved satisfactory returns via a portfolio of investments that are much less risky than market indices. This is the goal, so in that respect I'm pleased with our performance so far—notwithstanding some frustrating mistakes around position sizing and speed.

Our portfolio's active share is 100% versus the S&P 500 and 99.8% versus the MSCI ACWI ex-USA index. Active share measures how different a portfolio is from a benchmark. Our high active share reflects my deliberate approach to owning differentiated businesses without caring about index composition. In a period when the S&P 500 reached all-time highs, driven by a narrow set of mega-cap stocks (the top ten are now 38% of the index), and where the Russell 2000, a broad index of smaller companies, was down 2.5% year-to-date, it's worth noting that our performance has come from elsewhere. This is not a strategy designed to track an index, and our results—good or bad—will often diverge meaningfully from headline benchmarks.

Finally, it's also worth noting that position sizing has, to date, been a detractor to performance. Simplistically, our smallest positions have done best while our largest positions have lagged or declined. TT Electronics, Vistry Group, and Alight are all top 5 positions that have been a drag to performance. Our largest positions are those with the lowest risk of capital impairment, not necessarily those with the greatest upside potential. As a holding gets cheaper, unless I've made an underwriting mistake, it gets less risky, allowing me to increase its weighting. This happened for TT Electronics and Vistry in dramatic fashion and my upsizing of these positions has been a positive that is yet to meaningfully contribute to our overall performance. While it is personally frustrating to see smaller positions generate our strongest returns, the silver lining is that on a look-forward basis our largest positions currently have the highest expected returns.

You should not expect the fund to consistently return +20% annual returns, let alone the +29% return we've experienced over the last 6 months. One year is far too short a period for you to draw any conclusions. It remains my goal to outperform the major indices over long periods of time. I'm happy to have done this over our first 13 months, but I'm certain there will be periods of underperformance in the future. Your support during those periods will be important in enabling me to buy and buy-down the shares of businesses I believe will generate superior long-term results.

Thinking, Fast and Slow

When I first launched Aventine, a well-known investor I admire was generous enough to meet with me and review my materials. He said he liked my philosophy, my temperament, and my investment strategy. But he also left me with a warning: sometimes, the best opportunities don't wait. "You won't always have weeks or months to do your deep work," he told me. "Some investments are only available for a moment."

That comment has stuck with me. It accurately diagnosed a vulnerability of my investment approach and hits on something I've long struggled with: investing requires two very different mental gears. There's the slow, analytical, methodical mode—the one that underwrites intrinsic value, turns over obscure stones, and reads footnotes. And then there's the fast, instinctive, decisive mode—the one that recognizes a dislocation and moves without hesitation. Both are necessary. Both are in tension.

Daniel Kahneman's often-referenced book *Thinking, Fast and Slow* offers useful framing. His "System 1" thinking is fast, intuitive, automatic; "System 2" thinking is slow, effortful, deliberate. Investors need both. There are extended periods when my work is entirely slow thinking—immersing myself in a new industry or business, breaking down operating fundamentals, and developing a view of intrinsic value. And then there are moments—less frequent but equally consequential—when information gaps, mispricing, or market dislocations appear briefly, and action must be swift.

As a former athlete, I relate this to fast-twitch and slow-twitch muscles. They serve distinct purposes—explosiveness versus endurance. Peak performance depends on both, with each requiring very different exercise. The same is true in investing: you need the capacity for both deliberate analysis and rapid execution, and each requires distinct and intentional development.

My natural bias is toward the slow gear. I'm most comfortable after doing deep preparatory work—studying businesses over time, engaging with management, and building conviction through repeated exposure. Acting quickly without that foundation has historically been difficult for me, though I'm aware that some of the best opportunities don't afford the luxury of time. This is something I am actively working on.

I'll give you two examples from our portfolio. First Vicat, a top 5 position. It's a company I've followed for a decade in an industry (heavy materials) that I know reasonably well. I meet with management once or twice annually and over time have developed a good sense of the company's strengths and weaknesses. Last year on July 25th, Vicat released its half-year results, slightly missing consensus estimates and revising their full-year guidance to "limited growth in sales" versus "a continued increase in sales" previously. Over the next two weeks the already cheap shares declined 18.5% and the business traded at <4.0x EV/EBITDA.

The market was fixated on the short-term outlook and ignoring the much more consequential fact that Vicat was emerging from a period of elevated capital expenditures. Having completed two new kilns in Alabama and Senegal, the business was about to gush excess free cash flow. I made Vicat an 8% position immediately and with little incremental work required to gain conviction. The deep, deliberate work I'd done over years created the conditions for fast, intuitive, almost easy decision-making when the opportunity arose.

Conversely, consider Treatt, one of our smallest positions and the company in the portfolio that I know least-well. Treatt is a flavors and fragrances (F&F) manufacturer, specializing in natural citrus ingredients for food and beverage customers. I have some experience in the F&F industry but am not particularly close to Treatt. I haven't met with management (yet) and have done far less work than is typical around meeting with competitors, clients and former employees.

On April 10th of this year Treatt published a trading update that materially missed consensus expectations, citing elevated citrus crop prices that were impacting customer buying and reformulation decisions. Shares, already at a 5-year low, declined 34% on the day. The equity traded below 8.0x normalized earnings and the enterprise traded below 4.0x EBITDA, a >70% discount to its own history and credible peers.

I didn't know much, but I knew enough. I immediately made Treatt a 2.0% position based on my read of the situation, my familiarity with the broader industry, the de-risked balance sheet and my belief that strategic interest in the business protected our equity. The balance sheet was net cash and in fact the company announced a share buyback alongside its disappointing results. The business dominates a niche space supplying citrus to global food and beverage manufacturers, with tailwinds around product reformulations towards natural ingredients. The F&F industry is consolidating, with four oligopolistic firms acquiring smaller competitors at multiples well above Treatt's. The cost headwinds were industrywide and crop related, not unique to Treatt. And the market cap, at ~\$200m, was too small for most institutional investors to bother with. The situation seemed like a no-brainer, despite my relative lack of familiarity.

I don't think of this as abandoning my process. I think of it as being ready for both types of thinking where appropriate—and trying to know which mode the moment calls for. One without the other is incomplete. You can't think fast well unless you've first done the slow work (on a company, industry, or generic situation). And slow work without the readiness to act can leave opportunity on the table.

This is a skill I'm still working on, as reflected by Treatt's pathetically small initial weighting (since increased). My bias for deep work and aversion to speculative risk mean you should never expect us to own in size a business I know little about in an industry I have no experience in. We will undoubtedly miss opportunities due to this bias, but we will also avoid value traps and capital impairment. That seems like a worthwhile tradeoff to me.

Summer Reading

Be on the lookout for a package in the mail containing two books. I read a lot, mostly for work but also for pleasure, and thought it might be nice to share some of my all-time favorites. This is not homework. Most titles will be loosely related to investing, but the emphasis is on sharing fun summer reads.

I anticipate sharing one book each summer, but this year I'm sending two. My wife, Natasha Piano, has just published her first monograph and I am shamelessly promoting it to you. It might not qualify as a "fun summer read" but you can put it on your bookshelf and feel intelligent by association, as I do.

- *Fooling Some of the People All of the Time*, by David Einhorn
- *Democratic Elitism: The Founding Myth of American Political Science*, by Natasha Piano

I first read David Einhorn's book in two days on a beach. It's a gripping account of misaligned incentives and institutional failure. At its core, it's a case study in how supposedly independent actors—banks, analysts, regulators, and the media—can reinforce one another's blind spots. As an investor I prioritize strong corporate governance, incentive structures, and conservative accounting. I sometimes engage with boards on these topics, and while my focus is on helping good boards get better, familiarity with cases like Allied Capital helps me recognize the warning signs of deeper issues. Einhorn's book is a wild ride.

I hope you enjoy both books. Let me know if you have any reactions and please feel free to share any reading recommendations with me, on any subject matter.

In Closing

Thank you for your confidence and support. As one of the largest investors in the fund, my experience is the same as yours. I remain excited about the valuation prospects of the companies that we own.

I'm appreciative of introductions to investors you think might be a good fit for the partnership. Referrals from existing partners are the best as I try to attract people aligned with our strategy.

Please don't hesitate to reach out with any questions or ideas.

Sincerely,



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¹ All performance figures represent unaudited net performance estimates for partners that made initial contributions at the inception date in the Founders' Series of partnership interests. Individual partner returns may vary depending on the timing and series of their investment. The partnership is audited on an annual basis.

² The MSCI ACWI ex USA index captures large and mid-cap representation across 22 of 23 Developed Markets countries (excluding the United States) and 24 Emerging Markets countries. The index covers approximately 85% of the global equity opportunity set outside the US. It is a total return index inclusive of net dividends received.

³ The S&P 500 includes 500 leading companies in the U.S. and covers approximately 80% of the available market capitalization. It is a total return index inclusive of gross dividends received.

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