
AVENTINE CAPITAL PARTNERS

October 9, 2024

RE: Letter to Limited Partners, Q3 2024

Dear Partners,

The fund returned -1.32% (net of all fees and expenses) for the third quarter of 2024.¹

	Net Performance			
	2024		Since Inception*	
	Q3	YTD*	Total	Annualized
Aventine Capital Partners LP	-1.32%	-1.27%	-1.27%	n/a
MSCI ACWI ex-USA ²	8.06%	7.96%	7.96%	n/a
S&P 500 ³	5.89%	9.69%	9.69%	n/a

**June 2024*

Portfolio Composition				
Top 5	Top 10	Long	Short	Net
42.1%	66.8%	68.9%	0.0%	68.9%

Geographic Exposures			
North America	Europe	APAC	Emerging
10.0%	52.7%	0.0%	6.1%

This was our first full quarter of operations. During Q3 we deployed 47% of our assets as I opportunistically built out the portfolio, adding five new positions and increasing allocations to existing ones. This level of activity is atypical and reflects the portfolio's initial deployment following our June launch.

Our strategy involves making concentrated investments in unloved businesses, and I don't expect to time the bottom perfectly. Share prices typically experience the most volatility when I am most excited about them. It's not unusual to establish a position and see its price drop by 10% or 20% soon after. Assuming my underwriting remains correct, I will "buy down" and possibly increase the weighting in these positions.

As turnover normalizes, the ratio between new and established portfolio positions will decrease. While this quarter's results are weak relative to market indices, I'm modestly pleased to have achieved flattish returns while deploying half of our capital. We own a collection of businesses that I believe have compelling long-term valuation prospects.

In fact, most of our holdings advanced during the period, but their collective gains were fully offset by a single large decliner – TT Electronics – which I'll discuss in more detail below.

The following top five holdings accounted for 42% of the portfolio (alphabetical):

Alight: This US benefits management firm provides outsourced administration of healthcare and retirement benefits for mostly enterprise clients. 70% of the Fortune 100 and 50% of the Fortune 500 are clients. Revenue is 93% recurring, with over 95% retention. Alight was a division of Aon that was acquired by Blackstone in 2017. Blackstone installed a new CEO to transition the business from a service-center oriented offering to a highly automated cloud-based platform. Alight went public via SPAC in July 2021. Unlike most SPAC targets, the business was profitable and cash generative before its public listing. The company recently divested its lower-margin Payroll and Professional Services divisions for 10x EBITDA and 24x free cash flow, leaving a focused and higher quality benefits management operation. Reputable activist investors are now on the board and an experienced new CEO, Dave Guilmette, was appointed in August 2024. We have been able to acquire shares for 8.5x my estimate of midterm free cash flows and less than half the earnings multiple of slower-growing 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 14,000 via a series of debt-funded acquisitions while still achieving a B+ credit rating and 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. We were able to acquire shares at 6x my estimate of mid-term EV/EBITDA.

Totvs SA: This Brazilian company is a dominant provider of Enterprise Resource Planning (ERP) software, a critical database solution used by modern businesses to centrally control operational and finance functions. Totvs has 50% market share among smaller firms in Brazil and a 34% overall market share, competing at the larger end with SAP, Oracle and Microsoft Dynamics. The CEO, Dennis Herszkowicz, oversaw the successful transition from license to subscription sales and is now expanding the offering to include ERP-enabled financial services, CRM and marketing platforms. As with all ERP businesses, the revenue is extremely sticky: Totvs has 98% revenue retention and is growing sales at double digit rates. The business is cash generative and has a large net cash position earmarked for acquisitions but recently directed to share repurchases. We have acquired shares for below 3x my estimate of mid-term recurring revenue and 10x EV/NOPAT, less than half the valuation metrics of slower-growing international peers.

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. New leadership under CEO Peter France is executing

an aggressive divestiture and restructuring program designed to cut costs and streamline operations. This program was fully unveiled in August 2024 and was immediately followed by a profit warning in September, leading to a sharp loss of confidence in management by the market. We have been able to acquire shares at materially de-risked prices that assume no benefit from the ongoing restructuring program, paying 7.5x post-warning current earnings and 4x my estimate of mid-term earnings.

Vicat: This French-listed materials business operates vertically integrated cement, aggregates and ready-mix concrete plants across twelve markets globally. France is 31% of sales and the US is 19%. 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 of these 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 US peers is worth 50% of Vicat's enterprise value, leaving the rest of the business trading at just 2.3x EV/EBITDA. It is unlikely the family will do anything to address this undervaluation, but multiple options exist. Meanwhile the 7% dividend yield and soon-to-be 20% levered FCF yield provide a valuation underpin. We've acquired shares at historically low discounts to peers, below replacement cost and for less than 4x my estimate of mid-term EV/EBITDA.

What we own and why

Last quarter I wrote that you shouldn't expect "pitches" on existing holdings, given my desire to avoid confirmation bias and remain cold-blooded in my buy/sell decisions. I strongly believe this, but think it is equally important to have informed partners who are comfortable with our investment process. I want you to know what we own and why we own it. This will naturally happen over time as I discuss exited positions. But given our long hold periods and the newness of our partnership, it seems beneficial to discuss the investment process as it relates to a current holding.

Should I be discussing my best idea? Maybe. That's certainly the conventional approach. But I think there's value in discussing a topical and less polished investment that still earned a place in the portfolio.

TT Electronics

TT Electronics is not a compounder. In fact, I rank TT as the lowest quality company within our portfolio. It has limited negotiating power with customers, poor operating leverage, and low operating margins. The business has been poorly managed for years and recent returns on invested capital are mediocre.

And yet TT is currently one of our top five positions. Recent events have created a compelling opportunity, and I believe TT's equity offers an extremely asymmetric positive skew – the distribution of potential outcomes is disproportionately tilted towards a large gain over a small loss. This is the closest thing to a "special situation" within our portfolio.

When assessing companies, I look at three core elements: business quality, management quality, and intrinsic value. I heavily prioritize business and management quality, but every investment is a trade-off

between these three attributes. A cheap stock price can offset deficiencies in the former two categories. To state the obvious, the cheaper a company's stock price becomes *relative to its intrinsic value*, the more attractive and less risky its return profile is (assuming a healthy balance sheet and no risk of restructuring). TT's equity offers a derisked and asymmetric return profile that is attractive enough to own in size.

TT was also our biggest detractor last quarter, so it seems appropriate and productive to provide you with some insight on why we own it and why I was comfortable doubling down on it following the sharp share price decline in September. This is more of a process review than a stock pitch.

Business Overview

TT Electronics is a global designer and manufacturer of electronic components serving a wide range of end markets. Its products include power converters, power management systems, electromagnetics, connectors, optoelectronics and resistors. High single-digit operating margins indicate a degree of commoditization in its products, but >70% of what TT produces are low-volume, high-spec, highly regulated components with an above-average time to market that require high degrees of engineering and manufacturing expertise.

The products are best described as low cost / high performance components within a client's bill of materials. TT components go into outer space (Mars Rover), MRI machines, submarines and Gulfstream jets. 50% of sales serve highly regulated markets in healthcare, aerospace and defense, where TT's products must meet stringent quality control standards and are often specified into a client's designs as a single-source supplier. These end markets are growing faster than GDP, benefiting from electrification trends across industrial and manufacturing sectors.

TT operates from 18 design/manufacturing facilities across three continents. 37% of revenue is generated in Asia, 35% in North America and 28% in Europe. It has a long history of disappointing operating margins that suggest poor operational oversight across its federated manufacturing base. Peers generate mid- to high-teen operating margins and mid-teen returns on capital employed. There is, in principle, no reason why TT can't generate similar returns, but after years of waiting, the market has given up on this prospect.

Recent Developments

Richard Tyson was CEO of TT from 2014-2023. Under his tenure TT pursued a transformation program designed to expand its presence in highly regulated markets while exiting (in 2017) the commoditized and low margin automotive division. In total they received £116m in disposal proceeds while spending £180m on a series of acquisitions, paying 9x-12x EV/EBITDA during a period when TT itself traded for ~7x EBITDA. Richard left TT in late 2023 to become CEO of Oxford Instruments, a well-regarded manufacturer of tools and sensors for industry and research.

Peter France became CEO of TT in October 2023. Previously, he had a 29-year career at Rotork, a publicly listed industrial flow-control and sensors manufacturer, spending the last nine years there as CEO. He then spent five years as CEO of ASCO, a distressed bank-owned oil & gas services firm that he successfully stabilized and sold to private equity. Following ASCO, Peter decided to return to the public company world and was recruited by TT's board.

At TT, Peter inherited a collection of loosely affiliated operating subsidiaries with poor central oversight and a history of recurring “exceptional” expenses related to M&A and integration efforts. He was attracted by the opportunity to clean-up the business and bring operating performance in line with peers. TT has a blue chip customer list of global clients and, thanks to prior efforts, serves an attractive mix of highly regulated and structurally growing end markets. The issues are primarily within TT’s own control to address. These are the best sort of problems to have.

In April 2024, six months into the role, Peter unveiled his restructuring program. Named Project Dynamo, it reorganized TT’s reporting units into geographic regions with centralized support functions designed to eliminate resource duplication and maximize operational synergies across the business, which was being run as a loosely affiliated network of manufacturing sites. They initially identified £5-6m of cost savings.

On August 8th, at the half-year results, Project Dynamo was updated with £17m of targeted savings after “material further opportunities were identified.” This represents 300 basis points of margin expansion and underpinned management’s goal of expanding the historic ~8% operating margin to 10% this year and 12% in 2026. These are impressive targets that reflected management’s confidence in the underlying quality of the business and their ability to execute self-help initiatives. The share price rose 18% in the week following this update.

Then on September 16th, TT issued a profit warning. Just five weeks after reiterating their 2024 guidance, management were forced to revise down their current year outlook. Now, rather than expanding the operating margin 200 basis points to 10% in 2024, they expect a 100 basis point compression to 7%. The explanation included two core issues: (1) weaker than expected customer demand from US distributor clients, pushing some expected sales from 2024 into 2025, and (2) longstanding operational issues at two US plants that are taking longer and costing more than expected to resolve.

The company included in the profit warning a statement that “the Board remains confident in the Group’s medium-term targets, which include a 12% operating margin in 2026” but management’s credibility was severely damaged. Legitimate questions about their forecasting abilities and the conservatism of their projections were enough for some investors to give up on Peter France less than 12 months into his tenure.

Our Involvement

My first interaction with TT was in late 2019. The UK stock market was bombed out as the practical implications of the Brexit vote set in and TT was part of a basket of stocks I reviewed for possible investment at the time. I met with management, built a financial model, and ultimately decided the valuation was too high relative to the quality of the business. This was the right decision. At the time shares traded at 250p and 13x forward earnings. Today they trade for 90p and 7x current (depressed) earnings.

On August 13th I met with Peter France and CFO Mark Hoad in London, after the interim results and before the profit warning. I had built a small position before the warning based on what I believed (and still believe) was a sufficiently attractive margin of safety between the intrinsic value of TT’s equity and its stock price. The enterprise was trading at 3.5x my mid-term EBITDA estimate, while the equity traded at 6.5x my mid-

term earnings estimate with a mid-teen free cash flow yield. These are valuation metrics typically reserved for impaired or structurally declining businesses.

My diligence on TT painted a straightforward picture: the business has poorly integrated a decade's worth of acquired operating subsidiaries. This has resulted in an elevated operating expense profile and poor visibility of real-time trading across the group, impairing management's ability to forecast accurately. For example, most modern businesses run one or two instances of ERP software (the type of software produced by Totvs, another portfolio company), a critically important system on which businesses manage their day-to-day operations. TT runs 18 instances of ERP, a record in my history of analyzing companies. Some of this is understandable: government clients often require TT to ring-fence operations for sensitive contracts. But mostly the explanation is poor integration following a period of rapid change.

Over the past several months I've spoken with former employees, competitors and clients. Several themes emerged. The quality of the products is high, customer relationships are extremely sticky, and local leadership operates in a federated manner that has historically disregarded the role of the head office. There is clear potential for basic operational improvement in procurement, sales & marketing, and administrative functions, all of which underpin Peter's detailed restructuring plan.

My Views on the Profit Warning

Following the profit warning I re-assessed my financial underwriting, retested my assumptions and further stress-tested the operating model to ensure the business could survive a difficult restructuring period. While the timing and need for a profit warning are extremely disappointing and reflect poorly on management's forecasting and communication style, the scope of these issues is less alarming.

These are two isolated issues, both in North America, which is 35% of group sales. Putting this in perspective, during the first half of 2024 TT's North American sales were -14% while European sales were +17% and Asian sales were +10%. Margins in Europe and Asia rose strongly to mid-teen levels, *surpassing TT's long-term goal*, while the North American margin declined 640 basis points to 5.0%.

The two explanations provided in the profit warning are credible. First, ongoing weak demand from US distributor clients is a well-documented cyclical problem affecting the entire industry, as distribution channels burn off excess inventory accumulated during the supply chain shock of 2022-23. Arrow Electronics, a major component distributor and TT client, reported Americas sales -24% during the first half of the year and guided for continued sequential declines during the second half, with stabilization expected by year-end. TT's sales to distributors represent 16% of group sales (but 27% of North American sales) and were -28% during the first half of 2024, while all other sales were collectively +7.5%. Conversations with numerous industry participants make clear that this is a sector-wide issue that will resolve itself sometime in 2025.

Second, the operational issues at two US plants are not new issues but rather longstanding inefficiencies uncovered during Peter's company-wide review that have proven to be more complex than initially thought. This is a cost of production issue, not a quality control issue. Products are being delivered to clients with slight delay and at higher cost to TT due to plant-level operational inefficiencies. They haven't lost any

clients because of these delays. The affected products serve the highly regulated aerospace and defense industries where TT's components are specified into customer designs, leading to high switching costs. Process-oriented remediation efforts are underway and the hit to operating margins disclosed in the profit warning is expected to be resolved by Q1 of 2025 at the latest.

If you only read the brief profit warning published on September 16th you would reasonably conclude that these issues are new and unexpected. They're not. Management's error was in providing current-year guidance that required the successful resolution of still-outstanding issues. I don't take this lightly. Credibility is important and I will not invest in a company run by people I cannot trust. My assessment of Peter, Mark and their senior team suggests that they've committed a classic error of over-promising based on incorrect but good-faith estimates of the efforts required to restructure this business. Their core strategy remains sound, even if it will take longer and/or fall short of their initial targets.

I also take comfort in the fact that attractive equity returns do not require hitting management's targets.

Valuation

Following the profit warning I more than doubled our stake, significantly lowering our cost basis. My estimate of intrinsic value declined following the warning, but not nearly as much as the share price, offering a highly compelling upside/downside skew. I consider the equity today to be attractively valued against its post-warning depressed earnings potential, and exceptionally cheap should the business improve even just half as much as management and the board still assert is possible.

The upside here is easy to underwrite. TT is trading at 3.5x earnings against the company's 2026 targets – guidance that was reiterated after the profit warning but dismissed by the market's implied valuation. On these peer-like profitability targets the equity is historically cheap against multiple valuation metrics.

I'm more preoccupied with the downside. If TT is structurally impaired and doomed to earn 6% operating margins in perpetuity, the equity still trades at an undemanding 7.5x earnings and covers the 7.5% dividend yield. Lower quality peers trade for higher valuations, notably including Cicor Technologies, a Swiss business that acquired TT's lowest quality division in April for 0.3x sales.

I underwrite operating margins recovering to 8% and ultimately getting to 10%, generating 21p of earnings per share that I value at 8x, well below peer valuations or TT's own history. The business trades at a high-teen forward free cash flow yield and the dividend offers an equity yield that enhances the ultimate IRR. I am not underwriting the 12% margins management still believes possible in 2026. If this were to happen the equity upside is even higher.

There are other valuation nuances to consider. 100 basis points of margin dilution were removed earlier this year when TT sold three nonprofitable manufacturing businesses to Cicor. This division generated £73m in sales with break-even operating profits, and the structural benefit of these disposals is yet to be fully seen in reported figures. Also, TT is in the process of exiting its UK defined benefit pension plan, which has a £25m surplus that will provide a cash inflow to the business upon disposal.

Risks

There are several core risks to investing in TT's equity. Crucially, the balance sheet is not one of them. TT will end 2024 with financial leverage of 2.0x EBITDA, an elevated figure given the current depressed earnings but still well within the 3.0x bank covenants. Long-term leverage guidance is for 1.0x-2.0x EBITDA and the business will de-lever ~0.3x annually even at its currently depressed rate of cash generation. Earnings would need to structurally decline 50% to risk a covenant breach. I would not invest in TT if the balance sheet were in question.

The biggest risk is in successfully executing the relatively large restructuring program that launched earlier this year. Can management retain and incentivize local leadership to enact the changes necessary? Will they cut too deep, leading to operational mishaps, further margin erosion or the loss of clients?

All of this is possible. I have done a fair amount of diligence on Peter France and gained some comfort from his track record of leading business turnarounds. Conversations with the private equity firm that acquired ASCO last year were complimentary of his role in the restructuring and the condition of the business they received from him. Management may have over-promised on the scale or timing of the turnaround, but in less than a year, and just six months into the restructuring program, they have already delivered notable improvements across parts of the business.

Currency translation is another risk. 24% of TT's revenue is generated in the UK, although mostly to USD-exposed clients (i.e. the airline engine manufacturer Rolls Royce is a major client). Operating costs are mostly localized but central costs are all in GBP, so a strengthening sterling will hurt reported earnings.

One risk that I'm acutely aware of but wouldn't be entirely opposed to is a private equity acquisition of TT for some modest premium to the currently depressed valuation. As mentioned below, PE interest in mid-sized UK public companies is currently quite high. TT checks many of the boxes as a take-private candidate. Peter has experience running PE-owned businesses and might not be opposed to the idea. The board appears competent, but as with many UK listed companies it has pathetically low insider ownership. If necessary, I'm prepared to engage the board to protect shareholder value should they entertain a lowball bid.

Why does this opportunity exist and why are we able to capture it?

Markets are generally efficient, and it's always important to understand why someone else is selling shares when we are buying (and vice versa). In the case of TT, I believe the share price decline following the profit warning was irrational for three basic reasons:

1. Illiquid stock with a few large institutional holders who are fed up
2. A new CEO who over-promised out the gate and has lost credibility
3. "Dead money" with no catalysts until at least 2025

The top five shareholders of TT own 40% of the equity and are long-term investors with low turnover. Consequently, the stock trades very thinly. What this means in practice is that a single seller looking to reduce or exit their position will struggle to do so and, depending on how aggressively they want to get out,

could drive the stock price down. This appears to have happened. TT has become a tiny holding for its largest shareholders, some of whom have decided it isn't worth the brain damage to continue owning.

Management credibility has clearly been impaired. TT has become a "show me" story with nobody willing to give Peter France credit until operational improvements are visible in the reported figures. Although frustrated, I'm less concerned with Peter's communication errors than I am with ensuring his grasp of the underlying issues and ability to address them over time. On this subject I remain confident. Speaking with company and industry participants following the profit warning, I came away encouraged that his plan remains directionally viable. TT has decent assets that have been poorly managed for years. They don't need to achieve 12% operating margins in 2026 for there to be material equity upside from current levels.

Finally, TT's equity has become "dead money" following the profit warning, which indicated that these issues may not be resolved until the end of 2024 or Q1 of 2025. To most institutional investors that is an eon away. An analyst who pitches TT to a portfolio manager today will be met with laughter. An illiquid stock with a profit warning and no immediate catalyst – no thank you! In an industry obsessed with quarterly returns, waiting 6 months to see signs of positive momentum is a difficult ask. I consider this an opportunity and prefer to buy now at attractive expected IRRs rather than attempting to time the market later.

Cheap enough to own

I focus on finding great businesses led by exceptional management teams, with the potential to compound capital over time. Occasionally, though, I come across opportunities where a deeply discounted share price more than compensates for deficiencies in the business model or management. TT is one such investment.

The analysis and re-underwriting I've done on this business gave me the conviction to act quickly when the market over-reacted to short-term bad news. If I'm wrong – which I inevitably will be in many cases – the de-risked price at which we acquired shares provides material protection against capital impairment. This sort of positive skew is highly attractive. I don't seek to fill our portfolio with average quality businesses, but under the right circumstances they can occasionally justify being owned in size.

Our ability to own companies like TT is enabled by the composition of our partnership base. You let me think in terms of years, not quarters, an advantage that can provide material and surprisingly resilient arbitrage opportunities.

I continue to actively monitor TT with an eye towards breaking my thesis and/or identifying better investments elsewhere. I will keep you updated.

Our UK Exposure is Lower Than it Seems

I spent a week this past quarter in the UK meeting with existing and prospective portfolio companies. Highlights included a full day shadowing Greg Fitzgerald, CEO of the homebuilder Vistry Group, as he visited four major development sites in southwest England.

I was impressed by the scale and professionalism of Vistry's operations. Greg is executing a cultural transformation to aggressively standardize all facets of the business in order to grow their annual production rate from 18,000 homes/year to 24,000 in the mid-term. This summer the CEO of Homes England, a critically important quasi-governmental agency, said that he needs Vistry to deliver not 24k homes but rather 30k-40k homes annually in support of the Labour Party's affordable homebuilding target (1.5m new homes in five years). Vistry remains a high conviction investment. Shares had doubled over the last year, however a recent pull-back has given us the opportunity to grow the position.

As an aside, Greg told me that I'm the first investor to visit one of their sites outside of London, an incredible claim when you consider that Vistry is the largest homebuilder in the UK and has a £4.3bn market capitalization. I spend plenty of time behind a screen, but there's no substitute for visiting companies in their own offices, factories, and sales outlets.

UK-listed companies are the largest weighting within our portfolio, ending the quarter at 33% of total capital. This statistic is misleading, however, as it's calculated on the location of a company's primary listing, which does not necessarily reflect its principal operating geography. We own six UK-listed businesses, but only two of them generate meaningful revenue in the UK. Helios Towers, for example, listed in the UK to attract institutional capital, but has a CEO based in Dubai and generates 100% of its revenue in the Middle East and Africa.

Owning UK-listed businesses that generate most of their revenue outside the UK presents an attractive arbitrage opportunity. After years of growing shareholder frustration over the stubborn valuation discounts relative to international peers, many UK companies are taking or considering corporate actions to address these disparities.

If they don't, strategic bidders and private equity funds are increasingly swooping in. There are currently 19 active bids for FTSE 350 companies (the 350 largest listed companies in the UK), versus just two in the whole of 2023. More remarkably, there are live bids on companies representing 10% of the market value of the FTSE 250 (a subset of the 350 index reflecting midsized companies). Overseas bidders represent 55% of the total bids made year to date. I expect this trend to continue.

In Closing

The partnership welcomed several new partners during the third quarter, and I expect several more to join this quarter. The Founders' Class remains open and I'm appreciative of introductions to investors you think might be a good fit.

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 portfolio.

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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