

January 16, 2026

RE: Letter to Limited Partners, Q4 2025

Dear Partners,

The fund returned 0.5% (net of all fees and expenses) for the fourth quarter and 30.2% for the year 2025.¹

Net Performance				
	2025		Since Inception*	
	Q4	YTD	Total	Annualized
Aventine Capital Partners LP	0.5%	30.2%	22.3%	13.6%
MSCI ACWI ex-USA ²	5.1%	32.4%	32.1%	19.2%
S&P 500 ³	2.7%	17.9%	32.4%	19.4%

**June 2024*

Portfolio Composition				
Top 5	Top 10	Long	Short	Net
46.2%	69.7%	79.9%	0.0%	79.9%

Geographic Exposures			
North America	Europe	APAC	Emerging
9.5%	64.9%	0.0%	5.5%

The following top five holdings accounted for 46% of the portfolio (alphabetical):

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 14,600 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 8x next year's EBITDA and 6x my estimate of mid-term EBITDA, far below recent industry M&A transactions.

SigmaRoc: This UK-listed materials group is a buy-and-build consolidator of local, hard-to-replicate lime and limestone production assets across Western Europe. Founded in 2016 as a cash shell, it is now a leading

quarry owner and manufacturer of lime-based products serving industrial, environmental and infrastructure end-markets. In 2024, SigmaRoc acquired CRH's lime assets in Germany, the Czech Republic and Ireland for €1.0bn, nearly doubling the group's revenue to £1.1bn. This acquisition was funded by debt and equity, including a highly unpopular £200m equity placing and £80m of shares to the seller, making CRH the largest shareholder and an overhang. Investors, fatigued by repeated acquisitions, discounted the operational improvements and pricing power of this newly scaled-up business. Lime shares many of the same attributes as aggregates, including low fixed costs, high transport costs and limited substitutes. Post acquisition, SigmaRoc has prioritized operational improvements, free cash flow growth and balance sheet deleveraging. I have known the CEO, Max Vermorken for several years and consider him an excellent capital allocator. We acquired shares in 2024 for 4x my estimate of forward EBITDA and the business currently trades for 7x next year's EBITDA, a discount to larger European materials peers despite its more durable underlying earnings.

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. An aggressive restructuring program was unveiled in August 2024 but was immediately followed by a September profit warning, leading to a sharp loss of confidence in management by the market. We were able to acquire shares at materially de-risked prices as low as 75p/share. Since the profit warning, the company has received at least five acquisition offers from four bidders, the highest of which was an all-cash offer of 150p/share that the board endorsed but the largest shareholder rejected. Shares trade for <7x my estimate of mid-term earnings and a double digit FCF yield.

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 had been suppressed for several years due to large growth capex initiatives, most notably in Alabama and Senegal. Both projects completed in 2024 and capex has now declined to historically normal levels. As with peers, Vicat has suffered from a severe undervaluation of its North American operations, which represent 24% of group EBITDA but if valued in line with US peers is worth 40% of Vicat's enterprise value, leaving the rest of the business trading around 4x current EV/EBITDA. It is unlikely the family will do anything to address this undervaluation, but options exist. Meanwhile the double digit levered FCF yield and strong balance sheet provide a valuation underpin. Shares trade at discounts to peers, below replacement cost and for less than 5x my estimate of mid-term EV/EBITDA.

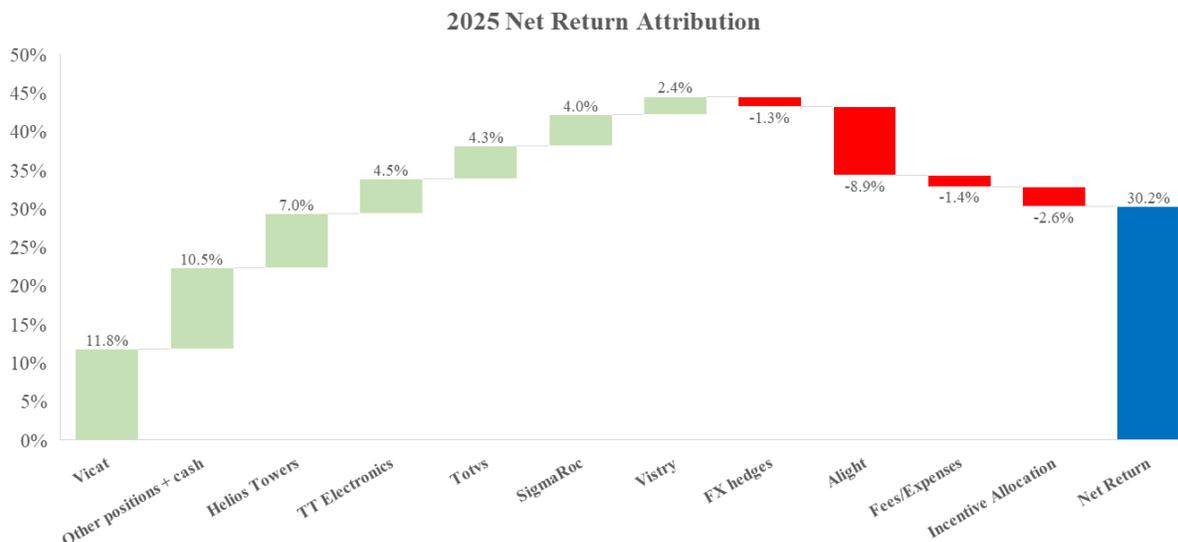
Vistry Group: This British homebuilder utilizes a differentiated model of partnering with public and private sector property managers to develop or redevelop land into residential communities for sale, for rent, and for government subsidized homes. Unlike traditional homebuilders, Vistry's partnership model requires less upfront spending on land, allowing for returns on capital employed that can exceed 40% and a less cyclical earnings stream. In November 2022, Vistry acquired its only national competitor, Countryside PLC, becoming the de facto incumbent builder of affordable mixed tenure housing in the UK. Vistry's CEO, Greg Fitzgerald, is a proven operator with a multi-decade track record of UK homebuilding

experience. During the fourth quarter of 2024 the company issued three profit warnings, two of which related to an instance of isolated fraud within the business. Shares traded down sharply and ended the year valued at 0.75x Price/TNAV (tangible net asset value), implying a below-liquidation valuation. I believe the share price reaction materially exceeded the impairment to intrinsic value and built Vistry into our largest holding at-cost. In addition to trading below liquidation value, shares currently trade at 9x forward (depressed) earnings, 6x my 2027 earnings estimate and 3.5x management’s aspirational goal.

Comments on the year

2025 unfolded largely as expected. We entered the year owning a collection of quality businesses trading at undemanding valuations, and over the course of the year the market began to recognize some of those discrepancies. We also benefited from our sterling and euro exposures, both of which appreciated against the dollar. You shouldn’t expect +30% net results every year, but it remains my goal to generate highly differentiated returns over the long-term. Our 2025 results were negatively impacted by the performance of Alight, which I briefly address below.

This table provides an attribution waterfall of our net returns for the year, segmented by each position that was a top five holdings during the year, all other positions, currency hedges, fees and expenses.



Unaudited internal estimates⁴

Our results were heavily skewed to the first six months of the year, with July-December performance modestly positive. As referenced in the 2Q25 letter, position sizing has been a headwind to performance since inception as our smaller positions have done relatively better than our larger positions, with Vicat a notable exception. This is something I am focused on addressing.

Several of our largest positions did have very strong years, including Vicat, Helios Towers and SigmaRoc, the last of which organically grew into a top five holding as of 4Q25. Vistry, our largest detractor in 2024, spent 2025 rebuilding market credibility via strong operational execution in a UK housing market that remains historically depressed. I continue to consider Vistry’s shares deeply mispriced.

TT Electronics and Alight deserve brief updates given recent events.

TT Electronics update:

On October 30th, 2025 TT disclosed that it had received an acquisition offer from Cicor, a publicly-listed Swiss competitor, valuing the equity at 155p per share. The board endorsed this offer but the largest shareholder, DBAY Advisors, immediately opposed it via a public notice. The next day the board further disclosed that in addition to Cicor's offer, TT had received and rejected three unsolicited acquisition offers from DBAY over the preceding three months at lower prices (122p, 127p, 130p), dryly suggesting that DBAY "may in some respects have a different agenda to other TT shareholders." DBAY responded by increasing its shareholding from 16.5% to 24.5% during November, effectively building a blocking stake given the 75% shareholder approval threshold. The board delayed the General Meeting two times in hopes of convincing DBAY to change its mind, but on January 7th the vote predictably failed and Cicor's offer lapsed.

During this time, TT's share price shot from 95p to a brief high of 154p immediately following the announcement of Cicor's offer. Shares traded in the 130-140p range for much of November before settling around their current ~112p level in December as it became overwhelmingly clear that DBAY intended to scuttle the deal.

I did not sit by idly as this unfolded. Leading up to the Cicor offer, TT was a top position with an 11% weighting in our portfolio. Post the Cicor announcement, its weighting increased to 17%, an unjustifiably large position given my estimate of fair value and the low probability of the deal closing. Over the course of November, I reduced TT's weighting by 52% relative to its undisturbed price, achieving an average sale price of 140p/share.

With hindsight, I should have been more aggressive in my selling given the unpredictability of DBAY's behavior. In my defense, there were reasons to think that DBAY and Cicor might enter a bidding war, and both firms' interest in TT followed at least three other unsolicited bids in late 2024, further validating the strategic value of TT's assets. All of this reinforced my conviction in the underlying value, leading me to aggressively trim but not fully exit the holding.

Under UK takeover rules, DBAY is now prevented from making an offer for the next six months and then may bid no less than the highest price it paid for shares over the last 12 months (i.e. ~150p). It is noteworthy that a sophisticated shareholder like DBAY was willing to materially increase its ownership at these prices in order to block a 3rd party bid for the company, knowing that it would have to wait 6-12 months before acting again. DBAY is a private equity firm with a history of take-private transactions and clients who expect attractive IRRs on their capital. I currently underwrite a 20% IRR for TT shares and the company remains an 8% weighting in the portfolio after positively contributed to our 2025 returns.

Alight update:

Alight was the biggest detractor to returns in 2025. I wrote about the company at length in the 3Q25 letter and *since then the share price has declined 50% further*. Talk about egg on my face.

My view on the business has not changed materially over the last three months. I realize that may sound foolish given the dramatic share price decline. I believe that today's valuation is divorced from reality. The equity trades at less than 3x adjusted earnings and offers a >20% normalized free cash flow yield, all with a balance sheet that isn't distressed and operating margins that continue to improve. When and if the company will return to topline growth remains the critical question, and on this topic there has been no change in my thinking since I last wrote about it.

During the fourth quarter the CFO and CEO both announced their departures. This is not why the share price declined further. In fact, the share price was up 16.7% over the five days following the CEO's departure announcement. A change of leadership was clearly needed. The departing CEO was qualified but always a placeholder, shifting from the board to the chief executive role and commuting to Chicago from his home in Tennessee, where he had recently retired. The new CEO, Rohit Verma, previously served as CEO of Crawford & Company, a leading global claims management firm serving the insurance industry. He has deeply relevant experience running complex service businesses and navigating the adoption of technology (AI) into high-volume administration operations. This, I argue, is where Alight most needs to rebuild credibility, and his appointment seems like a step in the right direction.

I remain vigilant to the potential that I'm wrong about Alight, either due to an analytical error or by being academically right but practically wrong. One reason discounted cash flow analyses can be misleading is that even if every input is correct and the model spits out a positive expected return, that in no way means the market will agree. This is especially true for businesses struggling to generate topline growth, as is the case with Alight.

I had sufficient conviction to briefly increase Alight's weighting when the shares traded down aggressively during the fourth quarter, in order to harvest tax losses that are valuable for tax-paying partners, myself included. In total, I have deployed approximately 10% of portfolio capital into this investment and Alight is currently a 2.2% position, reflecting a significant drawdown that detracted from our otherwise strong 2025 results.

As part of my risk-management framework, I limit capital deployed into any single position to no more than 20% of portfolio capital (and generally far less). The bar for deploying so much of our capital into any single investment is extremely high, and in Alight's case I require more evidence of stabilization—around the leadership transition and revenue trajectory—before committing any additional funds. I look forward to meeting Rohit for the first time later this year and will keep you updated as my assessment evolves.

Currency exposures

In January of 2025 I removed the euro and sterling currency hedges. This benefited our returns in 2025 as the euro appreciated 13.5% and the pound appreciated 7.3% against the dollar. I don't expect to always hedge our currency exposures. Most companies we invest in manage their own exposures, either operationally or through financial instruments, and duplicating these efforts is unnecessary. Some sell into global markets and gain a competitive advantage when their local currency declines (and vice versa). Currencies tend to exhibit mean-reverting tendencies over the long-term, and I implement hedges

dynamically to reduce exposure to overvalued currencies (as measured by purchasing power parity) or to manage shorter-term tail risks from geopolitical volatility. The priority remains to own globally diversified businesses with durable earnings power, capable of navigating a range of macroeconomic environments, including currency fluctuations. Hedging serves as a complementary tool to my fundamental investment strategy, enhancing our ability to perform in both stable and volatile environments. We remain fully hedged against our small Swiss franc exposure, which on a PPP basis appears extremely overvalued.

I'm pleased to report that despite the portfolio's 30% gain for the year, your 2025 K-1 statements are expected to reflect net realized capital losses at the partnership level, driven by the active harvesting of unrealized losses throughout the year. Taxable partners can use these losses to offset realized investment gains elsewhere in their portfolios or carry them forward for use in future years. I strive to minimize your taxes without letting tax decisions compromise the investment strategy. Most fund managers do not consider after-tax returns and I'm proud to provide a tax-efficient investment vehicle. This is enabled by the patience of your capital, which lets me make long-term investments in businesses that can compound their own capital, rather than relying on our own short-term trading gains.

Exited Positions

Low turnover among the top five disclosed positions masks a meaningful amount of underlying activity. In order to shed more light on our investment process I use this year-end letter to outline the positions we've exited during the year, many of which may never make it into the top five.

During 2025 we made 77 trades to rebalance existing holdings, initiate five new positions, and fully exit three investments discussed below: Auction Technology Group, GBL, and Heidelberg Materials.

For context, and in connection with the position-level gross IRRs discussed below, since inception through December 31, 2025 the Fund has generated a gross IRR of 16.9% and a net IRR of 13.6%.⁵

Auction Technology Group (ATG): We first invested in July 2024 and sold our last shares in April 2025, realizing a 59.7% gross IRR over the holding period.⁶

ATG is a ~£380m market-cap, UK-listed operator of online auction marketplaces and auction-house software serving two niche end-markets: Arts & Antiques (A&A) and Industrial & Commercial equipment (I&C). More than 4,000 auctioneers use ATG's platforms to reach global audiences. The company owns eight branded marketplaces—most notably LiveAuctioneers and Proxibid—and also provides white-label technology that enables listing, bidding, marketing, payments, and shipping of items by auction houses. In fiscal 2025, ATG facilitated \$12.1bn of goods across 99,000 auctions and 26.8m listings. Despite being UK-headquartered, 82% of revenue is derived from North America.

ATG displays many of the characteristics I look for in long-term compounders: dominant niche market share, two-sided network effects, high incremental margins, strong free-cash-flow conversion, and low capital intensity. Marketplaces are structurally attractive business models, and ATG had built a leading position serving a highly fragmented, independent auctioneer ecosystem across North America and Europe.

My thesis was that ATG's valuation was being suppressed by a post-Covid normalization narrative that obscured material structural improvements underway. The company's blended take-rate in 2023 was just 3.7%, well below comparable online marketplaces, despite a credible roadmap to monetize value-added services such as payments, marketing, and shipping. This playbook was well precedented—eBay, the original online auction platform, had successfully expanded its take-rate over the prior five years using similar levers. In parallel, ATG was rolling out cross-listing functionality across its platforms, with the potential to deepen network effects by consolidating bidder demand and increasing auctioneer switching costs. At our entry point, the shares traded at <8x forward EV/EBITDA, 11x adjusted earnings, and a high-single-digit free-cash-flow yield, implying little recognition of these initiatives.

Market sentiment improved quickly following our acquisition of shares. In Q4 2024, Fitzwalter Capital disclosed a 13% equity stake, ultimately increasing this to 22% during 2025. They purchased the last shares owned by TA Associates, the private equity firm that IPO'd ATG in 2021 and whose anticipated sell-down had been an overhang on the share price. In early 2025 company management were speaking confidently and the equity seemed to be pricing in near-flawless execution going forward, despite what I considered to be some obvious risks. We exited the position in April 2025 at approximately 13x forward EV/EBITDA. I was cautious on U.S. consumer health following the Trump administration's tariff announcements, which risked pressuring discretionary auction activity. With the portfolio largely invested, ATG represented an opportunity to redeploy capital into opportunities with more asymmetric upside.

Subsequent developments reinforced the prudence of that decision. After our exit, ATG's share price declined sharply as the market expectation of flawless execution wore off. In August 2025, the company issued a profit warning, reducing EBITDA margin targets due to an entirely predictable shift in revenue mix, as lower margin value-added services grew faster than higher margin commissions. This did not surprise or bother me, as absolute profit dollars were still growing. More concerning was the simultaneously announced acquisition of Chairish, a U.S. antique furniture marketplace, for \$85m. This, in my opinion, was almost certainly a poor use of capital. Chairish was EBITDA lossmaking, with limited synergies, higher customer acquisition costs, higher fulfillment costs and lower gross margins. Then in November the company published its full-year fiscal 2025 results (September year-end), which included a \$151m goodwill impairment related to past acquisitions—an auditor-enforced acknowledgment of weak historic capital allocation. The shares rapidly de-rated to levels below our original entry price.

I continued to monitor the business throughout this period and remained attracted to ATG's underlying platform economics. I worried about board-level capital allocation, although the presence of a large financially motivated shareholder and the share price reaction to the Chairish acquisition helped address those concerns. As the valuation became increasingly compelling and with the original thesis largely intact, I re-established a small position in early January 2026. Frustratingly, this occurred shortly after the company disclosed that Fitzwalter Capital had made 11 non-binding acquisition proposals in recent months, all of which were rejected by the board. But with the shares up only ~12% year-to-date following this news, the value proposition remains highly attractive.

ATG is a good example of our investment process: buying high-quality businesses when narrative or cyclical concerns obscure fundamentals, exiting when valuations become full, and re-entering if the risk-

reward again turns favorable. I am not anchored to past decisions. In the case of ATG, I remain constructive about its long-term prospects and believe the company is well positioned to compound capital.

Groupe Bruxelles Lambert (GBL): We first invested in June 2024 and sold our last shares in April 2025, realizing a 3.0% gross IRR over the holding period.

GBL is a €10bn market cap Belgian-listed holding company controlled by the Frère (Belgian) and Desmarais (Canadian) families. It manages a concentrated portfolio of public and privately held operating businesses, as well as an asset management business and a mature, self-funding portfolio of LP stakes in PE and VC funds. In keeping with its family ownership, GBL takes a long-term, owner-operator view towards generating economic growth and is often an engaged controlling shareholder in the businesses it owns. The public portfolio is concentrated among well-established businesses including SGS SA, Pernod Ricard and Adidas, while the private portfolio is primarily comprised of two European retail healthcare roll-ups that are growing at double-digit rates. They also own Canyon Bikes, if any of you are cycling enthusiasts. Debt is low at 1.8% loan-to-value and liquidity is high at €3.2bn.

I've interacted with GBL management for over a decade, and my interest in 2024 stemmed from signs that the company might finally be making concerted efforts to address the perennial share price discount to NAV, which was an impressive 41% at the time of our initial investment. In May 2024 the company stepped-up its willingness to arbitrage this discount, launching an accelerated buyback program to repurchase €500m of equity over the next 12 months, as well as pay a €5/share special dividend, both to be funded by the sale of public-market holdings. Management were also increasingly messaging a strategic shift to prioritize fewer but larger private holdings while shrinking the public portfolio meaningfully.

The market was unimpressed by these announcements, allowing us to acquire shares at that 41% discount to NAV, a strikingly high figure given the high quality of the portfolio, reasonable underlying valuations of the public holdings (>50% of NAV) and the fortress balance sheet. I applied a sum-of-the-parts valuation that ascribed no value accretion to the private holdings, mid-cycle valuation estimates for the public holdings and a 25% discount to the NAV. This yielded a prospective 15% 3-year IRR, which isn't particularly exciting but came with excellent downside protection. I was happy collecting the 3% normalized dividend yield while we waited.

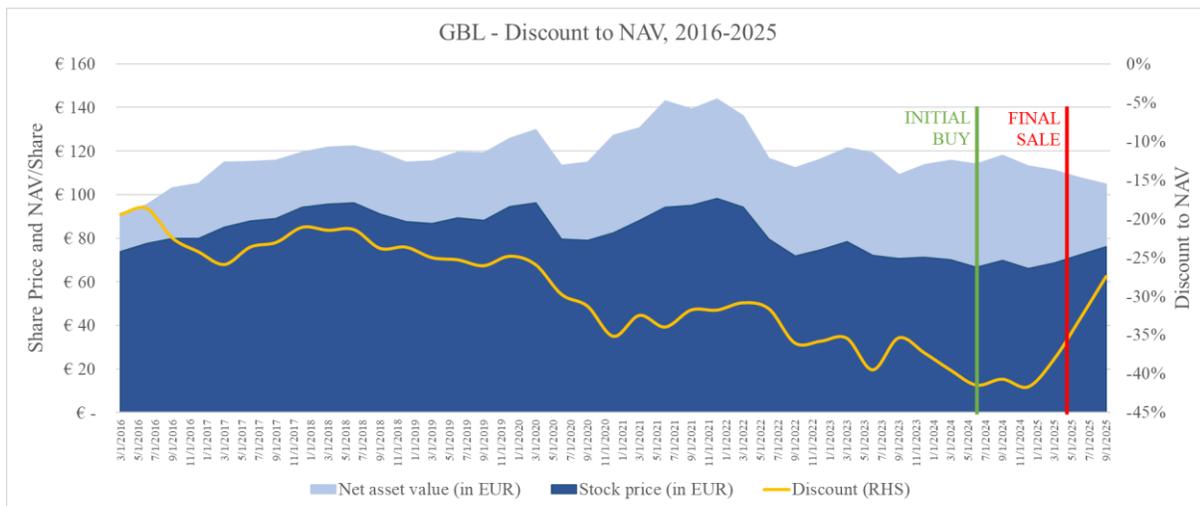
In November 2024 the company provided another strategic update. They announced a goal of achieving double-digit total shareholder returns across 2024-2027 and said that the previously announced €5.00/share special dividend would become the new baseline for a progressive dividend going forward. The company committed to funding both initiatives via the disposal of non-core public holdings.

I considered the dividend announcement a deeply flawed capital allocation decision. GBL earns ~€3.50 in EPS and potentially less in cash earnings as the ratio of private holdings grows. Paying out a €5.00 dividend is fine on an ad-hoc basis (i.e. a *special* dividend linked to disposal proceeds), but foolish on an ongoing basis. It explicitly messages that they have no better use of their cash (currently €2.3bn) than to pay out €650m/yr in dividends, and it sets them up to be forced sellers of public holdings in the not-too-distant future or else rebase the dividend lower. This decision directly conflicted with their stated desire to scale up their private investment activity.

I met with management the week after this strategic update and shared my concerns. They argued that both are possible—a large dividend as well as growth investments in private companies—given the cash on hand and planned rotation out of public holdings. I found the explanation unconvincing. A cynical view is that the controlling families care more about the dividend than they do compounding per-share earnings.

I always considered our investment in GBL to be a cash-proxy with equity upside. When we first purchased shares, the company was trading at a record high discount to a NAV that was comprised of mostly high-quality businesses, with a clean balance sheet, lots of dry powder, and signs that management were prepared to act more aggressively to address the perennial discount. This was always a low risk / lower return investment. I had hoped to give it more time to play out, however the dividend policy adjustment raised serious questions around capital allocation and the company’s ability to compound earnings. We exited the holding in April 2025 for a modest gain. At the time, the portfolio was 90% invested and I saw better opportunities elsewhere following the US government’s tariff announcements.

As the chart below shows, we bought GBL at the largest discount to NAV of at least the last 20 years. During our hold period the discount declined, but for the unfortunate reason of the NAV shrinking, not the share price growing. A shrinking NAV per share is GBL’s core problem. The NAV/share peaked at €143 in June 2020 and declined to €105 as of 9/30/2025. To be fair, this decline was the result of intentional investment realizations, the proceeds of which were returned to shareholders via dividends (€19/share of cumulative dividends) and share repurchases (a cumulative €2.7bn, equivalent to €22/share against current shares outstanding). But markets hate no-growth businesses, and GBL’s NAV has declined from €20.5bn in 2020 to €16.5bn today.



Source: Company filings

The above notwithstanding, GBL’s portfolio remains attractive, and I remain open to the potential that improved capital allocation can lead to per-share NAV and earnings growth. There are signs that this may yet occur. In March 2025 the board announced that family member and long-standing CEO Ian Gallienne would shift to the Chairman role while outsider Johannes Huth would join as CEO. Johannes spent 25 years at KKR, building their European platform from scratch and acting as Chairman of KKR’s operations in

EMEA before retiring in 2024. He is an impressive hire with deeply relevant experience. In a small-world moment he also sits on the board of my former employer, Marshall Wace, after spearheading KKR's minority investment into the firm.

I met with Johannes one-on-one in May, three weeks after he started in the role, and was impressed. In five years he wants to have €15bn of NAV deployed across 12 control positions, versus today's similarly-sized NAV across 3 control positions and 9 minority positions. He doesn't like the dividend policy, doesn't like the foray into asset management (Sienna Investment Managers) or LP fund investing (GBL Capital), and wants to accelerate the shift into private holdings. While his hands are tied to the current 2024-2027 strategic plan that predated him, my impression was that Johannes will institute a rational, private equity style capital allocation plan for the rest of the decade. His €50m open-market purchase of GBL shares in March 2025 is a strong sign of shareholder alignment and the conviction he has in the value creation opportunity.

I will continue to monitor GBL and particularly Johannes but suspect that the strategic shift towards private investments will require an investment cycle to prove itself, requiring 5-10 years and with no guarantee of success. I'd welcome a reset to the shareholder returns policy and would view any subsequent share price volatility as an attractive buying opportunity.

Heidelberg Materials (HEI): We first invested in June 2024 and sold our last shares in November 2025, realizing a 109.3% gross IRR over the holding period.

Heidelberg is a €42bn market cap German-listed building materials company. It is the second largest cement manufacturer globally (ex-China) with 170m tons of annual cement capacity. It has operations in 48 countries on five continents, including leading market positions in Western Europe and North America. It is a leader in the development of CO2-reducing cement manufacturing technologies, an important differentiator as regulatory schemes increasingly tax carbon emissions, especially in Europe.

At the time of our investment, Heidelberg offered a highly attractive combination of trading at trough multiples on mid-cycle earnings, along with an inflecting governance and capital-allocation story.

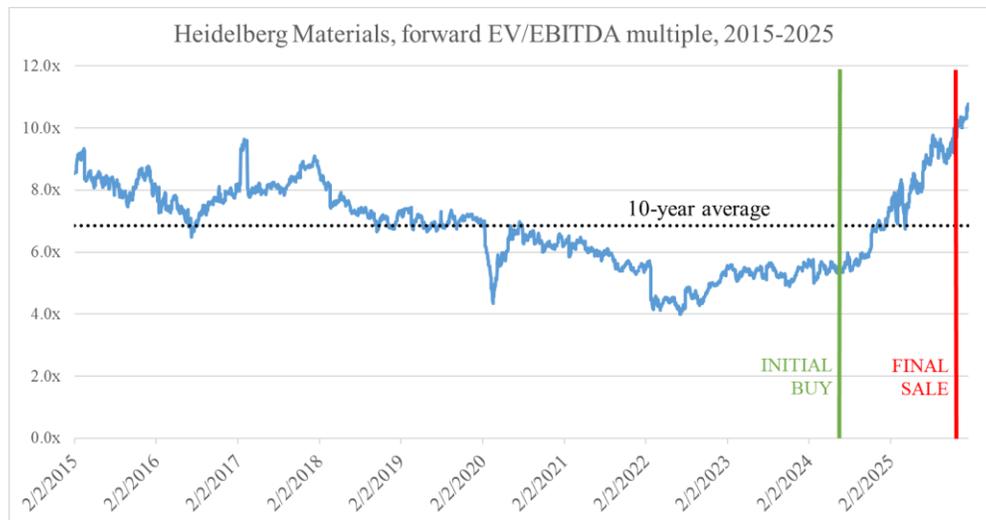
We acquired our shares when the enterprise traded for less than 4x 2-yr forward EV/EBITDA, a 12% FCF yield and an implied EV/ton of capacity of \$103 (less than half of replacement cost). This was nearly a 45% discount to its own historic valuation metrics and a pronounced discount to peers, most notably Holcim AG. Heidelberg had long been considered the "cheapest" of the global major cement manufacturers due to its high emerging markets exposure (~30%), above average financial leverage, and mostly, in my opinion, the industrialist mindset of its management team. None of this, however, was true anymore.

The firm is 28% owned by the Merckle family, who owned 79% until 2010 when they were forced sellers to reduce personal debts. From 2005 until January 2020 it was run by CEO Bernd Scheifele, a longtime lieutenant to the family who I have interacted with for many years. Scheifele retired in 2020 and returned as Chairman in 2022 after a mandatory cooling-off period. He was replaced by his longtime deputy, Dominik von Achten, who has been with HeidelbergCement since 2007. As you might guess, the business is run like a family firm, and in the case of Heidelberg, this means a history of "strategic" acquisitions with unaggressive ROIC targets, an aversion to disposals, and generally subpar capital allocation policies.

Returns on capital employed historically lagged cost of capital, and management consistently ignored portfolio optimization opportunities.

Von Achten’s arrival in 2020 proved a departure from this history, and he surprised the market with his willingness to prioritize shareholder returns. In May 2021 the company sold the U.S. West division of its Lehigh Hanson subsidiary to Martin Marietta for \$2.3bn, a previously unimaginable disposal. The 12x EV/EBITDA valuation they achieved for this sale compared with Heidelberg’s own 5x valuation at the time. To capitalize on this valuation arbitrage, in August 2021 they announced a €1.0bn buyback program, the first ever for the company. A second buyback program of €1.2bn was launched in 2024. After years of limited shareholder returns, this marked an accretive shift in capital allocation policy.

Much of this was well understood by the time we invested in mid-2024. At the time of our investment, heavy-side building materials stocks were cyclically out of favor. Cement had experienced several years of strong per-ton pricing growth despite limited volume demand growth. Investors worried about when the cycle would turn and how much pricing power there was going forward. The market underestimated the duration of the (ongoing) upcycle and the structurally improved quality of earnings among heavy-side building materials firms, all of which have cleaner balance sheets and better capital allocation policies relative to past cycles. In a flight to perceived quality, Heidelberg’s legacy reputation made it a relative underperformer, despite the board’s clear prioritization of per-share value creation and balance sheet health. Highly compelling to me was the fact that, at the time of our investment, North America represented 28% of group EBITDA but if valued in line with US peers was worth 60% of Heidelberg’s enterprise value, leaving the rest of the business trading at just 3x EV/EBITDA.



Source: LSEG consensus estimates

Ultimately this thesis proved out faster than I expected. The entire sector re-rated over the course of 2025, with Heidelberg a leading beneficiary. I valued the business at 8x EV/EBITDA, which I consider conservative for a business that remains highly cyclical. As the share price rapidly approached our target I progressively trimmed and then exited the position during the second half of 2025. Heidelberg today trades at 10x forward EV/EBITDA, which I consider a full valuation.

The greater-fool game

“Speculation offers the prospect of instant gratification; why get rich slowly if you can get rich quickly? Moreover, speculation involves going along with the crowd, not against it. There is comfort in consensus; those in the majority gain confidence from their very number. Today many financial market participants, knowingly or unknowingly, have become speculators. They may not even realize that they are playing a ‘greater-fool game,’ buying over-valued securities and expecting—hoping—to find someone, a greater fool, to buy from them at a still higher price.”

-Seth Klarman, Margin of Safety (1991)

I am not a macro investor and don’t spend time predicting macro events, other than to stress test the businesses we own. However, as I’ve repeatedly written, certain macro trends give me confidence that our strategy has tailwinds supportive of future outperformance. These include: (1) extreme concentration within purportedly diversified indices like the S&P 500, (2) the underperformance of so-called value investing strategies, and (3) the underperformance and unpopularity of non-US markets.

The first of these three trends has continued to move against us since Aventine’s launch in June 2024. US market concentration is at historic highs, with a small handful of highly correlated tech companies driving index-level returns. While the music keeps playing, investors keep dancing. I do not invest this way and have been reducing our net exposure over the last several months as our portfolio has done well and the expected future returns of some of the businesses we own have contracted. Our pipeline of attractive prospective investments remains healthy, but my quality and valuation tolerances have narrowed. Even well-run and cheaply valued businesses will see their valuations decline in a market correction.

A vivid example of the speculative times we’re in was captured in an October 31st podcast [interview](#) that I encourage you to watch. In it, noted tech investor Brad Gerstner speaks with OpenAI CEO Sam Altman and Microsoft CEO Satya Nadella about the ongoing AI infrastructure buildout. Gerstner is a large investor in OpenAI and the interview is predictably friendly, yet still provoked the following exchange:

Gerstner: So, I think the single biggest question I’ve heard all week, and hanging over the market is, how can a company with \$13 billion in revenues make \$1.4 trillion of spend commitments, you know, and you’ve heard the criticisms Sam ... [interrupted by Sam]

Altman: First of all, we’re doing well more revenue than that. **Second of all, Brad if you want to sell your shares I’ll find you a buyer.** I just, enough. I think there are a lot of people who would love to buy OpenAI shares. I don’t think you want to sell them, Brad. I think there are people who talk with a lot of breathless concern about our compute stuff or whatever who would be thrilled to buy shares. So, I think we could sell your shares or anybody else’s to some of the people who are making the most noise on twitter about this very quickly.

Rather than answering the question, Altman invokes the comfort that comes from consensus, shaming Gerstner by noting that “a lot of people” would readily buy his OpenAI shares. Maybe so, but that doesn’t

negate the validity of the question. And for the record, OpenAI's revenues could be materially higher than Gerstner suggested and the question would still be highly relevant.

CEOs shouldn't discuss their share price or investor demand for their stock outside of the context of capital allocation (issuing or retiring equity). Invoking investor demand to distract from a difficult question about spending capacity is a red flag. As is taunting short sellers, which Altman goes on to do:

So you know, there are not many times that I want to become a public company, but one of the rare times it's appealing is when those people who are writing those ridiculous "OpenAI is about to go out of business" and you know, whatever, I would love to tell them that they can just short the stock and I would love to see them just get burned on that.

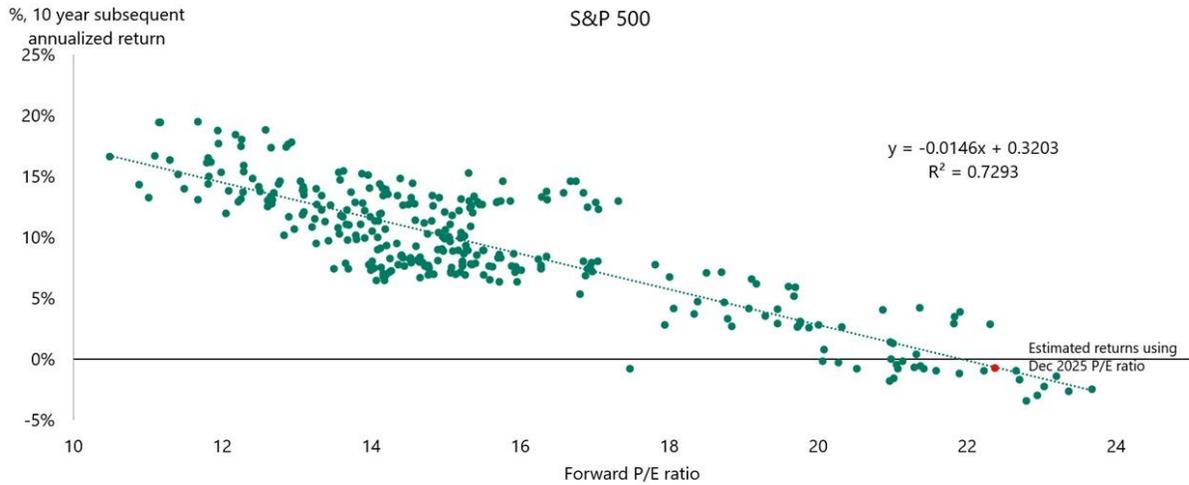
I don't mean to pick on OpenAI. While the composition of our portfolio doesn't reflect it, I spend a lot of time thinking about LLMs and the impact of AI on our investment universe. OpenAI's ChatGPT is an incredible product that I use daily. Most of the MAG7 are incredible businesses. But investors cannot divorce business quality from equity valuation. Buying a great business at too high a price is a speculation, and I'm not in the business of speculating.

Ironically, in the background of Gerstner's office during this interview are two prominently displayed books: Benjamin Graham's *Security Analysis* and Andrew Ross Sorkin's *1929: Inside the Greatest Crash in Wall Street History*. Their discussion would have benefited from the lessons in both of those books.

As I wrote in the 2024 year-end letter, over time you should rate my performance relative to readily available investment alternatives, most obviously the MSCI ACWI ex-US index and the S&P 500 index, both of which I reference at the top of every quarterly letter. My goal is to generate excess returns through a market cycle, and I expect to do this in part by avoiding the irrational exuberance of broader market participants.

I continue to find Europe the most attractive hunting ground for quality businesses trading at depressed valuations. It is home to world-class companies serving global end markets, many of which stand to benefit from improved capital allocation strategies and/or investor engagement. The US, by contrast, is highly indexed and correlated, with statistically low future expected returns given today's high starting valuations.

The chart below from Apollo plots out the subsequent 10-year annualized returns based on various starting P/E ratios for the S&P 500, with a clear trend. Note the red dot estimate for 2025.



Source: Apollo

I'm particularly happy with our 2025 results given the low amount of risk I believe we took to achieve these results. I define risk as the permanent impairment of our capital, which I'm maniacal about protecting. We own a concentrated portfolio of prudently capitalized operating businesses that are cash generative *today* and that trade at fair-to-low valuations against normalized earnings that are highly predictable. I find this a reliable and repeatable way to compound capital.

Even after last year's strong performance, on a position-weighted basis the Aventine portfolio currently trades for approximately 6.5x EV/EBITDA, 12.5x earnings and a 6.5% levered free cash flow yield (all forward estimates). By comparison, the S&P 500 trades at 22x forward earnings, a high figure that I believe understates the true amount of risk within the index due to the concentration of large companies trading at stretched valuations. According to Bloomberg, the twenty largest S&P 500 constituents make up 50% of the index and trade at a market-cap weighted average 39.5x forward earnings (27.9x when excluding Tesla, which of course the index doesn't do). Most of these companies are incredible businesses, but that doesn't automatically make them great equity investments.

In Closing

The partnership's 2025 audit is once again being conducted by Spicer Jeffries, although note that following their merger last year the firm has rebranded to Cherry Bekaert. K-1 forms should be available in late February and will be distributed via email by the fund's administrator, Liccar. We expect modest taxable income thanks to the offsetting benefit of realized losses against our realized gains.

Thank you for your confidence and support. I take seriously the responsibility of investing your capital and am particularly humbled by your decision to invest as founding partners. As one of the largest investors in the fund, my experience is the same as yours. I remain excited about the companies that we own.

I would again like to thank the team at Kinney Asset Management for their backing and support: Peter Kinney, Brent Batts, Karen Moore and Adam Schloss.

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. Wishing you all a happy and healthy 2026.

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.

⁴ Return attribution is based on unaudited internal estimates and reflects the Adviser's good-faith allocation of the Fund's net performance among individual investments, cash, hedging activity, management fees, incentive allocation, and other fund-level expenses. Attribution results are inherently subjective, involve assumptions and judgment, and are not standardized. Management fees and incentive allocation are presented on a grossed-up basis to reflect the experience of fee-paying limited partners throughout the entire period presented. Actual results may differ materially, and partners are advised to refer to their individual account statements. Past performance is not indicative of future results.

⁵ Gross IRR for the Fund is based on unaudited internal estimates and reflects the Adviser's good-faith estimate of fund performance prior to all management fees, incentive allocation, and fund-level operating expenses, including administration, tax, and audit fees. Net IRR for the Fund is calculated by the Fund's administrator.

⁶ Gross IRRs for individual positions are based on unaudited internal estimates and reflects the Adviser's good-faith estimate of performance prior to all management fees, incentive allocation, and fund-level operating expenses, including administration, tax, and audit fees. Attribution results are inherently subjective, involve assumptions and judgment, and are not standardized.

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