



Dear Partners & Friends,

For the second quarter 2024, Ace River Capital Partners, L.P. (the “Fund”) returned -14.05%. Over the same period, the S&P 500 (SPX) and Russel 2000 (RTY) Indexes returned 4.25% and 5.19%, respectively. With full year for the fund -22.99 % vs 16.92% for S&P 500 and 8.44% for Russel 2000.

### **Strategy**

My goal is to maintain a concentrated portfolio of small and micro-cap companies with unique advantages and growth potential within their respective industries. The aim is to hold them for the long term. Finding such companies requires significant time and effort. Due to the scarcity of suitable opportunities, constraints on time and resources, and opportunity costs, I will take substantial positions in the companies that meet my criteria and pass my risk/reward assessment. I do not subscribe to wide diversification and only research and follow a limited number of companies deeply. I will not spend much time on a company if I am unwilling to take a substantial position and have the conviction to add to that position on weakness. This approach requires a lot of research and patience. There will be long periods of inactivity with few trades, and I will rarely hold more than 5 companies at a time. I will normally aim to have one short position. The short position will usually target a much larger company than the small and micro-cap companies held as long positions. This strategy accepts short-term volatility in pursuit of higher, long-term, tax-efficient returns.

### **Top Position**

The fund’s top position is RCI Hospitality (RICK). RICK is the only publicly traded owner of adult nightclubs in the US. Currently they own 56 clubs across 13 states and an additional 13 sports-bar restaurants with the “Bombshells” concept that has recently begun franchising. With few municipalities issuing new adult entertainment licenses these businesses function as local monopolies with excellent unit economics. Management has recently announced the withdrawal of applications to operate casinos in Colorado and plans to sell those properties. I do not believe the company has a competitive advantage in the casino space and it seems most investors agree as this news was followed by a strong run up in the stock price. The stock price has taken a hit this year with the drop in same store sales figures. With the recent earnings update showing the first quarterly increase in nightclub same-store sales since 2Q23 along with the \$25MM increase in buyback authorization from the board of directors, I am happy to see the company prepare to take care of undervalued share price and also shed the casino division to put that capital into more club acquisitions in the future. I still believe the OnlyFans type site “AdmireMe” to have extremely strong potential and am excited to see the launch.

7/15/2024



### Position Moves

Vox Royalty (VOXR) has experienced a strong rise in share price (+35.86%) over the last six months. With a strong cash position, no debt and a portfolio of mining royalties coming into production over the next few years I am excited about this position.

MarineMax (HZO) has received buyout interest from Island Capital and OneWater recently. This is positive news and serves as confirmation that the share price is indeed undervalued at these prices. My desire to have ownership in marinas and waterfront real estate in desirable areas is the main thesis for this investment. If a buyout occurs, I will have to reassess and may look to get similar exposure in the new company or elsewhere.

Fund Positions - In Order of Portfolio Weight

**RICK, VOXR, HZO, DSHK**

7/15/2024

Thank you for reading. Please reach out for any reason.

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