



Dear investors,

For the second quarter 2025, Ace River Capital Partners, L.P. (the “Fund”) returned -5.33%. Over the same period, the S&P 500 (SPX) and Russel 2000 (RTY) Indexes returned +4.1% and +3.6%, respectively.

The fund underperformed this quarter, largely due to weakness across several core holdings despite no material changes to long-term business value. We remain focused on what matters: owning a handful of high-quality small-cap businesses with durable economics, competent management, and the ability to reinvest at attractive rates.

### **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. I will be focused on companies that have tangible assets with a preference for unique real estate such as special purpose licensed locations (RICK), waterfront property and marinas (HZO), equity participation interest in mineral deposits and mining operations (VOXR). This strategy will usually avoid companies that are involved in software, finance or insurance. 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 five companies at a time. This strategy accepts short-term volatility in pursuit of higher, long-term, tax-efficient compounding returns.

### **Portfolio Updates**

**RCI Hospitality. (RICK):** RICK is the only publicly traded owner of adult nightclubs in the US. Currently they own 57 clubs across 13 states and an additional 12 sports-bar restaurants with the “Bombshells” concept. With few municipalities issuing new adult entertainment licenses these businesses function as local monopolies with excellent unit economics. These clubs have limited potential buyers with RICK establishing themselves as the buyer of choice for any club owners looking to sell. This provides a long runway for growth.

RICK continues to do what it does best—generate cash, reinvest it intelligently, and grow shareholder value. They remain the dominant consolidator in the gentlemen’s club industry, a space with over 500 targets that meet their acquisition criteria and very little real competition. The most recent quarter showed steady operating results and strong free cash flow. The stock remains undervalued relative to normalized earnings power, especially given the capital allocation discipline this management team has shown.



**Vox Royalty Corp. (VOXR):** Vox continues to build value through disciplined royalty acquisitions and cash-flowing assets in Tier 1 jurisdictions. This quarter brought updates on multiple key projects advancing toward production. With more than 60 royalties, several near-term catalysts, and a capital-light model, Vox is well-positioned to grow free cash flow without the dilution or capex risk that plagues traditional miners. We continue to believe the market underappreciates the earnings power and embedded optionality in the portfolio.

**MarineMax (HZO):** HZO faced pressure this quarter as retail boat sales continue to normalize post-COVID, compounded by higher interest rates. That said, the company is quietly transforming its business model by increasing its mix of service, storage, and marina operations—higher-margin, recurring revenue streams that improve business quality and reduce cyclicality. The market seems focused on the next quarter. We're focused on the next few years. We added slightly to our position at what we believe are attractive long-term prices.

#### **Looking Ahead:**

The market continues to reward a narrow group of large-cap tech stocks, while small-caps remain broadly ignored. That's fine with us. We think this disconnect is creating some of the best opportunities we've seen in years. Many of the names on our watchlist trade at deep discounts to intrinsic value. We're prepared to act when the setup is right.

We'll continue to stay patient, focused, and selective.

5/5/2025

Fund Positions – In Order of Portfolio Weight

**RICK, VOXR, HZO, DSHK**

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

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5/5/2025