AREVILO CAPITAL FUND, LLC

January 27, 2025

Dear Partner,

Arevilo Capital Fund ("Arevilo") had a 43.5% net return in 2024, the fund's best year since inception. We are proud of the result, but this level of performance is rare and unlikely to be replicated in the near-term. We've worked hard since 2022 to improve the portfolio and we will continue to build on this going forward.

In the second half of 2024 we sold our positions in Liberty Broadband (owns 26% of Charter), Comcast, and Restaurant Brands International. As mentioned in our last letter, we believed Comcast and Liberty Broadband would return significant cash to shareholders over time, driving shareholder returns. We also believed broadband competition from fiber and fixed-wireless providers would abate, allowing Comcast and Charter to grow subscribers in the near-term. Our belief, in hindsight, was wishful thinking. Competitive pressures in the broadband industry have been more significant and longer lasting than we appreciated. Owning businesses over the long-term because of their strengths and growth prospects will almost always outweigh owning them for their return of capital. We sold our cable investments and moved on.

We sold Restaurant Brands International as the competitive intensity in the fast-food industry ramped-up. Brands such as McDonalds, KFC, and Wendy's have been increasingly aggressive with their promotions and value offerings[1]. Higher-end brands, such as Starbucks, have needed to adjust their menus as well. We had a small loss in the investment.

Our portfolio consists of five companies and a 6% cash position. We have a very concentrated portfolio, but our investment philosophy is not about making large investments to trade in and out of. We buy businesses/stocks with a view on owning them for the long-term. The words "long-term" are used liberally by many investors, as if it were a rule. For Arevilo, being a long-term investor does not mean we never sell an investment unless we hold it over many years. It means we make an investment, and continue to hold it, if our long-term views on a company remain positive.

If we believe Netflix's earnings will be significantly higher in five years (and beyond) *and* the stock price does not fully reflect the earnings potential, we buy and hold for the long-term. However, if we make an investment in a company and its earnings potential is then impaired (due to competition or other factors), we are likely to sell.

Finding companies that one is confident in over the long-term is rare. To have a long-term view on any business requires insight that comes from studying a company and its industry over time-it does not happen overnight. Today, we feel very confident in the long-term financial outlook of our five holdings. That list may change as we find new investment opportunities and re-evaluate our views on current investments. Holding an investment over many years is the desired outcome, but not always the result. We are not rules-based investors, we are analysis and judgment-based investors.

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[1] A wave of significant menu changes is reshaping fast food | CNN Business

Portfolio Overview (in order of position size)

Formula One Group

Formula One had a great 2024. The Formula One season was competitive, a record number of races were held (24 races), and large new sponsorship agreements were signed (most notably with LVMH Group). Full year operating earnings are expected to increase 12% in 2024 (year-end results will be released in February). In 2025, Formula One Group will negotiate its U.S. television rights deal, which we believe will see high demand from prospective buyers (including streaming players such as Amazon and Netflix). European Union regulators are determining whether they will approve Formula One Group's acquisition of MotoGP. We expect more clarity on that transaction by mid-year.

Liberty Live

We invested in Liberty Live because it owns a 30% stake in Live Nation (a concert promoter, venue owner/operator, and ticketing platform) and traded at a large discount to the value of its holdings. The live entertainment industry is difficult to disrupt with technology, and it's highly valued by consumers and performers. In other words, we believe the long-term outlook for Live Nation and the live entertainment industry is bright. Additionally, Live Nation is in a multi-year investment cycle to build, renovate, and/or acquire 35 venues through 2029. Management believes these investments will increase operating earnings by $400 million, or roughly 20% of this year's expected operating earnings of $2.1 billion. We believe Live Nation's existing growth combined with the venue expansion will result in high-single digit earnings growth for years to come.

TKO Group

TKO's sports/entertainment properties, UFC and WWE, performed well in 2024. UFC saw high demand for live events and sponsorships, such as Bud Light. TKO is currently negotiating UFC's U.S. television rights, which we expect to have strong demand from potential partners (as is the case with Formula One). WWE signed a transformational global television deal with Netflix that kicked off on January 6th. Under the ownership of TKO, the pool of WWE sponsors has expanded, including Prime Hydration and Fortnite. We expect the strong trajectory at the UFC and WWE will translate into long-term value creation for investors.

Disney

Disney is a content/IP company, and in 2024 it delivered four box-office hits: *Inside Out 2*, *Deadpool & Wolverine*, *Moana 2*, and *Mufasa: The Lion King*. Annual box office "hits" are far from guaranteed, but they are especially important to Disney because it monetizes IP across movie theaters, television/streaming, theme parks, hotels, cruise ships, and licensing. CEO Bob Iger has restored Disney's focus on creating quality content, and operational discipline to deliver long-term earnings growth. It will be difficult for Disney to outperform its 2024 movie slate this year, but our confidence in its ability to produce many hits over time continues to be high.

Netflix

Netflix reported its best quarter *ever* for subscriber growth this month, with 18.9 million net new subscribers added in the fourth quarter of 2024 (bringing the total number of global subscribers to 301.6 million). Netflix's subscriber growth is being boosted by its advertising subscription tier and live content offering (notably the Tyson versus Paul boxing fight and the NFL Christmas games). Netflix is investing in the right content (including sports) to drive subscriber acquisitions, user engagement, advertising sales growth, and price increases. Their lead in global streaming is widening and their content budget is expanding, which makes us confident in Netflix's long-term growth profile.

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Thank you for your continued trust and confidence in Arevilo.

As always, do not hesitate to contact me with any questions.

All the best,

Francisco M. Olivera