

4th Quarter and 2014 Performance Report <sup>(1)(2)</sup>

|                                   | Q4     | 2014   | Inception To Date |
|-----------------------------------|--------|--------|-------------------|
| <b>ADW Capital Partners, L.P.</b> |        |        |                   |
| Gross Return                      | 14.44% | 30.66% | 288.88%           |
| Net Return                        | 11.40% | 22.26% | 211.36%           |
| <b>Major Market Indices</b>       |        |        |                   |
| Dow Jones                         | 5.17%  | 10.03% | 68.46%            |
| S&P 500                           | 4.93%  | 13.69% | 76.51%            |
| NASDAQ                            | 5.40%  | 13.40% | 76.64%            |
| Russell 2000                      | 9.73%  | 4.89%  | 61.89%            |

(1) The table above reflects the performance of the Fund for the current quarter, year-to-date and since inception of the Fund. Net returns are net of underlying management and performance fees and expenses as well as brokerage and/or custodial fees and expenses. All returns include the reinvestment of dividends and other earnings. Quarterly and year-to-date figures are estimates and unaudited and have been calculated by the Fund's independent administrator, SS&C Fund Services. The Fund's performance results have been audited for calendar years 2011, 2012, and 2013 by the Fund's independent auditor, Marcum LLP. Inception-to-date figures incorporate audited results from prior years and unaudited results from the current year. Statements from the fund's prime broker (BTIG) and custodian (Goldman Sachs) can be provided upon further request. Past performance is not necessarily an indication of future performance or profitability. See Important Notes on **page 4**.

(2) References to Dow Jones, S&P 500, NASDAQ, Russell 2000 and other indices are for informational purposes only. See Important Notes on **page 4**.

Dear Partners,

It is our pleasure to report results for the fourth quarter of 2014, the 16<sup>th</sup> quarter since inception and our fourth anniversary.

At the risk of sounding like a broken record, we want to reiterate a critical point discussed in all quarterly letters. ADW Capital Partners, L.P. (the "Fund") operates a concentrated, tax-sensitive and long-term strategy designed to minimize correlation to the broader indices with a focus on **avoiding permanent capital loss**. Inevitably, this approach will result in periods of underperformance. By the same token, our efforts to maintain a lower correlation strategy driven by company-specific outcomes may produce significant outperformance in periods of market weakness, as we saw in 2011. We are not traders, return chasers or month-to-month stock jockeys. We are **investors** who look for opportunities to return multiples on the Fund's capital in a tax-efficient manner over an extended period of time. While this strategy may yield lumpy results, we believe it limits idea dilution and protects the Fund's returns from Uncle Sam and Wall Street.

#### **Portfolio Update:**

2014 was an interesting year for the stock market to say the least. While the broader large capitalization indices would indicate the "market(s)" yielded an above average return, a deeper look into the data would render a very uneven distribution of corporate stock price returns. First off, the Russell 2000 greatly underperformed its larger peers indicating smaller companies were finding it harder to keep up with larger companies to generate earnings growth and/or they were already overvalued. In the case of the S&P 500, we saw very respectable returns from mega-capitalization behemoths like Apple, Facebook, Microsoft, and pharmaceutical/healthcare stocks while witnessing abysmal returns from various commodity and energy related names.

We draw three observations from this data. The first and most obvious is that when the "tide comes out", large companies with sustainable moats and secular growth characteristics tend to find leadership positions in earnings growth and subsequently stock price performance. The second observation is that the maxim that small always outperforms big is a misnomer. We find that in the middle innings of the economic cycle, "Bigger is Better"; the successful companies are already market leaders in a mature space taking price and margin or are first movers in consolidation. There are many explanations for this phenomenon. The easiest answer is the access to the debt and equity markets. Larger companies tend to have lower costs of debt and equity, which makes it easier for them to make high return investments or acquisitions. A second argument is that larger companies can make more profits for the same incremental dollar of revenue as a smaller company. Usually a larger company does not need to add to its already built out infrastructure to accommodate that incremental dollar of revenue vs. a smaller company. Incrementally, if a bigger company buys a smaller one, they can not only remove various personnel / corporate costs but perhaps leverage their own purchasing power, supplier agreements, etc. to make that same dollar of revenue go even farther. The two investments we detailed in our second and third quarter letters, Diamond Resorts and Graphic Packaging were direct beneficiaries of this phenomenon. Both companies were "rolled up" through acquisition leveraging their own infrastructure to deliver a higher quality product to the customer at a lower cost based on their growing scale advantages. We continue to be constructive on these types of companies in the world of zero interest rates.

A third and perhaps unrelated observation is that while many investors got caught in the crosshairs of lower energy prices, we believe that long term this is one of the best things that could happen for the consumer and industrial competitiveness in America. While job growth may slow down in the Permian temporarily, it does not mean that Dow Chemical can't restart chemical production in the US with input costs making labor cost differences less relevant. In fact with lower input/energy costs, companies can afford to restart production in industries that were borderline competitive before and also transfer some of these savings to workers by way of wage growth at facilities already in production. Let us also not forget that seventy percent of US GDP is consumer spending. The average American got a huge "bonus check" at the end of last year. We are already seeing some of that money being "reinvested" into new auto sales but I expect those dollars to permeate into other industries like retail/grocery, restaurants, and travel/leisure. Thankfully, we have exposure to all three of these categories!

While still very early in the year, the fund is off to an excellent start logging strong gains since January. The fund is also building a position in a Company we are very excited about and hope to be able to discuss with you in future quarters in greater detail.

**Operational Update/Conclusion:**

The Fund is doing well in 2015 and continues to grow. We have settled into our new office at 1133 Broadway and would encourage you to stop by and see us anytime. We want to thank all of you again for the opportunity to steward your capital and look forward to many more years with you as partners.

As always, we are available to answer any and all of your questions regarding the operations of the Fund or about the exciting opportunity set we are currently deploying capital into.

Regards,

Adam D. Wyden

**IMPORTANT NOTES**

This report is being furnished by ADW Capital Management, LLC ("**ADW**") on a confidential basis to existing limited partners in ADW Capital Partners, L.P. (the "**Fund**") and does not constitute an offer, solicitation or recommendation to sell or an offer to buy any securities, investment products or investment advisory services. This report is being provided to existing limited partners for informational purposes only, and may not be disseminated, communicated or otherwise disclosed by the recipient to any third party without the prior written consent of ADW. Any offer or solicitation of an investment in the Fund may be made only by delivery of the Fund's confidential private offering memorandum to qualified investors.

An investment in the Fund involves a significant degree of risk, and there can be no assurance that its investment objectives will be achieved or that its investments will be profitable. Unless otherwise noted, the performance results of the Fund included in this report are presented on a net-of-fees basis and reflect the deduction of, among other things, underlying management and performance fees and expenses as well as brokerage and/or custodial fees and expenses. Performance results also include the reinvestment of dividends and other earnings. Certain of the performance information presented in this report are unaudited estimates based upon the information available to ADW as of the date hereof, and are subject to subsequent revision as a result of the Fund's audit. An investor's actual performance and actual fees may differ from the performance information shown due to, among other factors, capital contributions, withdrawals and eligibility to participate in "new issues." The value of investments can go down as well as up. Past performance is not necessarily an indication of future performance or profitability. An investment in the Fund is subject to a wide variety of risks and considerations as detailed in the confidential private offering memorandum of the Fund.

References to Dow Jones, S&P 500, NASDAQ, Russell 2000 and other indices herein are for informational and general comparative purposes only. There are significant differences between such indices and the investment program of the Fund. The Fund does not invest in all or necessarily any significant portion of the securities, industries or strategies represented by such indices. References to indices do not suggest that the Fund will, or is likely to achieve returns, volatility or other results similar to such indices.

This report and the accompanying discussion include forward-looking statements. All statements that are not historical facts are forward-looking statements, including any statements that relate to future market conditions, results, operations, strategies or other future conditions or developments and any statements regarding objectives, opportunities, positioning or prospects. Forward-looking statements are necessarily based upon speculation, expectations, estimates and assumptions that are inherently unreliable and subject to significant business, economic and competitive uncertainties and contingencies. Forward-looking statements are not a promise or guaranty about future events.

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