

Peer Insights

R E P O R T

Q&A with James A. Dunn Jr. & Darren C. Wallis

Managing Partner of AVI Partners

Principle Series:

Family Office Insights sits down with both James A. Dunn, Jr. and Darren C. Wallis of AVI Partners, LLC to discuss their unique value proposition and why they're betting on community banks.

AVI | Partners

Family Office Insights is a voluntary, "opt-in" collaborative peer-to-peer community of single family offices, qualified investors and institutional investors.

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Q: What is AVI Partners?

A: AVI Partners focuses on value-oriented, special situation investing where identifiable catalysts are available to unlock value for all shareholders.

Q: You have created a niche for yourself with investing in community banks. What is your strategy and how does it differ from others?

A: We focus on investing in community banks that are trading near tangible book value, are overcapitalized and have a clear path to increasing their value. We do not just look at the current situation, we look at what a bank could be in the future. Then we help it get there.

Generally, a transitory issue is causing low returns on equity. If needed, we will work with management to formulate and execute a plan to improve operations and returns on equity. There are not many other investors are doing such deep due diligence on these types of smaller banks. There are also not many investors who look to partner with management as we do.

Q: What is the opportunity for investing in community banks? What does the market look like?

A: There are many opportunities in this space. The first is consolidation. The industry is consolidating nationwide, and we concentrate on the areas where it is happening the fastest.

The second is improving operational and capital efficiency. Some of these banks do not have management teams focused on returns on equity. We can help guide them. Any type of deregulation or decrease in taxes would also help these banks in a significant way. Compliance costs are very high for small institutions and most of them pay the full tax rate.

Third, we invest mostly in asset sensitive banks, meaning that they will benefit from a rise in interest rates. Even a small increase in “net interest margins” will drive significant earnings growth.

Q: What type of investors are you looking to attract?

A: Given the nature of these investments, we are looking for long-term investors who are willing to hold stocks long enough for the stories to play out. We intend to hold these stocks for 2-3 years, which should make it an attractive strategy for taxable investors.

Q: What has AVI's performance in this strategy been?

A: As of December 1, 2016, the fund has returned +30.46% year-to-date, net of management fees and expenses.

Q: How do you plan to grow AVI Partners? What's next for you?

A: We plan to grow this strategy prudently since the smaller nature of the stocks limits how much we could invest. We do not think we are near this ceiling yet, but we will be disciplined when the time comes.

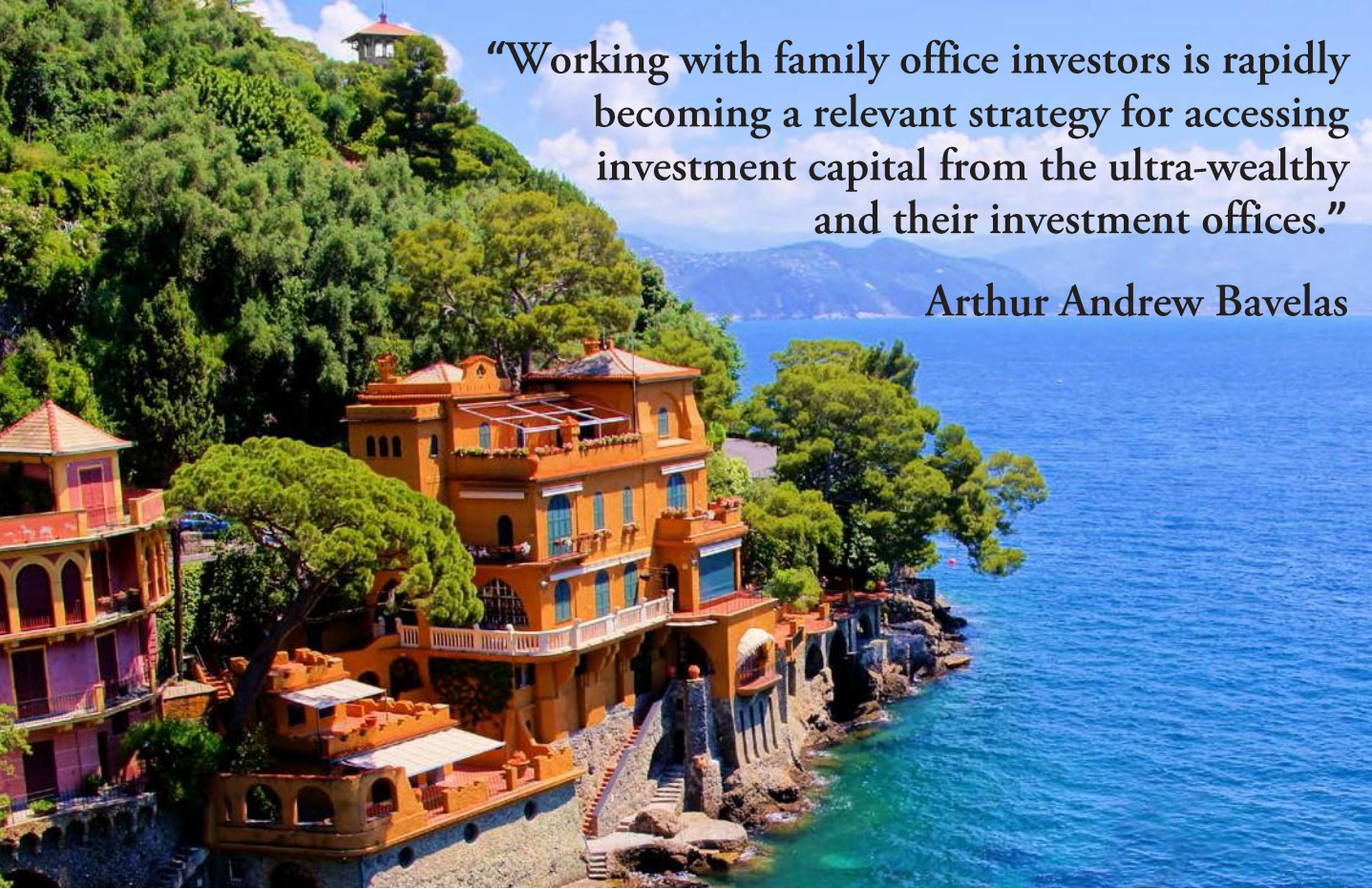


James A. Dunn, Jr., & Darren C. Wallis

James A. Dunn, Jr., Portfolio Manager, is a Managing Partner at AVI Partners and has 22 years of investment experience. Prior to AVI, he was Managing Director at Miller Investment Management, where he executed direct investment and global allocation programs. Prior to Miller, Jay was Managing Partner at Hatteras Investment, an investment partnership focused on special situation investing in undervalued public companies. Prior to Hatteras, Jay held several principal investment positions at investment firms. Jay received a B.A. in Economics at UNC-Chapel Hill and a Juris Doctor at the University of Richmond.

Darren C. Wallis, Portfolio Manager, is a Managing Partner at AVI Partners and has 16 years of investment experience. Prior to AVI, Darren was a Partner at Guggenheim Partners where he led the Active Value group which investment in undervalued small-cap public companies. Prior to Guggenheim, he was Partner and Portfolio Manager at Permit Capital where he led direct private equity and opportunistic public company investments. Prior to Permit, Darren held several principal investment positions at investment firms. Darren received a B.S in Chemical Engineering from the University of Notre Dame and a Juris Doctor, cum laude, from Duke University. He is a Commissioned Officer (retired) in the United States Navy.

For more information, please visit <http://www.avipartners.com/> or email Jay and Darren at jdunn@avipartners.com and dwallis@avipartners.com, respectively.



“Working with family office investors is rapidly becoming a relevant strategy for accessing investment capital from the ultra-wealthy and their investment offices.”

Arthur Andrew Bavelas