



Quarterly Letter, April - June 2019

	Apr	May	Jun	Q2 2019	YTD	Since Inception	Annualized
Curreen Capital Partners LP	8.30%	-3.34%	1.37%	6.11%	27.83%	121.6%	14.0%
S&P 500	4.05%	-6.35%	7.05%	4.30%	18.54%	104.5%	12.5%
MSCI World (US Gross)	3.57%	-5.73%	6.62%	4.09%	17.20%	70.1%	9.1%

Dear Partner,

Our fund was up 6.1% in the second quarter. We bought shares of Kontoor, which you may remember from our Q1 letter - where I described the business as an airplane falling out of the sky.

So... why did we buy it?

Because it fits our investment strategy: it is a good business, managed well and on behalf of shareholders, where our purchase price offered an attractive upside-to-downside ratio.

Kontoor sells Wrangler and Lee jeans, and that is a good business - generating 20%+ returns on capital. It is not a growth business - their revenues and earnings are about the same as they were in the mid-2000s, and the late-1990s for that matter. Throughout these years, Kontoor's jeans business has been treated as a cash cow, funding growth and acquisitions at its parent, VF Corp. Kontoor is likely to continue to be a cash cow, and now its earnings will flow to debt repayment and shareholder dividends.

I like Kontoor's management - CEO Scott Baxter previously ran the business—well—and was promoted to run sexier parts of VF (including the cooler and faster-growing Vans and North Face brands). He then chose to return to the jeans business, and have all of his VF stock options convert into Kontoor stock options. I like this a lot - he knows the business, has successfully run it before, and has chosen to return to it and tie his own wealth to its success. This is also his shot to show what he can do as a CEO. I am a fan of this combination of demonstrated ability and personal and financial incentives to drive success.

I am also a fan of the board of directors - the Chairman was VF's CFO from 2005 to 2015, a period in which VF successfully grew, through acquisitions and internal investments, without diluting shareholders. I believe that part of that limited dilution is due to the share ownership of the founding Barbey family, which is represented on the board by Juliana Chugg. A large founding family shareholder is often evidence of both an excellent business and that the family have been good capital allocators - only a durable business and a capable family can prevent a large shareholding from fading with time. As the family representative, Ms. Chugg's presence on the board gives me confidence that Kontoor will be friendly to shareholders - avoiding excessive share dilution and other actions that benefit management at the expense of shareholders.

While I like Kontoor's business and management, I was initially put off by its stock price. It began trading in the when-issued market at \$40.50 per share, which implied an unattractive upside-to-downside ratio. Then VF shareholders realized that they owned a company that sold sub-\$20 jeans at Walmart, and they sold and sold. After all, if you are excited by the prospects of Vans, North Face, Timberland, Dickies, and VF's other cool brands, it might be hard to stomach owning a company that sells Walmart jeans.



I love spinoffs like this. The parent company does something exciting and cool, and the spinoff does something boring or unpleasant. Perhaps the parent company CEO damns the spinoff with faint praise, but regardless - the shares are sold almost as soon as shareholders realize that they have received them.

That is when we show up - having already researched the company, evaluated it on the basis of our three key criteria, and decided that it is actually wonderful. An ugly duckling—with high and sustainable returns on capital, run by a capable and shareholder-friendly management—cast aside for being a bird of a different feather.

As with any investment, there are issues at Kontoor, particularly at Lee, which has been performing poorly in the past few years. Chris Waldeck runs the Lee business and bears watching. His previous role at Reebok does not inspire confidence that he can turn Lee around, and I imagine that he is on the hot seat. Nevertheless, I think that Kontoor's CEO has the ability and incentives to make any changes that become necessary, and at the \$28.64 that we paid for our shares, our downside is limited even if Kontoor struggles to regain traction.

Kontoor fit each of our three key criteria and we made it a 5% position - similar in size to GetBusy and Kopparbergs. As much as I like Kontoor, I was unwilling to sell shares of any of our big four positions (TopBuild, Garrett, Nilorn and MicroFocus) to buy it.

Our Investment Strategy

Our investment strategy is to focus on three key criteria: a good business, management and price. They are simple criteria, almost to the point of being obvious.

I write about them because they are so powerful.

With clear criteria to evaluate, we quickly discard a lot of potentially great ideas, and focus on the few that match what we have shown that we can take advantage of. For example, I know some outstanding investors who have become interested in shipping stocks. The sector has been bombed out and interesting things are happening - but the companies do not meet our good business test (nevermind trying to evaluate their management teams). So we discard the entire sector and move on to look at other businesses, like Kontoor. Shipping stocks may be outstanding investments—I hope they are!—but any time that we spend analyzing them is time that would be better spent on opportunities that meet our standards.

There are dozens of interesting opportunities like shipping stocks. Our strategy lets us quickly move past them to focus on opportunities that we can seize.

Our investment strategy also lets us cut through uncertainty and fear about what the future will bring. We do not have to predict how the economy and financial markets will perform. I.e. we do not have to forecast the twists and turns of the most complicated system ever created by mankind. We *simply* have to evaluate a business, its management, and compare the market price to our reasonable and downside estimates of value. One business at a time, one after another. This is not easy, but it is possible and repeatable. The same cannot be said for predicting the next few months' stock market performance.



I have talked with a lot of investors lately who seem to be more focused on what the market and economy will do than on individual investments, which is why I go in to some detail about my thinking here. I understand the uncertainty, but think that the correct response is to follow a coherent investment strategy. Play the game that you can win. You can follow a strategy that works for you. You do not have to divine how and when the actions of 7.7 billion self-interested individuals will translate into a bear market.

To put data behind this, I recently reviewed my investment journal to look at the investments we made just as the stock market started falling. Excluding dividends, the S&P 500 dropped 13% from November 3, 2015 to February 11, 2016, and fell 19% from September 20, 2018 to December 24, 2018. Following our investment strategy, we bought Credit Acceptance in early November 2015 (at \$164.17/share) and Micro Focus in late August 2018 (at \$16.23) - both just around the time that the stock market peaked. Both were outstanding investments, doing well in the declines and especially afterward. So even when the stock market was about to fall hard, we made great investments by following our investment strategy.

I take comfort in this, and perhaps you will too. Regardless of the uncertainty or chaos around us, our investment strategy is a lodestar that works, and that allows us to keep moving forward. So rather than talking about the economy and the market, we will continue to focus on finding great businesses, capably managed on behalf of shareholders, available at attractive prices.

Thank you. I appreciate your commitment to Curreen Capital, and take great pride in earning your trust as a steward of your capital.

Sincerely,

A handwritten signature in black ink, appearing to read "Christian Ryther".

Christian Ryther

646-535-8573

cryther@curreencapital.com



DISCLAIMER

The information contained herein regarding Curreen Capital Partners, LP (the "Fund") is confidential and proprietary and is intended only for use by the recipient. The information and opinions expressed herein are as of the date appearing in this material only, are not complete, are subject to change without prior notice, and do not contain material information regarding the Fund, including specific information relating to an investment in the Fund and related important risk disclosures. This document is not intended to be, nor should it be construed or used as an offer to sell, or a solicitation of any offer to buy any interests in the Fund. If any offer is made, it shall be pursuant to a definitive Private Placement Memorandum prepared by or on behalf of the Fund which contains detailed information concerning the investment terms and the risks, fees and expenses associated with an investment in the Fund.

An investment in the Fund is speculative and may involve substantial investment and other risks. Such risks may include, without limitation, risk of adverse or unanticipated market developments, risk of counterparty or issuer default, and risk of illiquidity. The performance results of the Fund can be volatile. No representation is made that the General Partner's or the Fund's risk management process or investment objectives will or are likely to be achieved or successful or that the Fund or any investment will make any profit or will not sustain losses.

Unless otherwise stated, the performance information contained herein is for the Fund and is net of a 1.50% annual asset-based management fee and a 20% annual profit-based performance allocation. As with any hedge fund, the past performance of the Fund is no indication of future results. Actual returns for each investor in the Fund may differ due to the timing of investments. 2013 – 2018 returns were prepared based on audited financial statements, and 2019 performance information contained herein has not yet been independently audited or verified. While the data contained herein has been prepared from information that Curreen Capital GP, LLC, the general partner of the Fund (the "General Partner"), believes to be reliable, the General Partner does not warrant the accuracy or completeness of such information.