



Quarterly Letter, October-December 2019

	Oct	Nov	Dec	Q4 2019	2019	Since Inception	Annualized
Curreen Capital Partners LP	4.84%	7.51%	0.28%	13.04%	22.07%	111.6%	12.1%
S&P 500	2.17%	3.63%	3.02%	9.07%	31.49%	126.8%	13.2%
MSCI World (US Gross)	2.57%	2.83%	3.03%	8.66%	28.14%	86.0%	9.9%

Dear Partner,

Our fund was up 13% in the fourth quarter, and up 22.1% for the year. I will first outline our actions in the quarter, then discuss performance for the year.

During the quarter we sold the last of our Socket Mobile shares, and reduced our stake in TopBuild. We finished the year with 16% of the portfolio in cash and cash management positions. As always, our cash holdings are not a market call, instead they reflect the number of investments that meet our three key criteria.

Socket we had been selling for most of the year, and our aggregate proceeds were \$2.20 per share. I try to avoid moving the stock price when we buy or sell, and our holdings in Socket were large enough (relative to the trading volume) that it took us months to sell out of the position without depressing its price. Our sale price was about 50% above Socket's 2018 closing price, so in this case, we benefited from this don't-rock-the-boat approach.

We reduced our position in TopBuild because the price became less attractive. I am extremely pleased with how TopBuild's business has developed, and am pleased with its management, but the position was nearly 1/3 of our fund, and the upside-to-downside ratio did not justify it being such a large position. We received \$97.45 per share, and TopBuild remains one of our three largest holdings.

**2019 Performance Review**

I focus on downside before looking at the upside, so as we take a look at 2019 as a whole, let's start with the losers in the portfolio. The principal detractors for us during the year were Garrett Motion and Micro Focus - which together accounted for nearly 40% of the fund at the beginning of 2019. On each, our losses during 2019 were close to 20%.

Stocks went up in 2019 - so what happened with these two?

Micro Focus suffered in the second half of the year after the company lowered earnings guidance and announced that the ongoing integration of HPE's software business (fka Autonomy) was not meeting its goals. This drove the stock price down. Additionally, the Executive Chairman (Kevin Loosemore) sold stock and took on the chairman's role at De La Rue, a company working through a turnaround. As Loosemore is the architect of Micro Focus's strategy (acquire-fix-repeat), and has driven its successful implementation since 2011, any loss of his attention is not good news. Becoming the chairman of a struggling company cannot be anything but time- and energy-intensive, and selling stock does not inspire confidence.



Despite the lowered guidance and not-good signals, I continue to believe that Micro Focus is an excellent business, and that its management will continue to drive solid results for shareholders. I have no plans to sell.

With Garrett Motion, there was no new negative news, the stock has just dropped as investors struggled to price the company's complexity. The negatives (yes, there are many) are the same as I outlined in last-year's letter: Garrett is an auto supplier, burdened with debt and a portion of Honeywell's asbestos liabilities, mostly selling to the not-so-hot Chinese and European automobile markets. The company benefits from stringent tailpipe emissions standards - but the business evaporates if plug-in electric vehicles supplant the internal combustion engine. Against these negatives, the business is a cash machine in a well-defended duopoly. Investors struggle to value these pros and cons, and the market currently seems focused on the negatives, making Garrett's stock price extremely attractive.

Those were the investments that hurt performance in 2019. I continue to believe that they are attractive, and we continue to hold them.

Of our other positions, Nilorn and Kopparbergs Bryggeri had minimal impacts on our performance in 2019. GetBusy, Kontoor and Socket Mobile drove gains - each up about 50% for us during the year. And TopBuild was our standout winner, more than doubling in 2019.

Below is a snapshot of our portfolio at year-end:

Position	Portfolio %
Nilorn	21.1%
Garrett Motion	15.6%
TopBuild	13.7%
GetBusy	10.9%
Micro Focus	10.0%
Kontoor	7.8%
Kopparbergs Bryggeri	5.0%
Cash Management	15.9%

While our investment strategy will not beat the indices every year, I strongly believe that Curreen Capital will perform well in the coming years. We own fantastic businesses, run by excellent managers, and our stocks are very attractively priced (and much cheaper than most). Because our purchases must meet our attractive price criteria, we tend to buy unpopular and out of favor investments. This lets us benefit when our investments gain a following, in addition to benefiting from the results that flow from owning solid and well-managed businesses. But popularity is fickle and unpredictable, and sometimes we have to wait longer than I might like for the market to recognize the value of what we own. I believe that much of our recent underperformance versus the indices has been driven by several of our investments' lack of popularity. Given their many positive attributes, I believe this is temporary.

We will continue to buy the best investments that meet our three key criteria, regardless of what other investors are excited about. We hunt for excellent, well-managed businesses, selling at attractive upside-to-



downside ratios, with a keen focus on businesses that are undertaking a meaningful corporate action. I am especially drawn to spinoffs, but there are many other interesting transactions that create opportunities - and Curreen Capital will seize them for you.

We follow a sound and proven investment strategy, and our small size and personal approach means that you and your money are more than just numbers in an impersonal system. If you want to talk with your portfolio manager, just send me an email or give me a call - I am happy to speak with partners, friends, and potential partners.

Thank you, I appreciate your commitment to Curreen Capital.

Sincerely,

A handwritten signature in black ink, appearing to read "CHRISTIAN RYTH", is positioned above the typed name.

Christian Ryther  
646-535-8573  
cryther@curreencapital.com



## Appendix Curreen Capital Investments

### **Garrett Motion (GTX)**

Garrett designs and delivers advanced turbochargers for automobile OEMs, primarily in Europe and China. The company operates in a duopoly with BorgWarner, and Garrett's returns on capital exceed 100%. Garrett spun out of Honeywell in October 2018. Garrett is an "ick" stock, with debt, an obligation to pay a portion of Honeywell's asbestos liabilities, exposure to both European and Chinese auto sales, and the threat of the internal combustion engine's obsolescence. Management uses free cash flow to reduce debt. Currently trading for around 7x trailing earnings, Garrett has an extremely attractive upside-to-downside ratio.

### **GetBusy (GETB:GB)**

GetBusy provides online document exchange systems, primarily for accountants in the U.K., and its Australian/New Zealand and U.S. business are growing well. GetBusy spun out of Reckon in August 2017, and has continued to grow since then. GetBusy does not earn money, investing through higher expenses to grow its existing businesses and attempting to launch a new product. The underlying businesses are profitable and sustainable in the UK, and potentially in the U.S. and Australia/New Zealand.

### **Kontoor (KTB)**

Kontoor designs inexpensive jeans, primarily for North American consumers. Kontoor spun out of VF Corp in May 2019. Kontoor does not grow, and its returns on capital are about 20%. Management uses free cash flow to repay debt and to pay a dividend. Kontoor currently trades at about 18.5x estimated 2019 earnings, with a 5.4% dividend yield.

### **Kopparbergs Bryggeri (KOB:SS)**

Kopparbergs manufactures and markets alcoholic pear cider, primarily in the UK and Sweden. Kopparbergs generates returns on capital around 20%, and management uses free cash flow to grow the business, launch new products and pay a dividend. Kopparbergs is managed and controlled by its founders, who have a long track record of successfully building the business. Currently trading at about 16x trailing earnings, Kopparbergs is an excellent business with exceptional management, selling at a reasonable price.

### **Micro Focus (MFGP, MCRO:LN)**

Micro Focus acquires and manages declining software businesses. Management buys businesses from disappointed and pessimistic sellers, and then maximizes the cash flows from these acquisitions. Management uses free cash flow to buy other business, or distributes it to shareholders through dividends, special distributions and share repurchases. Currently trading for less than 7x trailing free cash flow, Micro Focus has an extremely attractive upside-to-downside ratio.

### **Nilörn Group (NILB:SS)**

Nilorn designs and delivers tags and labels for European clothing brands. The company combines just-in-time delivery with quality design that can elevate the customer's products in the eyes of the end consumer. Management uses free cash flow to grow the business and pay a dividend. The company's returns on capital are about 30%. Currently trading around 13x earnings, Nilorn has an extremely attractive upside-to-downside ratio.

### **TopBuild (BLD)**

The largest installer and distributor of insulation in the U.S., the business is driven by housing starts. TopBuild spun out of Masco in July 2015, and has been growing revenues and profits ever since. Management uses free cash flow to acquire related businesses and to repurchase stock at good prices. The company's returns on tangible capital exceed 30%. I believe that housing starts remain well below what 330 million US residents require, which gives TopBuild plenty of runway for further growth.



## Cumulative Performance Since Inception



Curreen Capital Partners LP Returns After Fees													Alternatives			
	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec	Full Period	S&P 500	MSCI World	MSCI SC+mC
2013						-1.01%	0.59%	6.09%	8.22%	0.28%	17.46%	-0.27%	<b>34.3%</b>	14.8%	14.1%	16.4%
2014	-5.09%	5.56%	1.13%	-1.19%	2.47%	2.45%	-1.76%	0.86%	-0.62%	8.40%	7.23%	-3.37%	<b>16.3%</b>	13.7%	5.3%	1.6%
2015	1.26%	4.80%	-3.27%	1.24%	0.38%	-1.70%	-1.59%	1.19%	-0.57%	4.89%	2.08%	-3.37%	<b>5.1%</b>	1.4%	-0.5%	-0.2%
2016	-11.21%	6.63%	5.53%	1.56%	8.42%	-0.42%	5.22%	0.17%	6.15%	-10.23%	3.71%	0.87%	<b>15.1%</b>	12.0%	7.9%	12.7%
2017	2.72%	0.27%	1.38%	1.71%	3.55%	-0.36%	-0.20%	-0.74%	-0.14%	1.30%	1.26%	6.29%	<b>18.2%</b>	21.8%	22.8%	23.2%
2018	4.45%	-4.10%	2.73%	1.85%	1.84%	-2.18%	-1.42%	1.47%	0.07%	-17.70%	-5.10%	-4.83%	<b>-22.3%</b>	-4.4%	-8.4%	-14.3%
2019	16.44%	5.25%	-1.71%	8.30%	-3.34%	1.37%	-6.71%	-11.04%	1.80%	4.84%	7.51%	0.28%	<b>22.1%</b>	31.5%	28.1%	25.7%
													<b>Cumulative</b>	<b>111.6%</b>	<b>126.8%</b>	<b>86.0%</b>
													<b>Annualized</b>	<b>12.1%</b>	<b>13.2%</b>	<b>9.9%</b>



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