Quarterly Letter, October–December 2020

	Oct	Nov	Dec	Q4 2020	2020	Since Inception	Annualized
Curreen Capital Partners LP	12.16%	14.66%	16.41%	**49.70%**	**23.55%**	161.5%	13.5%
S&P 500	-2.66%	10.95%	3.84%	12.15%	18.40%	168.6%	13.9%
MSCI World (US Gross)	-3.05%	12.82%	4.27%	14.05%	16.31%	116.4%	10.7%

Dear Partner,

Our fund was up 49.7% in the fourth quarter and 23.5% for the year. After several years of underperforming the indices that I track, we returned to outperformance in 2020.

Some of our underperformance in prior years was due to general headwinds for our style of investing. From May 2018 through September 2020, whether you looked at a large-cap giant like Berkshire Hathaway, or a smaller-cap index fund like Vanguard's Small-Cap Value – the result was under-performing the S&P 500 by 20%+ points.

This was a frustrating period, but I believe that challenging times are an excellent opportunity to reflect and make positive changes.

Things came to a head for me in March and April of this year. Curreen Capital was down 44.4% in the first quarter, a painful coda to several years of disappointing performance. Adding to the chaos in my life, my wife gave birth to our second child in mid-April, in New York City, during a pandemic. This was a very stressful time, and all of this pushed me to reevaluate our investment process and find ways to improve it.

Stage 1: Circle the Wagons
My immediate first step was to pull back and restrict myself to only doing the things that I best understood and that had consistently worked for us in the past. This meant an almost-exclusive focus on spinoffs, with some scope to invest in companies that I already knew well, and eliminating anything else. I essentially put myself on hold while I regrouped.

Stage 2: Where Did I Go Wrong?
Throughout May and June I reviewed my own actions, the resulting outcomes, and re-read my investment bibles in search of insight to help me better understand where I could improve. The book that spoke to me most during this time was Peter Lynch's "One Up On Wall Street", and I began to evaluate my past actions through the lens of that book.

Most of the lessons I took from my review were nothing new or profound, but with fresh eyes and a willingness to undertake some harsh reflection, they were meaningful. The biggest lesson was that I had been "watering the weeds". My success in adding money to investments that got cheaper for no reason seemed to have blinded me to the losses that I took from adding money to businesses that got "cheaper" because of weak operating performance. There is a big difference between no information and negative information, but I had treated them the same, and averaged down into both opportunity and danger.

Stage 3: Improve and Advance
By July, I was working to improve our investment process. Certain observations stood out to me, and I worked to run them to ground.

Over the years, I had repeatedly seen businesses that I recognized as great, with long runways for growth, but they had rarely been attractively priced according to our upside-to-downside framework. In several cases, I had analyzed these businesses when they spun out of larger companies at what hindsight would show to be extremely low prices. Though I felt that value would have its day again sooner rather than later, I still wanted to get a better handle on investing in fast growing businesses like these. I looked to Peter Lynch and re-read other books that I trusted on the subject, and then went looking for businesses to research. I still cannot effectively use our upside-to-downside framework with fast growers, and now believe that the framework is a marvelous hammer… but that not every problem is a nail. This is a meaningful change, and I write more about investing in fast growers below.

I had also seen director and executive share purchases at several of the businesses in our portfolio, while another had re-worked its compensation system to replace the stock-component with cash. The latter eventually filed for bankruptcy, while the first group have performed surprisingly well. These observations drove me to spend more time learning about what tends to follow director and executives' stock trades, which has proven to be an exciting new area of focus for me. I knew that buying was positive and selling was moderately negative, but research improved my intuition and sparked new ideas.

Personally, I also saw more clearly that—especially with two young kids—I no longer had time to waste on distractions. I have enough time to be a good husband and father, to invest intelligently, and to sleep… period. TV and movies, alcohol, staying up late, etc… those should mostly wait until the kids are older. To make this happen, I modified Ben Franklin's checklist and gave myself a daily scoresheet: two points for each item that I want to encourage, one for each positive, minus a point for each distraction, and minus two points for each item that is actively bad for me. Every night I review the day and mark my score on the calendar. It is a small nudge, but it has helped me consistently implement better daily habits for six months.

These improvements to Curreen Capital's investment process were not in spite of the stress of 2020 – these improvements were because of the stress of 2020. We responded to adversity by reassessing our investment strategy and improving Curreen Capital.

Investing in Fast Growers… Without an Upside-to-Downside Ratio
I wrote about studying fast growers in the Q3 letter, and that study enabled our purchases in Q4. American Outdoor, CDON, and Credit Acceptance are all fast growers – but I would not have bought the first two using only our existing investing toolkit.

Aside from a few exceptions—for example, subprime auto lending is enough of an unpleasant business that Credit Acceptance has occasionally been available at a low price—fast growing businesses are not investible using our 5-to-1 upside-to-downside ratio. These businesses are generally recognized as excellent, and they are not available at extremely attractive prices in the stock market. For years I thought that this made them uninvestible for Curreen Capital. This year I changed my mind. The 5-to-1 upside-to-downside ratio is a marvelous tool – but it is not the right tool for assessing truly outstanding fast growing businesses. I realized that zealously using the tool was preventing us from investing in outstanding businesses that I understand.

What do I mean when I write that our upside-to-downside tool does not aid decision-making with fast growing businesses? Examples might help.

With a business like Conduent—a turnaround, not a fast grower—I estimate a downside value of $1-2 per share, and a reasonable value between $15-20, possibly higher if management continues to drive good operating performance. I do not know exactly what the business will be worth in a few years—that depends on how well the company responds to the threats and opportunities that will appear—but if we buy it at $4 per share, we are likely to do well.

With a turnaround like Conduent, we may be able to buy the stock at an attractive upside-to-downside ratio, and that tool is useful in making investments despite an unknown future. If the company seizes opportunities and avoids threats, we will do extremely well, but even if things do not go as well as I expect, the tool suggests that Conduent was an investment worth making at $4 per share.

Contrast that to the situation with a hypothetical fast grower – an outstanding business with strong barriers to entry and no serious competitive threats that might slow its growth. I might estimate a downside value of $10 per share if things suddenly go off the rails, but a more reasonable value might be $50, or $250, or even $1,000 per share – depending on how long the company continues to grow rapidly. I would love to buy the stock at $16.66 (a 5-to-1 upside-to-downside using my most conservative reasonable valuation), but a price that low is unlikely. The stock market generally recognizes outstanding fast growing businesses, and does not offer them at the extremely cheap prices required by our upside-to-downside tool.

As with Conduent, the value of the fast grower will depend upon how well the business addresses future threats and opportunities. To assess these factors, I must evaluate the business's competitive position, as well as management's ability to deal with emerging opportunities and threats. With a fast grower, the range of potential values is extremely wide and highly dependent on future actions, which makes Peter Lynch and Warren Buffett's advice about "watering the flowers and cutting the weeds" particularly important. When the business and management are executing well, the future value may be high enough to justify an investment. If the business stumbles, or management begins making poor decisions, the future value is likely to be lower, and selling the investment may be the right decision.

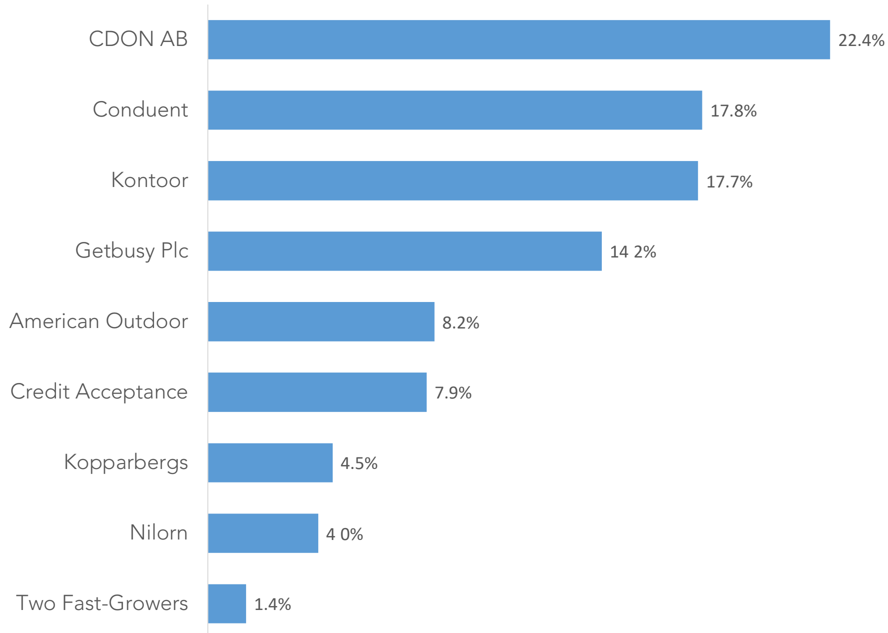
What is Our Investment Strategy Now?

Curreen Capital invests in ugly ducklings, especially spinoffs. We buy outstanding businesses that are managed well, but are misunderstood and underappreciated by the market. Now we apply our investment toolkit to outstanding fast growing businesses, too. With cyclicals, turnarounds, and slower growing solid businesses we continue to use our upside-to-downside tool to evaluate price.

After that higher-level discussion, let's turn to our actions in the quarter.

Our Portfolio

Below is a snapshot of our investments at year-end, each as a percentage of the portfolio:



What We Bought in Q4

We bought American Outdoor, CDON, and Credit Acceptance in the quarter. We sold TopBuild, MicroFocus, and reduced Kontoor and Nilorn.

Returning to Credit Acceptance

This is the third time that we have owned Credit Acceptance – we first bought it in June 2014, then again in November 2015. While we have made money buying and selling Credit Acceptance over the years, I became increasingly annoyed with myself for selling it (most recently in October 2018). I see the business as a superior competitor in the subprime auto lending market. Every quarter they report their financial results, I update my figures, and my valuation for the business goes up. The business grows and grows, they allocate capital well, and I am forced to ask myself: why don't we own this? I understand it, can see how it is great, and believe that it will be worth much more as time rolls on. In October the market provided us with the opportunity to buy the stock at an attractive price, and we took it, paying $289.41 for our shares.

We Bought A New Spinoff – American Outdoor Brands

American Outdoor is a hunting and camping accessories company (no guns or ammunition) that spun out of Smith & Wesson in August 2020. The business was cobbled together in a series of acquisitions from 2014 – 2017, and present management has worked to grow the brands organically. The industry overall was weak from 2016 until early 2020, when events drove people in the US to buy guns and go into the woods to hunt, fish, camp or… anything, just to get a breath of fresh air.

While American Outdoor has benefited from these 2020-driven trends—with revenues in each of the past two quarters up more than 50% from the prior year—I believe that the business will continue to grow in the coming years. The hunting and camping accessories market that American Outdoor competes in is very large (they estimate $30-35B in annual sales) and fragmented. American Outdoor's largest competitors (Orvis, and Vista Outdoor's Hunting & Shooting Accessories division) each have about 1% market share. American Outdoor has been gaining share in this fragmented market, growing faster than Vista Outdoor's division in each year since 2017.

I view American Outdoor as a rapidly growing business, taking share in a large, fragmented, and attractive market, currently benefiting from strong tailwinds. The CEO is relatively young and unproven, but I like the signs that I have seen so far (for example: the discipline to avoid M&A despite his M&A background, meaningful share purchases, and solid business results). Signs so far point to the company continuing to execute on its potential. We paid an average of $13.94 for our shares.

We Bought Another New Spinoff - CDON

Our third new position in the quarter was CDON, which was part of the double-spinoff at Qliro Group. Qliro separated Qliro AB (a fast growing deposit-taking lender, offering an Afterpay/Klarna-style product) in late September. The remaining business, Nelly (an online seller of young womens' clothing in Scandinavia), spun out CDON in early November.

These spinoffs separated three very different businesses, which had formerly been glommed together as a single sum-of-the-parts story that was relatively unappealing to investors. Qliro AB is a fast growing financial business, Nelly is a turnaround story, and CDON is a fast growing internet marketplace. Different investors are likely to be interested in each business, but only a small subset would be willing to buy them as a package. The spinoff was therefore an excellent idea, and it has succeeded in releasing value by allowing investors to buy only those parts that they desired.

The business that most interested me was CDON. CDON has successfully transformed itself over the past few years from an online retailer into the largest online marketplace in Scandinavia. This transformation distorted CDON's historical financials, as rapidly growing commission revenues were offset by declining sales of CDON's own inventory. CDON looked like a business that was struggling to stand still, when in fact it was growing extremely quickly – and becoming a far better business. A leading online marketplace like CDON benefits from network economics and economies of scale, whereas an online retailer operates with more competitive threats and capital requirements.

CDON was growing quickly before 2020, with year-over-year marketplace sales growth above 60% in calendar Q2, Q3 and Q4 2019. Covid-19, and the threat of Amazon launching a Swedish website in 2020 (announced in August 2020, live in late October) drove even more customers and merchants to CDON. Marketplace sales growth in each quarter of 2020 has been above 100%.

With financial statements that obscured CDON's transformation and growth, a somewhat confusing double-spinoff (before it was renamed Nelly, Qliro Group traded alongside Qliro AB on the stock exchange), and outstanding operating momentum, CDON was a very compelling investment. We bought Qliro Group to get CDON, and bought more CDON after the spinoff, ultimately paying an average of SEK 107.6 for our shares.

2020 Was Stressful – Good!
I have read that stress can be either positive or negative (eustress or distress). I believe that the pressures of 2020 have made Curreen Capital better. I am thankful for the positive stress of 2020, because it drove me to change and grow.

More importantly, I am thankful to have you as a partner in Curreen Capital. Despite the stress that Curreen's performance in 2020 put on you, each of you were supportive whenever you interacted with me. I know that cannot have been easy, and I sincerely thank you for your trust and support. 2020 was a very difficult year for our fund, and you gave me the mix of attention and leeway that I needed to reinvigorate Curreen Capital and grow your investment. Thank you.

2020 also gave you the opportunity to see how I respond to adversity, and I hope that my actions and our performance give you comfort. I am your partner through thick and thin, and will do everything I can to maintain your trust.

Last but not least – if Curreen Capital is right for someone you know (I'm looking at you, 743 lurkers on this email list who aren't partners yet) – please reach out to me. I would be happy to welcome like-minded partners into our fund. Email me and we can talk.

Sincerely,

Christian Ryther
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Appendix
Curreen Capital Investments

American Outdoor (AOUT)
American Outdoor builds brands in the firearms, hunting, and camping accessories markets. American Outdoor spun out of Smith & Wesson in August 2020. The business outpaces the competition, taking share in a large, fragmented and attractive market. Management reinvests free cash flow into growing the business.

CDON (CDON:SS)
CDON is the largest online marketplace in Scandinavia. The company has transformed from an online retailer into an online marketplace, offering merchants and consumers a platform where they can find each other and do business. CDON spun out of Qliro/Nelly in November 2020. The company uses free cash flow to grow the business.

Conduent (CNDT)
Conduent is a business process services company. It handles transaction intensive processing for government and commercial customers. After years of weak sales, declining profits, conflict with its largest shareholder (Carl Icahn), and the loss of its CEO – the company is turning around. Conduent's new CEO is addressing the company's key problems and is driving sales growth. Conduent currently trades at an extremely attractive upside-to-downside ratio.

Credit Acceptance (CACC)
Credit Acceptance is a subprime auto lender, enabling subprime borrowers to buy vehicles from used car dealerships. The business has profitably gained share in a large and difficult market for more than two decades. Management allocates free cash flow to growing the business and repurchasing shares at attractive prices. Credit Acceptance currently trades at an attractive upside-to-downside ratio.

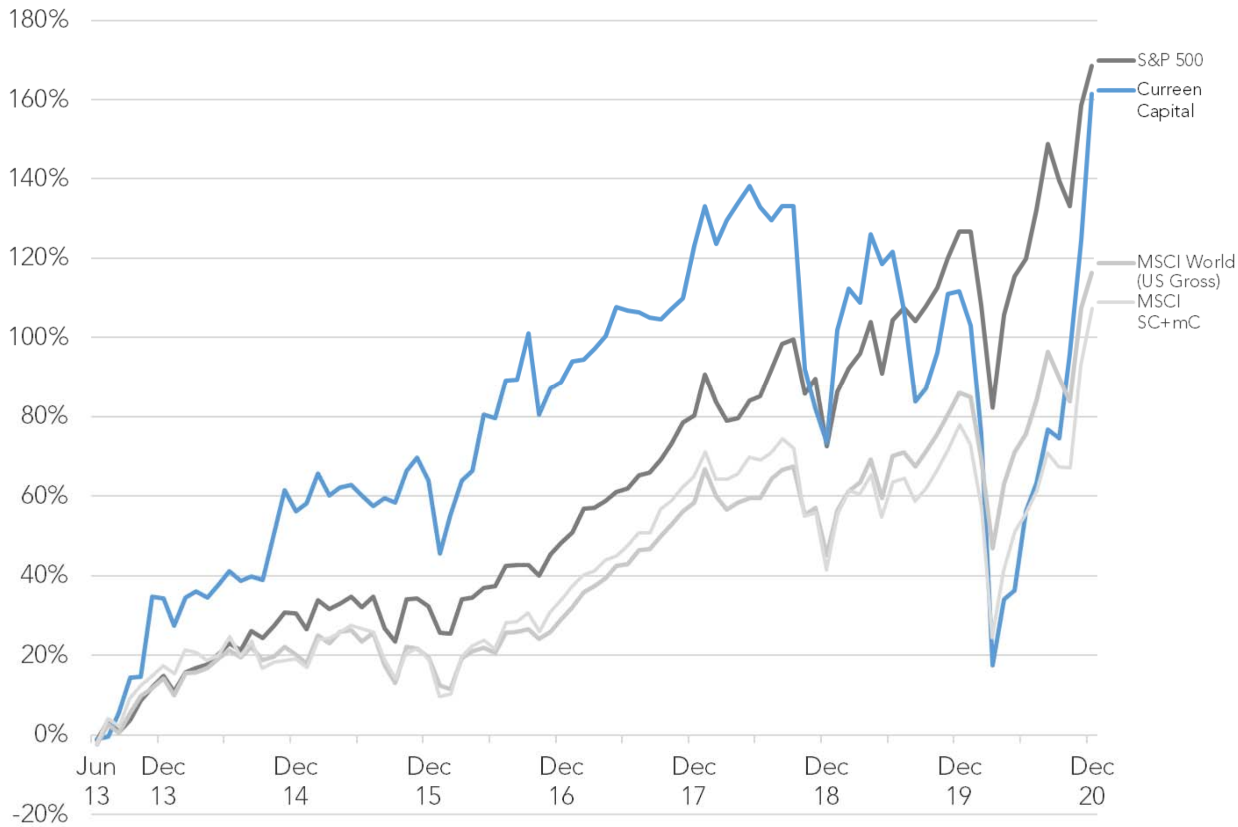
GetBusy (GETB:GB)
GetBusy provides online document exchange systems, primarily for accountants in the U.K., and its Australian/New Zealand and U.S. business are growing well. GetBusy spun out of Reckon in August 2017, and has continued to grow since then. GetBusy does not earn money, investing through 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 pay a dividend.

Kopparbergs Bryggeri (KOBRB: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. Kopparbergs is an excellent business with exceptional management, selling at a reasonable price.

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%. Nilorn has an extremely attractive upside-to-downside ratio.

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%	**34.3%**	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%	**16.3%**	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%	**5.1%**	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%	**15.1%**	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%	**18.2%**	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%	**-22.3%**	-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%	**22.1%**	31.5%	28.1%	25.7%
2020	-4.04%	-13.39%	-33.16%	14.13%	1.61%	14.57%	4.50%	8.27%	-1.17%	12.16%	14.66%	16.41%	**23.5%**	18.4%	16.3%	16.5%
												Cumulative	161.5%	**168.6%**	**116.4%**	**107.2%**
												Annualized	13.5%	13.9%	10.7%	10.1%

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