CURREEN CAPITAL

Quarterly Letter, April–June 2024

	Apr	May	Jun	Q2 2024	YTD	Since Inception	Annualized
Curreen Capital Partners LP	-0.63%	0.04%	-0.58%	-1.17%	1.01%	187.6%	10.0%
S&P 500	-4.08%	4.96%	3.59%	4.28%	15.29%	312.2%	13.6%
MSCI World (US Gross)	-3.70%	4.50%	2.06%	2.71%	11.91%	201.7%	10.5%

Dear Partner,

Our fund was down 1.17% in the second quarter. We were more active than usual in the quarter, buying shares in Solventum, and adding to Dye and Durham, Enhabit, and VF Corp. These businesses were all available at very attractive prices, and this drove our activity.

We put about 2.5% of the fund into Solventum in the quarter, paying $54.01 per share. Solventum used to be 3M's highly regarded healthcare business, and was spun out in April of this year. Solventum was loaded up with debt, and 3M retained 19.9% of the company – all to provide financial value to 3M as it works through its financial, legal, and environmental liabilities. This means that Solventum will spend years paying down its debt and setting up the company – typical spinoff tasks plus a not-so-standard need to start producing the products that it sells (3M kept that know-how). All in, we have an ugly duckling – a high return on capital, cash cow spinoff, working through difficult but resolvable issues, selling at an attractive price. I love buying businesses like this, and if it drops to my next buy price, we will add to it.

We added about half a percent of the fund to Dye and Durham at C$13.87. After seeming to spend much of 2023 acting in the hope that Canadian real estate transaction volumes would improve, the company has spent the past few months addressing its debt problems. I appreciated this change of tack and some signs of improving demand, and so we added a little.

We added about 4% of the fund to Enhabit at $8.69. The company has dealt with many issues since its spinoff two years ago—some of which were self-inflicted—and is now going through a proxy contest. This has led to an attractive stock price, and I believe that the company is addressing its own problems and has gotten some relief from the industry issues (such as weak CMS pricing and a shortage of nurses) that have hamstrung it over the past few years. Regardless of whether the proxy contest goes the way I would like, I think that the company's financials will look better in a year, and the price we paid to add will look extremely attractive.

We added about 3.5% of the fund to VF Corp at $12.29. VF Corp is going through a turnaround, with a new CEO working to fix its brands and balance sheet. I think that this is an excellent business and that management is fixing the company's problems. Given the situation, I thought the price was too low, and we added to our position.

Our purchases in the quarter—and through most of 2024—show where I am finding the most value: good businesses that are dealing with temporary problems. I have found decent opportunities among growth businesses too, but these ugly ducklings are trading as if they are irredeemable basket cases. I think ours are working through manageable issues, and are very attractively priced. We are still cautious when we buy them, starting our purchases at excessively low prices, and then adding more if they drop further.

Thank you. I am grateful that we are making this journey together, and if you want to chat, please reach out. I would love to hear from you.

Sincerely,

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Appendix
Curreen Capital Investments
Lists all positions larger than 5% of the fund

Advantage Solutions (ADV)
Advantage Solutions works with brands and stores to sell products through stores. The company is one of the largest managers of in-store sampling programs in the U.S. (for example, would you like to try this new brand of: cheese/chips/dip/etc.) Advantage Solutions was a SPAC-merger completed in October 2020. Advantage Solutions is a capital light business that earns high returns on capital. It has a meaningful debt load, though the debt lacks onerous covenants and does not come due for several years. Advantage Solutions uses its free cash flow to repay debt and acquire smaller competitors. The company currently trades at an 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.

Enhabit (EHAB)
Enhabit provides healthcare and hospice services in patients' homes. The company serves patients covered by Medicare, Medicare Advantage, private Insurance and Medicaid – with reimbursement rates declining in that order, from the higher levels paid by Medicare to the lower levels paid by Medicaid. Enhabit was spun out of Encompass Health in July 2022. Historically, the business earned high returns on capital and grew both organically and through acquisitions. The company has struggled since the spinoff, with declining revenues and higher costs, which drove it to repeatedly seek covenant relief from its lenders. Enhabit currently trades at an attractive upside-to-downside ratio.

Frontdoor (FTDR)
Frontdoor sells home service plans to homeowners. The company contracts with HVAC and other contractors and dispatches them when customers have problems with one of their major home appliances and systems (furnace, air conditioning, refrigerator, electrical system, etc). Frontdoor spun out of ServiceMaster in October 2018. Frontdoor serves about 2% of U.S. homes, and uses its free cash flow to grow organically, pay down debt, repurchase shares, and more recently – to launch an app that connects service experts with customers on a video chat. Frontdoor currently trades at an attractive upside-to-downside ratio.

GetBusy (GETB:GB)
GetBusy provides online document exchange systems—primarily for accountants. 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 new products. The underlying businesses are profitable and sustainable in the U.K. and U.S.

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 currently trades at an attractive upside-to-downside ratio.

VF Corp (VFC)
VF Corp manages apparel brands, including Dickies, The North Face, Supreme, Timberland, and Vans. Under its prior CEO, the company's poor capital allocation (including overpaying for Supreme and maintaining a too-high dividend after spinning out Kontoor) forced it to pause its model of using excess free cash flow to acquire good brands and manage them well. The company has now cut its dividend (twice) to a reasonable level and brought on a new CEO who has a track record of successfully turning around businesses. I believe that the company has good brands, the skills to manage them well, and a management team that is righting the ship. VF Corp currently trades at an attractive upside-to-downside ratio.

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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.

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