



Quarterly Letter, July - September 2017

	Jul 2017	Aug 2017	Sep 2017	Q3 2017	YTD	Since Inception	Annualized
Curreen Capital Partners LP	-0.20%	-0.74%	-0.14%	-1.08%	8.41%	104.7%	18.0%
S&P 500	2.06%	0.31%	2.06%	4.48%	14.24%	69.2%	12.9%
MSCI World	2.39%	0.14%	2.24%	4.84%	16.01%	47.8%	9.4%

Dear Partner,

Our fund was down 1.1% in the third quarter. We began the quarter with a 32% cash position and ended at 15%. During the quarter we bought shares of Nilörngruppen and GetBusy, and sold our TGS Nopec shares.

TGS Nopec

We sold TGS Nopec in August for \$20.68 per share. We first bought shares of TGS Nopec in April 2015, and lost close to 3% on our investment over the following two and a half years. While this was not a successful investment, it is a demonstration of why a greater than 5:1 upside-to-downside ratio is one of our key criteria. TGS Nopec did not work out as I had expected - and our downside was limited. We apply this criterion because some disappointments are inevitable over a long investment journey, and our upside-to-downside ratio uncouples disappointment from disaster.

I increasingly believe that the oil exploration industry will remain moribund for the next decade. While I am skeptical of anyone's oil price forecast, my own included, my reasonable valuation for TGS Nopec has to incorporate some forecast, and I now expect multi-year industry headwinds to keep TGS Nopec's returns on capital low. I want the company to invest its cash flows to take advantage of this weakness, but management is maintaining the dividend at a high percentage of earnings. This bothers me. I would much prefer that management be opportunistic, and that requires that they keep more cash at hand.

Given my expectations for weak returns on capital and less opportunistic investment by management, I reduced my estimates of TGS Nopec's reasonable and downside valuations. All in, the company no longer met our good business criteria, management was not allocating capital in the best long term interests of the business, and the price was no longer attractive. Because it became apparent to me that TGS Nopec did not meet our three key criteria, I sold our position.

Nilörngruppen

We first bought Nilörngruppen (Nilorn) in July and August, paying an average of SEK 100.8 per share. After the company reported weaker than expected quarterly results, we added to our position, paying an average of SEK 85.7 per share. At the end of the quarter, Nilorn was our second largest position, after TopBuild.

Nilorn designs and delivers clothing tags and labels. These are the labels that list washing and drying instructions, as well as the brand label. Most apparel manufacturers buy the cheapest labels they can, and Nilorn targets the subset of customers who are willing to pay an extra fraction of a penny per label for good design. Just as Apple cares about the design of its phones' packaging, some apparel manufacturers care about the design of their brand labels. The goal is for details to suggest that the manufacturer also cares about the details that the consumer cannot see - to build confidence and justify a higher price.



Nilorn is integrated into its customers' supply chains, because customers cannot sell clothes without labels, and they cannot afford to have inventory pile up for want of a few labels. Providing a relatively inexpensive but critical component is a recipe for keeping your customers. Also, it is often difficult for companies to combine just-in-time logistics with a flair for design. By successfully melding these disparate traits, and benefiting from a 'sticky' customer base, Nilorn earns high returns on capital.

I am a fan of Nilorn's CEO and the results that he has driven since joining the company in 2009. The company earns 30%+ returns on capital and has grown much faster than its larger competitors. At SEK 101, we were buying at a better than 5:1 upside-to-downside. The upside-to-downside ratio was even more attractive when we added to our position in the 80s (though I will not tell you that I enjoyed the ride down).

GetBusy

GetBusy (what a name...) is a UK-listed company that spun out of the Australian-listed Reckon at the beginning of August. The demerger was accompanied by a rights offering that was backstopped by management - a combination that is virtually guaranteed to pique my interest. After evaluating the business, we bought in August and September, paying an average of £0.369 per share.

GetBusy is the combination of two companies - Virtual Cabinet in the UK and SmartVault in the US. Both offer products that allow users (generally accountants and other financial services businesses) to securely share files with their customers. I first experienced this type of product with my personal accountant - my wife and I use the accountant's portal to securely upload our financial information, download draft versions of tax returns, and upload signed documents. This is superior to email in security, find-ability, editing collaboration, and handling large files.

GetBusy is not the leader in the industry (Citrix's ShareFile is), but neither I nor my accountant want to sign up with a new service and learn a different system - and GetBusy's customers prefer to avoid switching too. Despite its scale disadvantages, GetBusy's sticky customers allow the company to continue earning very high returns on capital. Management has a solid track record of growing the business, seems genuinely excited, and has excellent incentives to drive the business forward.

GetBusy is investing in a new product that is burdening results, but the price we paid for our shares approximated my value estimate for the UK division. So I am comfortable with the potential downside, even if the new product flops after several years of earnings-destroying development spending. If management continues to drive profitable growth and improvement in the business, our upside is excellent. All in, the business, management, and price meet our key criteria. We have put less than 10% of the portfolio into GetBusy because the stock is illiquid. This complicates buying and selling, but I am much more focused on whether the company delivers good results over the next few years - that is what will drive our investment performance.

We continue to hunt for the few investments that meet our key criteria, focusing our search on odd and less-trafficked areas of the stock market. The opportunities we seek follow their own schedule, and I will continue to seize them for you as I uncover them.



The next openings for new capital will be October 31st and November 30th. If you wish to add a new investment or introduce a friend who could benefit from our partnership, please contact us so that we can send the proper documentation in time.

Thank you. I appreciate your investment in Curreen Capital, and take immense pleasure in earning your trust and making you money.

Sincerely,

A handwritten signature in black ink, appearing to read "Christian Ryther", is written over a light blue horizontal line.

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



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