Dear Clients,

Since inception on March 9, 2017, client accounts have posted net returns of 19.77%. In the second quarter, client accounts posted net gains of 11.73%, versus 4.48% for the S&P 500, and 3.51% for the HFR Equity Hedge Index respectively.

Wolf Hill Capital Composite Returns vs. Indices									
	MAR [1]	**APR**	**MAY**	**JUN**	**JUL**	**AUG**	**SEP**	**QTD**	**YTD** [1]
Wolf Hill Capital Management	0.49%	8.57%	-1.92%	0.18%	7.24%	3.36%	0.80%	11.73%	19.77%
S&P 500 Total Return	0.05%	1.03%	1.41%	0.62%	2.06%	0.31%	2.06%	4.48%	7.77%
HFR Equity Hedge Index	0.87%	0.74%	0.31%	0.88%	1.47%	0.63%	1.37%	3.51%	6.44%

Q2 Review

During the second quarter, world markets rallied in unison in response to tangible evidence of accelerating global economic growth. Given a multitude of geopolitical concerns, we remained cautiously positioned with modest net long exposure throughout most of the quarter. Despite this conservative portfolio positioning, we continued to benefit from astute stock selection on the long side and shorts that in aggregate did not weigh on performance in a material way.

During the quarter, the bulk of our gains were concentrated in three long ideas: Constellium (CSTM), Abercrombie & Fitch (ANF), and Kraton Corp (KRA). In aggregate these three names contributed 14.5% to our Q2 performance while market hedges and modest losses in a few single name ideas detracted approximately 3% during the quarter.

In our Q1 letter we laid out our investment thesis behind our largest position, Constellium, and why we thought this aluminum fabricator offered the potential for a 4-5x potential return. During the quarter CSTM appreciated by ~50% as news reports indicated that the board of directors was weighing options after several companies expressed strategic interest in the company. While it is not surprising to us that there would be strategic interest in CSTM given the secular growth tailwinds in the company's automotive end-markets and the still depressed valuation (€3b total enterprise value vs. €9B replacement value of the company's global manufacturing footprint) – we do not expect the board to sell at a price anywhere close to today's valuation. In fact, if CSTM were to be valued at a similar valuation multiple to its closest peers, the share price would be 60-70% higher. Over the coming quarters, we believe that Constellium will continue to beat and raise its previously issued, conservative earnings guidance. We continue to believe that as the market recognizes the true earnings power of Constellium, the valuation discount to competitors will abate.

In July we initiated a position in retailer Abercrombie & Fitch after the stock fell 30% in a matter of days in the wake of a failed auction for the company. In the weeks and months preceding this news, there had been multiple press reports indicating that ANF was close to announcing a transaction to be acquired by American Eagle Outfitters, with financing from Cerberus Capital, for $13/share. When this failed to materialize, arbitrageurs headed for the exits and investors assumed the worst – that ANF would be another in a wave of teen-retail bankruptcies. A deeper dive into ANF suggested to us that despite the obvious challenges related to merchandising missteps, declining mall traffic, and the persistent threat from e-commerce – there

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was considerable margin of safety and optionality in ANF at the price which we initiated our position ($9/share). The company's balance sheet remained strong with a net cash position of >$100mm and approximately 1/3 of the company's mall leases set to expire over the coming 12 months. Even despite currently depressed sales, the company has remained free cash flow positive while guiding to over $100mm in cost savings in the coming year – primarily as a result of expiring leases at secondary and tertiary mall locations. At ~2X EBITDA and with a 9% dividend yield, ANF offered a highly asymmetric investment opportunity. After a 50% rally we have reduced our position, yet we remain enthusiastic given our belief that the upcoming earnings report will demonstrate a continuation of the positive (or less negative) trends we witnessed in Q2.

In May we initiated a short position in cosmetics company Revlon Inc. Revlon's over-leveraged balance sheet, challenging industry backdrop, and C-suite turnover (CFO resignation) followed a fact pattern that I have born witness to many times over my career. The stock subsequently declined 25% from our entry price as our thesis played out. During September, the borrow rate increased exponentially to 140%, causing the shares to rally 70% and we were forced to cover our short position. Unfortunately, we ended up giving back most of our net gains on the position. During September the Revlon position was particularly costly, resulting in 126 bps of negative performance.

Current Ideas

Kraton Corporation (KRA)

Market Cap:	$1.3b
Enterprise Value:	$3.06b

Kraton is a specialty chemical company with strong franchises in engineered polymers and pine-based specialty chemicals. Engineered polymers are used in personal care and coatings for the medical, industrial, and consumer end markets, and pine-based specialty chemicals are used in a wide variety of products for the construction materials, tire, and oilfield services end markets. While the company name may not familiar to most, its products are ubiquitous in everyday life in everything from condoms, plastic gloves, and tooth brushes, to asphalt and environmentally sustainable roofing materials. Demand for Kraton's diverse portfolio of specialty chemicals are essentially a proxy for global GDP.

As is the case for many of our investments, the opportunity to invest in this terrific business presented itself while the stock was under pressure as the result of a temporary spike in their primary raw material, Butadiene, as well as from growing pains after digesting a large, transformational acquisition completed in 2016. Kraton is what I refer to as a "public LBO" that offers three likely paths towards value realization. A "Public LBO" is a company with a small market capitalization relative to its total enterprise value (<25%) that by the nature of its business (low capital intensity) generates a predictable stream of free cash flow. All else being equal, highly levered companies will trade more cheaply than less-levered peers to account for the increased business risk posed by the leveraged balance sheet. Herein lies the beauty of public LBOs and the first source of potential shareholder value creation: as the company de-levers via free cash flow generation, there will be a transfer of enterprise value from debt to equity holders. This gives rise to the second source of potential shareholder value creation: as the company de-levers, it is reasonable to assume that the enterprise value should grow as business risk diminishes – i.e. multiple expansion.

In January 2016, Kraton closed on the acquisition of Arizona Chemicals for $1.4b, doubling the size of the business. At the time, the Arizona pine chemicals business was suffering due to competitive pricing pressure that, at a high level, resulted from the collapse of crude oil in 2015. As crude prices began to rise in early 2016, greater drilling activity ensued and rig counts rose, which in turn spurned more demand for TOFA (Tall Oil Fatty Acids) and TOFA derivatives. Increasing demand for TOFA combined with a more rational competitive landscape that resulted from the industry consolidation has provided an improving fundamental backdrop for the acquired Arizona business. In addition to the economic tailwinds the company should enjoy as a result of the expanding U.S. economy, management has articulated and delivered on a cost savings plan that is expected to cut up to 10% off the organizations cost structure in the coming 12 months.

To summarize, we believe that this "Public LBO" offers tremendous upside potential based on the following key drivers:

1. KRA's enterprise value will shift from debt to equity holders as a result of significant free cash flow generation
2. Multiple expansion as a result of a deleveraged balance sheet
3. Earnings growth from expanding U.S. economy, merger synergies & cost savings, and pricing discipline resulting from industry consolidation

We take comfort in knowing that management and the board think and act like owners because they are owners - CEO Kevin Fogarty staked his career on the Arizona Chemicals acquisition and now owns 1mm shares of restricted stock. In addition, Chairman Dan Smith built Lyondell Industries and sold the company to Basell at the top of the market in 2007. Per recent management guidance, KRA should generate $350mm of EBITDA in 2017. We believe that there is a credible path towards $500mm of EBITDA in 2019 as raw material costs mean-revert and the company realizes the benefits of merger synergies. Even using a discounted peer group multiple of 9X and factoring in the de-leveraging that will take place over the next two years, we believe that KRA offers greater than 100% total return potential to our $100 base case scenario.

Archrock Partners, L.P. (APLP)

Market Cap:	$1b
Enterprise Value:	$2.3b

Archrock Partners is a Master Limited Partnership and the largest player in the fragmented natural gas compression business. APLP's compression fleet has 3x more horsepower than the next competitor, offering size, scale, and customer and geographic diversification that other competitors can't match. The company offers gas compression services including gas lift and re-injection, processing, turbine fuel boosting, and carbon dioxide compression. In addition, APLP also provides used equipment and aftermarket services.

Natural gas compression services are used to transport natural gas. Compression is often used to get natural gas from low-pressure wells to gathering systems, and to maintain production as reservoir pressure declines. Additionally, as natural gas is transported through a pipeline, it needs to be constantly pressurized at intervals of 40 to 100 miles. Archrock maintains a compression fleet that is deployed across all major U.S. producing basins and covers all points along the production and distribution continuum, from the wellhead and gathering systems to pipelines, processing plants, and storage facilities.

As energy prices plummeted in 2014 and 2015, oil and gas production and rig counts followed, causing devastation throughout the oil and gas industry. While APLP's revenue model isn't directly linked to commodity prices in the way a producer would be, APLP was not immune from the price declines either. The resulting decline in energy production caused the company to play defense by halving its distribution to a level that would allow meaningful de-leveraging to occur. Based on this defensive payout, the company enjoys distribution coverage > 2x distributable cash flow.

Over the short term, APLP's share price will likely continue to ebb and flow with daily fluctuations in energy prices. Over the long term, demand for APLP's compression services are directly linked to natural gas production growth – not energy prices. Recent forecasts by the U.S. Energy Information Administration ("EIA") and leading industry analyst Bentek, forecast U.S. natural gas production growth of 21% through 2021 driven by increased industrial usage, power generation, exports to Mexico, and LNG exports. These secular demand tailwinds are expected to be met with supply growth predominantly from existing shale formations where APLP maintains a dominant market presence.

Recent commentary from APLP management and industry peers, our industry contacts, and the reported backlog of compression engines from Caterpillar (the primary manufacturer of compression engines) suggest that industry conditions have tightened considerably over the past several months. APLP management has discussed increasing the distribution/unit once there is a clear line of site to 4x leverage. A recent secondary stock sale, while dilutive, has expedited this deleveraging and accelerated the timeline to a distribution increase. We believe that by Q1 2018 the company will increase the quarterly distribution/unit to a sustainable 1.5x coverage ratio. This would imply a $.40/unit quarterly distribution as compared to today's $.28/unit. Conservatively assuming an 8% yield on this new distribution would yield a $20/unit price, as compared to today's unit price of ~$14, for total return potential of > 50% and a nice, tax-deferred 8.3% payout while we wait.

Many thanks to those of you who have expressed interest and put faith in Wolf Hill as stewards of your capital. We will continue to hunt for under-the-radar investment ideas that offer exposure to compelling secular themes as well as one-off operational turnarounds that offer asymmetric return profiles. At quarter end, our largest positions were Constellium, Kraton, Archrock Partners, Tesla (short), and General Motors. We ended the quarter 111% long and 89% short.

Best Regards,

Gary Lehrman

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Wolf Hill Capital historical returns are calculated from its inception date as a registered investment advisor, March 9, 2017. Wolf Hill Capital Composite contains fully discretionary accounts and for comparison purposes is measured against the S&P 500 Index. Minimum account size for this composite is $250,000. These results are presented net of management fees and include the reinvestment of income. Net of fee performance was calculated using the current highest management fee of 100 basis points, applied monthly and further netting out this adjusted figure against our current highest incentive fee of 10%, applied monthly. The strategy invests in common stocks, preferred stocks, bonds, and options on publicly traded, primarily domestic securities. The composite is a portfolio of approximately 10-15 long ideas and 5-10 short ideas consisting of securities that Wolf Hill Capital Management deems to be either over or undervalued based on our fundamental assessment of the issuers current and future earnings prospects. Wolf Hill Capital Management, LLC is a registered investment advisor in the State of New York. The firm maintains a complete list and description of composites, which is available upon request. Results are based on fully discretionary accounts under management, including those accounts no longer with the firm. Past performance is not indicative of future results. The U.S. Dollar is the currency used to express performance.

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