Quarterly Letter, April – June 2018

	Apr 2018	May 2018	Jun 2018	Q2 2018	YTD	Since Inception	Annualized
Curreen Capital Partners LP	1.85%	1.84%	-2.18%	1.46%	4.41%	133.0%	18.1%
S&P 500	0.38%	2.41%	0.62%	3.44%	2.65%	85.2%	12.9%
MSCI World	1.15%	0.63%	-0.05%	1.74%	0.44%	56.7%	9.2%

Dear Partner,

Our fund was up 1.46% in the second quarter. We began the quarter with 3.3% of the fund in cash and cash management positions, and ended at 15.2%.

During May and June we added to Nilorn—at just over 20% of the fund it is our largest position—paying an average of SEK 81.77 per share. As in the first quarter, when we also added to Nilorn, I felt that we were able to buy a business that meets our three key criteria at a very attractive upside-to-downside ratio. At the available price, Nilorn deserved to be a larger portion of the portfolio, so we bought.

A More Illiquid Portfolio

In these quarterly letters I report on the changes in our portfolio (with performance discussions reserved for year-end), and I want to point out that our portfolio has become more illiquid over the past year.

Before discussing this – let me clarify what I mean by "liquid". It is one of those squishy terms that seems to mean something different each time I see it, and I want to be clear. For me, "liquidity" is how much cash we can access in one day. We care about liquidity because we want to be able to seize opportunities, and opportunities disappear quickly and unexpectedly. So the main risk in an illiquid portfolio is the inability to seize new and superior opportunities.

At the end of the quarter, about 40% of our fund was in illiquid positions – i.e. if we wanted to buy something amazing tomorrow, we would not be able to get much cash out of 40% of the portfolio. We have always held illiquid positions (for example, we have owned Kopparbergs almost since day one), and I enjoy seizing opportunities that larger investors cannot pursue. So when a smaller company with limited trading volume satisfies our three key criteria, we buy it.

What has changed is how much of our portfolio is in illiquid investments. For much of our history, illiquid positions probably comprised less than 20% of the portfolio. Some of this change is because the fund has grown – a 15% position may have been small enough to be liquid when we launched, the same percentage of the fund might now take several days to buy or sell. And some of the change is because the opportunities that have met our three key criteria have been in very small companies.

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Do not get me wrong, we can seize opportunities! We could make a new 15% investment tomorrow without selling any of our investments, and if we were fortunate enough to find an opportunity worthy of it – we could invest 60% of the fund.

Still, something about our increase in illiquid positions makes me uneasy. Making portfolios less liquid is a thing that investors tend to do near the end of a bull market, when nothing else seems cheap. This can be followed by an evaporation of what little liquidity there was, with cheaper prices all around. I.e. lots of opportunities that investors with illiquid portfolios cannot take advantage of.

I want us to either have the ability to seize great opportunities, or already own a portfolio that is superior to potential new opportunities (and that second one can only really be known in hindsight). This requires that I raise the bar for illiquid opportunities, especially if they become more of the portfolio and constrain our ability to seize future opportunities.

Most of my thinking about the portfolio is best summed up by telling you what we have done and why, because our actions are the distillation of the conflicting factors (the discussion of "on the one hand, on the other hand, and another relevant point, etc…" reduced to "we bought more Nilorn"). That our portfolio has become more illiquid—and may become more illiquid still—is not an action that we have taken, but I highlight it to help you understand our investments and my thinking about them.

Operational Note

We recently added Curreen Capital to Interactive Brokers' hedge fund capital introduction platform. The impetus was my desire to provide a less-cumbersome method than wire transfers for non-US investors to join the fund. I know how difficult things are from some countries, and want to ameliorate that for you. So if you have an Interactive Brokers account and are interested in becoming a partner in the fund, please reach out – this may be a superior solution for you.

In Closing

The next openings for new capital will be July 30th and August 31st. 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 start the conversation.

Thank you. I appreciate your investment in Curreen Capital, and it is a great pleasure to make you money and earn the trust you place in me.

Warmly,

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