



Quarterly Letter, January - March 2018

	Jan 2018	Feb 2018	Mar 2018	Q1 2018	Since Inception	Annualized
Curreen Capital Partners LP	4.45%	-4.10%	2.73%	2.91%	129.7%	18.8%
S&P 500	5.73%	-3.69%	-2.54%	-0.76%	79.0%	12.8%
MSCI World	5.28%	-4.14%	-2.18%	-1.28%	54.0%	9.3%

Dear Partner,

Our fund was up 2.9% in the first quarter. We began the quarter with 17.5% of the fund in cash and cash management positions, and ended at 3.3%. I do not forecast the direction of the stock market. Instead, our cash position changes as we seize opportunities. During the quarter we added to Nilorn and Conduent, and made a new investment in Socket Mobile.

Our New Investment

Socket Mobile is a small (<\$30m market cap) designer of wireless barcode scanners. A few years ago, after years of losses, they made the fortuitous decision to design scanners that integrated into a new and growing platform: iPhones, iPads and the Apple App store. At the time, companies serving small businesses had few options if they wanted to add a scanning option to their iPhone/iPad-enabled point-of-sale systems. By virtue of being one of the only options on Apple’s App store, Socket Mobile became the barcode scanning provider for these companies - which include Square, Shopify, Shopkeep and others. While few of these companies’ customers need to integrate wireless barcode scanners with their point-of-sale, those that do have one choice: to buy Socket Mobile products. These point-of-sale companies are likely to continue to integrate Socket Mobile’s products because their developers have learned to use Socket Mobile’s developer kit. Switching to a different provider’s developer kit would require that the developers devote time to learning a new system, rather than working to improve the tools that they offer their merchant customers. A switch would also risk upsetting merchant customers who are already using Socket’s scanners. Add these factors together and Socket Mobile has to really screw things up for its partners to switch.

The negatives with Socket Mobile are that the company issues a lot of stock to employees, they continue to increase SG&A and R&D expenses, and their expansion of working capital also seems without end. The management that has gotten them to growth and profitability is the same management that was there for the losses. The company sells capex to small businesses, and it has been several years since the US had a recession. Also, fourth quarter results showed weaker growth and higher expenses than the prior year.

The positives are that the management is investing for the long-term benefit of the business (regardless of quarterly profits), and the tender offer that brought them to my attention suggests good capital allocation (and provides some relief from their incessant stock issuance). The company’s point-of-sale partners continue to add merchants and test new customer categories - both of which can bring in new buyers of Socket’s scanners. Fourth quarter results were not a positive, but results are lumpy.

Socket fits our three key criteria. It is a good business that is exposed to excellent tailwinds, with a management who does what is right for the business and has indicated that it allocates capital on behalf of shareholders. The stock price gave us an attractive upside-to-downside. We built a smallish position in the



company (about 10% of our fund) in February and March at an average price of \$3.90. By the end of the quarter it had fallen 17%.

Sometimes I get excited when prices decline—even more value!—but this was not one of them. Socket's decline reflected the company's weaker quarterly results, rather than a better value at the lower price. With current information and at the current price, I am neither willing to add to nor cut our position.

Changes to Existing Investments

We slightly increased our position in Conduent in February, after the company's earnings report demonstrated progress in the company's turnaround. This increased my valuation estimates, and given its new and improved upside-to-downside ratio, I felt that Conduent deserved to be a 15% position. We added at an average price of \$18.67 per share.

We added to our Nilorn position during February and March, paying an average price of SEK 80.82. We added to Nilorn after it reported year-end results. From my reading of the report, Nilorn is not falling out of the sky and remains an excellent business with solid management, and it was selling at an excellent upside-to-downside ratio. Despite my experience with buying Nilorn in 2017 (which felt like repeatedly burning myself on a hot stove), we added and made Nilorn our fund's largest position.

In Closing

The next openings for new capital will be April 30th and May 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 send the proper documentation in time.

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.

Sending my best wishes to you and your family,

A handwritten signature in black ink, appearing to read "CHRISTIAN RYTER".

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