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Investor Letter Five

Dear co-investors,

Performance

In the second quarter, the fund gained +3.3%. Triggered by increasing fears of a global trade war, market volatility returned with a vengeance at the second half of June. The turbulence allowed the fund to open new positions in quality names we had previously viewed as too expensive. The fund significantly increased its gross long equity exposure by nearly 20% in the course of Q2, from 71% of AuM in 17 names at 31/3 to 89% in 23 names at 29/6. Net of the two short positions, net exposure at quarter-end was 84%. The remaining liquidity was invested in an ultra-short term bond fund and cash.

The underlying valuation of the fund's portfolio companies remains lower on an EV / EBITDA multiple basis than indices like MDAX and SDAX. [1] This is consistent with CCA's strategy to invest in robust, high quality businesses at reasonable valuations.

	EV/EBITDA		Market Cap (€ billion)	
	Average	**Median**	**Average**	**Median**
CCA	10,0x	9,3x	2.6	1.2
MDAX	12,6x	10,3x	7.5	5.3
SDAX	14,9x	9,6x	1.8	1.1
Discount				
vs MDAX	-20,4%	-10,0%		
vs SDAX	-32,6%	-3,6%		

The fund's *worst* performer in Q1 became the *top* performer in Q2: **Greencore plc** (EV €2 billion) returned **38% over the quarter** contributing **+2.43% to Fund NAV**. Thanks to our conviction in the name, the fund strongly added to the position near the bottom of the Q1 rout. In our Q1 investor letter, we wrote: "We liked the business under 10x EBITDA, we like it even

[1] The CCA fund valuation includes pensions in the enterprise valuation which is not the case for the index valuations. The valuation discount in the portfolio is thus even higher than reflected in this table.

better at the current 7x valuation." The H1 results communicated in May 2018 re-instilled confidence within the shareholder base that Greencore's long-term growth story remains intact.

The second best performer in Q2 was **IWG plc** (EV €3.6 billion), returning **41% over the quarter** and thus contributing **+1.63% to NAV**. With its brands Regus and Spaces, IWG is the global market leader in flexible workspace solutions. The company received takeover bids from a variety of competing investment funds including Terra Firma, Starwood Capital Group, TDR Capital, and Prime Opportunities.

The worst performer was **Aryzta AG** (EV €2.8 billion), down 36% overall (-1.17% portfolio level impact in Q2). In May, CEO Kevin Toland revised the FY'18 down by 12% given operating headwinds including higher wholesale butter prices. The 24% drawdown during Q2 prompted us to revisit our investment thesis and extend our due diligence by reaching out to external experts close to the company. Our research broadly confirmed our original thesis while adding nuance to certain points such an acceleration of the positive trend of in-store baking and a reduction in the negative trend of food retailers (e.g. Lidl and Coop) insourcing frozen-baked production. Aryzta is the most anti-consensus position in the CCA portfolio; it is likely the most shorted stock in Switzerland. Benefitting from a longer investment horizon than most market participants, the fund is holding this name – despite the mark-to-market hit to NAV – as we see a compelling mid-term upside for this global market leader. The path to recovery is clear and achievable, including reducing the fixed cost base and passing on higher butter prices, albeit with a time lag.

Notable new positions

OSRAM Licht AG (EV €3.3 billion) - **long.** In mid-June, Trump's tough talk on trade sent a ripple of fear through automotive investors as the market braced for potential U.S. tariffs on auto imports. Osram issued a pre-emptive profit warning on June 28th. Retreating 58% from its January 2018 peek, Osram lost €4.5 billion of market value YTD despite generating only half of group sales from automotive. We've been following Osram's long-term repositioning for a while, waiting for an opportunity to open a position at a sensible valuation. After meeting the senior management team (CEO, CFO, & Head of BU Opto Semiconductors) in May, we gained confidence in their ability to execute the long-term strategy. While many lighting applications – industrial, digital screens, automotive, architectural, municipal etc. – are shifting to LED, few upstream suppliers have invested in the technological capacity to manufacture high-quality opto semiconductors. Having invested over €1 billion capex in their new plant in Kulim, Malaysia, Osram is currently ramping up production ahead of schedule. Kulim is one of the world's lowest cost and highest quality opto semiconductor factories. We do not believe that the potential sales and earnings contribution over the mid-term is adequately reflected in our entry valuation < 10x 2019e EBIT. Over time, as Osram's business mix increasingly resembles semiconductor comps like Infineon (19x 2019e EBIT), patient investors may see a multiple re-rating. The fund opened a 4.9% long position.

Gerry Weber AG (EV €450m) - **short.** Gerry Weber is a mid-market fashion retailer catering to women in their 40s and 50s. The core brand is stale and like-for-like sales have been declining for years. Distribution occurs through the company's 1,240 own stores as well as 2,400 shop-in-shops. The company has failed to adjust to an e-commerce driven world and is losing market share to amazon, Zalando and other e-commerce fashion retailers. A recent attempt to restructure the cost base via store closures failed, as did the latest new brand launch. The CEO is the son of the founder and limits his exposure to external investors; the CFO makes

a weak impression. The company faces an increasingly critical leverage problem with 4.0x net debt to EBITDA and declining sales and earnings. Last but not least, the shares are expensive on any conventional earnings multiple: 9.5x EV/EBITDA (FY2018), 16x EV/EBIT (FY2019). Near-term catalysts could include further sales and earnings declines, a capital increase or large long-term block shareholders (there's a few out there) forced to slowly reduce their holdings. The fund started building its short position in Gerry Weber **on April 11 at €8/share**. The position now constitutes 4% exposure on fund level. During the H1 results call on June 14th, the CFO revised the 2018 outlook downward from previously 10-20m of EBIT to -10 – 0m. Since the position was opened, Gerry Weber shares have declined by approximately **33% to €5.37/share.**

FinTech Group AG (EV €500m) **- long.** Frankfurt-based FinTech Group consists of a B2C unit (Flatex, the independent online broker, 75% of sales) and a B2B unit (white label core banking solutions, 25% of sales.) Flatex pioneered online discount brokerage in German-speaking Europe with €5.90 per trade. In our meeting, the CEO & CFO said that they believe that FinTech's native digital platform is the lowest cost provider in the market at only €1.45/trade. Transactions at Flatex are growing at a 17% CAGR. The B2B unit provides outsourced core banking services including digital settlement and payment processing to large banks seeking to outsource antiquated back office processes. FinTech contributes unique risk dynamics to the fund's portfolio, including a hedge on stock market volatility (higher traded volumes increase sales and largely drop to Flatex's bottom line) and a hedge on interest rate increases (each 1% increase adds €8m to treasury operations earnings). Given the strong organic growth, we find the valuation at 10.8x 2018e EBIT undemanding. The fund opened a 3.3% long position in June.

Partial exit

In February, the fund participated in the IPO of **Stemmer Imaging** (EV €220m)**,** a machine vision systems supplier. It listed shares in Frankfurt at a **€34/share** or 16.1x FY'19 EBIT. Following the announcement of strong Q1 results, flows into the name increased strongly. When Stemmer's valuation exceeded 23x EBIT, the fund took profits at **€45/share (+32%)**, reducing its holding to 1.6% of AuM. The fund will further trim its holdings in Q3.

FX risk management

In our last investor letter, we wrote that the fund had not hedged FX exposure but that it would do so if the portfolio faces meaningful concentration risks. Due to the relative appreciation of Greencore plc and IWG plc in Q2, the fund's GBP exposure increased from 17% to over 20% of AuM. Given increasing uncertainties in the Brexit process, the fund hedged its entire sterling position using futures contracts. So far, the hedge has contributed 20 bps to NAV at fund level. The fund's 12.7% and 4.1% exposure to CHF and SEK, respectively, remains unhedged.

Dividend policy

All tranches of CCA European Opportunities are dividend-paying (as opposed to accumulating / re-investing). Due to a one-off transition in German tax law beginning 1.1.2018 (*Investmentsteuergesetz-Reform*), all German funds were required to allocate a non-cash

distribution to investors at 31.12.17 based on their underlying portion of dividend income received by the fund in 2017. This was a one-off distribution.

Going forward, the fund's policy is to distribute sufficient cash to exceed the 'mandatory minimum distribution' level required by the new tax law. We appreciate that investors generally prefer to receive sufficient cash distributions to cover potential tax obligations created by recurring dividend income received at fund level. The fund aims to pay a dividend each October, approximately six weeks after its fiscal year-end, which is 31st August.

As always, please let us know if you have any questions.

Best regards,

Alex & Felix