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Investor Letter Six

Dear co-investors,

As we mark the fund's one-year anniversary, we are encouraged to have added new institutional and retail investors who appreciate our unique strategy. We apply private equity principals in the public markets to originate, diligence, and monitor our investments. We invest in management teams pursuing value creation strategies out of the PE playbook, including buy-and-build, the constructive use of debt & leveraged equity returns, and corporate governance improvements. Companies pursuing these routes have performed well and contributed to the success of the fund. Recent volatility in the broader capital markets is creating more attractive entry valuations.

We also look at restructurings where what needs to happen is clear and achievable. One of our early investments, Aryzta AG, seemed to be such a restructuring. However, sometimes management teams do not pick the fruit, regardless of how low it is hanging. More on Aryzta under section "exits".
In response to our Aryzta experience, we fine-tuned the requirements for opening any position with restructuring as part of the investment thesis, focusing on situations where we can stay very close and use our private equity edge more effectively. We also implemented more stringent risk management procedures. We now cap the maximum loss per position at the lower of 250 basis points of AuM or a percentage of the individual position depending on its sizing.

Performance

In the third calendar quarter, the fund lost -2.7%. For the fund's first year which ended 31/8, the fund was down -3.4%. The Stoxx600 was up +0.75% for the comparable period. Excluding our investment in Aryzta, the fund would have been up +0.49%.

The return was in part muted by the gradual ramp-up from 100% cash at launch. By the end of the first calendar year on December 31st, 2017 the fund had returned 5.7% versus the Stoxx600 at 2.6% although the fund had just reached a net exposure level of 68.3%. The fund had net exposure of 69.1% at 31/3 and 84.2% at 30/6. At 30/9, the fund had a gross long exposure of 79.1% and a net exposure of 77.6%. Our target is to operate a net exposure near 90% across cycles; we will hold somewhat more liquidity in periods of very high valuation.

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

	EV/EBITDA NTM		EV/EBITDA LTM		Market Cap	
	Average	**Median**	**Average**	**Median**	**Average**	**Median**
CCA	11,3x	8,6x	13,2x	9,8x	2.350	830
MDAX	12,3x	10,2x	12,7x	10,6x	7.598	5.305
SDAX	16,8x	10,8x	15,1x	11,0x	1.886	1.249
Discount						
vs MDAX	-8,8%	-16,2%	4,3%	-7,5%		
vs SDAX	-33,0%	-20,4%	-12,4%	-10,5%		

Comprising 54% combined, the fund's ten largest positions at 30/9 were:

Company	Size	Thesis
Intertrust N.V.	8.0%	Global leader and consolidator within the corporate & trust services sector. Sustainable EBITA margin of 37%. Recurring, non-cyclical cashflows to levered equity.
Encavis AG	7.6%	Solar park operator with stable cash generation via guaranteed feed-in tariffs. M&A optionality as kicker.
McBride plc	6.2%	Leading European private label household products player. Optimized production footprint, focusing on free cashflow. Upside in contract manufacturing.
OSRAM Licht AG	4.9%	Transformation from lightbulb producer to high-tech semiconductor company supplying automotive and a diversity of other end-markets. Opportunistic entry after large correction.
Dufry AG	4.8%	World's largest airport duty-free retail operator. Levered buy & build and stable long-term contracts with structural market growth.
FinTech Group AG	4.8%	Two-headed cash cow: online retail brokerage & IT backend outsourcing for banks. Embedded option on gaining significant market share in Austrian retail banking market.
KION GROUP AG	4.5%	Provider of essential logistics infrastructure equipment for increasing e-commerce penetration in the global economy. Levered equity.
Eurofins Scientific SE	4.4%	Global leader in bioanalytical testing for food, environment, pharmaceutical, agroscience & clinical. Buy & build machine in non-cyclical sector with excellent M&A track record.
Greencore Group plc	4.4%	The leader in UK convenience food. Buy & build and production footprint optimization within fast growing segment.
IWG plc	4.4%	The global leader in the workspace-as-a-service sector. Comparable to WeWork (private). Harvesting strong cashflows from earlier investments. Recent private equity P2P target.

Short positions

An important element of the fund's strategy is the ability to extract additional alpha from high conviction shorts. In total, short positions have contributed +2.32% to overall fund performance since the fund's launch. On October 4th we closed our latest short position at Gerry Weber. However, we are monitoring a deep pipeline of very interesting short opportunities and will execute some of them in the near term.

Gerry Weber AG (EV €333m). The mid-market fashion retailer catering to women in their 40s and 50s faced the same challenges as other fashion retailers. But Gerry Weber failed to react. The fund started building its short position on April 11 at €8/share; at its peak, the GW position was 4.5% of the fund. After a profit warning on June 14, 2018 the situation at GW deteriorated rapidly. A €31m debt tranche comes due in November which they will struggle to repay. On September 21st, the company commissioned an IDW S6 review. This is a standardized restructuring report based on the rules of the Institute of Public Auditors in Germany. It is typically requested by the intensive care divisions of banks if a company is deemed a high-risk creditor. During our time as

private market investors, we saw this a lot and it typically didn't end well. We decided to "buy the rumour and sell the fact" (the saying works *vice versa* for shortsellers). We closed the position at c. €3 per share realizing a 57% return over a very short time frame. As you can see below the IRR looks juicier as we almost doubled our initial short position only in June.

Over the course of the fund's first year, we opened three other short positions. None was comparable to the size of the Gerry Weber position. Two of them were slightly loss making, the other slightly profitable. Timing on short positions is delicate, which is why we monitor these situations closely and execute when the time is right.

Meaningful Exits

Company	Position Open	Position Close	IRR	Return	Money Multiple
Nexeo	11 Sep 2017	27 Feb 2018	99,9%	25,3%	1,25x
Aryzta	11 Sep 2017	06 Aug 2018	-70,6%	-51,4%	0,49x
Ibstock	12 Sep 2017	21 Feb 2018	28,9%	11,0%	1,11x
Loomis	12 Sep 2017	10 Aug 2018	-24,1%	-13,6%	0,86x
Stemmer Imaging	27 Feb 2018	25 Jul 2018	97,4%	24,2%	1,24x
Eckert und Ziegler	30 Apr 2018	17 Aug 2018	98,9%	22,1%	1,22x
Vapiano (SHORT)	18 Sep 2018	26 Sep 2018	nm	41,4%	1,41x
Gerry Weber (SHORT)	11 Apr 2018	04 Okt 2018	366,8%	57,2%	1,57x

Aryzta AG (EV €2.8b, equity value €750m.) The fund opened a position in September 2017 and closed its position in August 2018, realising a loss of 51% and -3.9% on fund level. The company is the world's largest specialty baker with a global market share of 11% with an IT platform deeply integrated into customer supply chains. Aryzta sells non-cyclical products into a stable market with some growth pockets such as the all-day, in-store baking trend. The investment thesis was premised on the new chairman, Gary McGann (former Smurfit Kappa CEO) installing a new senior management team to take the needed and obvious structural steps. Arzyta had lost several B2B customers after building up its B2C franchise under the empire-building efforts of previous CEO Owen Killian. Aryzta had also entered new business lines such as frozen specialty food retailing with a 49% stake in Picard. The B2C businesses and the Picard stake clearly needed to be sold both to de-lever and to restore alignment with the core B2B customer base. After taking the reins at the beginning of the year and vowing to complete these steps by the fiscal year-end of July 31st at the latest, new CEO Kevin Toland ultimately took none of these steps. Toland was in part coping with unexpected crises such as spikes in butter and flour prices and an illegal labor investigation and resultant plant shutdown at Cloverhill Bakery (since sold), a US bolt-on made by his predecessor. Aryzta only passed its YE covenant test by engineering a second leveraged recap of Picard (as dividends count toward covenant EBITDA). A seven-year senior bank deal arranged by the new CFO only few months earlier had to be renegotiated, forcing a €800 capital increase for debt paydown.

In making this investment, we overestimated the ability of the new management team to take obvious steps within a reasonable timeline. We also underestimated the volume of institutional capital betting aggressively against the company despite the sensible roadmap set out by McGann and Toland. At one point, Aryzta was the most shorted stock in Switzerland. The restructuring was made more difficult by the pressure received from raw material price increases in a sector where it is key to pass those on swiftly to customers. In retrospect, we think the management transition coincided adversely with the raw material price increases. Furthermore, there was no clear leader in the shareholder base controlling the restructuring closely which had shareholders fleeing the company and left an open flank to shortsellers. In response, we adopted new risk management procedures which put an even higher threshold on investing in restructuring cases (more toward the foreseeable end of a restructuring cycle) and capping losses at pre-defined levels. Also, in the future we will be reviewing whether there is a clear lead investor in the shareholder base or if the company is small enough, we could in parts fulfil that role.

Stemmer Imaging AG. In the course of Q3, the fund sold its remaining stake in the machine vision systems supplier given the strong appreciation in its shares since our participation in its February IPO (EV €220m). Stemmer listed shares in Frankfurt at €34/share or 16.1x FY'19 EBIT. Following the announcement of strong Q1 results, flows into the name increased strongly. After Stemmer's valuation exceeded 23x EBIT, the fund took profits at €43/share (+24%). Stemmer contributed +0.4% overall performance to the fund. We continue to monitor Stemmer and may re-open the position once risk and reward regain balance.

Notable new positions

Collectively representing 5.9% of the fund, all four new positions below give the fund exposure to profitable, cashflow positive, fast-growing technology niches at attractive valuations.

All for One Steeb AG (EV €290m)**.** Germany's #1 SAP-based IT service provider, AOS is rolling up a fragmented space. The market for SAP implementation in the *Mittelstand* is growing strongly ahead of SAP's phase-out of the legacy R/3 system and migration of SAP customers to cloud-based services. The fund opened a 2.8% long position.

IVU Traffic Technologies AG (EV €81m)**.** IVU's software solutions keep cities around the world running by optimising the planning and operation of transport services. The company benefits from high recurring revenues and a very sticky customer base. The fund opened a 1.6% long position.

Vectron Systems AG (EV €115m)**.** Vectron is the European leader in point-of-sale ('POS') systems for restaurants and other gastronomic establishments. Near-term growth is driven by compliance with tighter regulations requiring digital tax transparency. Mid-term growth will be fuelled by the monetisation of Vectron's unique access to the largest available data set of real-time food and beverage consumption. The fund opened a 1.0% long position.

Fabasoft AG (EV €145m)**.** Fabasoft provides digital record management solutions to public customers including European federal and local governments. Based in Linz, Austria, the company also sells Mindbreeze, a hardware box with pre-installed proprietary software utilising AI algorithms which allow corporate customers to securely search and analyse internal data. The fund opened a 0.5% long position in September.

FX risk management

Given ongoing uncertainties in the Brexit process, the fund's entire sterling position is hedged using futures contracts. The fund's 10.3% and 3.9% exposure to CHF and SEK, respectively, remains unhedged.

Dividend

All tranches of CCA European Opportunities are dividend-paying. The first annual dividend will be distributed on 16 October in the amount of €4.06 for the I class, €0.65 for the S class, and €0.64 for the R class. Ex-dividend date is 15 October. The NAV of each tranche will be reduced one-for-one for the distribution.

We would like to thank all our co-investors for their loyal support in our first year out. We are very excited about the portfolio and our excellent pipeline of opportunities. We look forward to updating you more on this in the next letter.

Best regards,

The CCA team

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