

CCA GmbH
Hasengasse 21
D-60311 Frankfurt am Main
t: +49 69 2649 0195
m: hello@conductioncapital.com
w: www.conductioncapital.com

Dear investors,

CCA European Opportunities UI (“the fund”) invests in high quality public European small and mid-cap businesses with the goal of providing strong long-term performance with moderate volatility. The fund launched on 8th September with just under Euro 9 million in cash. We are humbled by the trust you have placed in us.

In the first three weeks, we invested 65% of assets under management (‘AuM’) in a combination of equities, currencies, and a cash equivalent fund whilst maintaining a stable NAV at around the launch price of €100/share. Of the approximately fifty companies we follow, thirteen trade at or under our buffered valuation target. We opened positions in these companies via a combination of market orders, limit orders, and one opportunistic block trade. These positions currently account for 43% of AuM; we aim to take this share to over 51% by the end of October.

We seek to use the market’s inherent volatility to scale into attractive businesses at reasonable valuations. Here are two recent examples:

- Intertrust NV is a leading global provider of corporate and trust services, enabling corporations and investment funds to organise tax-efficient cross-border structures. On 19 September, Intertrust announced that its CFO, Maarten de Vries, had resigned. Traders, panicked by the lack of clarity and possibility of accounting irregularities or some other inexplicable event, sent the shares down 3%. Confident in our conviction that Intertrust is a strong business with a leading market position in a non-cyclical sector with a very sticky customer base, we provided the market with liquidity and scaled into this name as a core position. When Akzo Nobel later announced that it had hired Mr de Vries as its new CFO, the market sent shares back to where they had been.
- Aryzta AG is the world’s largest industrial bakery. In June, we circulated our investment thesis on Aryzta (‘Equity Ride 1’ available on our website). On 25th September, Aryzta AG announced its FY’17 results. Traders focussed on flat European sales, margin reduction, and a 6% decline in Aryzta’s US business. We, on the other hand, had anticipated poor results and were more focussed on new CEO Kevin Toland’s strategic statement that the company would “refocus on core B2B Frozen Bakery and European Food Solutions businesses.” This provided evidence that CCA’s investment thesis is playing out exactly as we had expected. Specifically, Aryzta’s new management team will refocus on the core B2B customers and sell the assorted B2C businesses, eliminating the channel conflict that hampers its B2B business. We applaud Toland’s commitment to generating €1bn of cash flow in the next four years including asset disposals. Finally, Toland confirmed our view that Aryzta is in fact a well-invested business. The poor results put the shares under pressure, creating an entry opportunity for long-sighted investors.

Both Intertrust and Aryzta are dealing with serious challenges and their valuations reflect that. But this is also why their upside potential is more attractive than the fifty names on our watchlist. These two examples simply illustrate – on a small scale – how CCA uses the conviction of our fundamental research to take advantage of volatility to scale into long-term holdings of quality companies.

As marketing remains a high priority, we were very pleasantly surprised when, on 20th September, *Handelsblatt* wrote a feature article on our PE-inspired investment approach. In case you missed it, this is attached as a PDF.

Although we are still ramping it up, the portfolio is already taking shape nicely. We are enthusiastic about the medium and long-term prospects of both the individual names and the dynamics within the portfolio itself. When a more normalised level of market volatility returns, as it inevitably will, we are ready.

Best regards,

Alex Nieberding
Felix Eisel