

Update on Veritiv

In my 2017 Letter to Partners I informed you that I bought stock in Veritiv, a Seth Klarman holding, at 42\$. The stock went all the way up to 62\$ and all the way down to 28\$. And I informed you about the 30\$ hedge I had in place, up until 19 January 2018. After I published my 2017 Letter to Partners, I bought more stock in Veritiv at 28\$.

Yesterday, 7 November 2017, as a result of a disappointing Q3 2017 Financial Update, the stock went down 20% and today even further to 20.40\$. The stock price has been on a roller coaster and I believe the returns will favor those who are able to avoid emotions and make allocations based on rational and logical decision making.

There is always a risk of high volatility in these kind of high uncertainty stocks. That's exactly why I hedge my positions to limit the downside risks. Today I exercised the put options at 30\$ and invested the money to buy more stock at 22.40\$.

If you sell at 30\$, you can buy back approximately 30% more stocks at 22.40\$. As a result the Veritiv investment will be 15% more profitable beyond the break-even point, which is at 35\$.

The long-term investment thesis on Veritiv remains strong and intact. In Q3'17 CEO Mary Laschinger bought 3300 additional stocks, Seth Klarman's Baupost Group increased their position in Veritiv and now owns 19.45% or 3,053,724 shares of the company and also Jean-Marie Eveillard initiated a position in Veritiv.

And again, I am more than ready to be proven wrong. My new Veritiv position is once again "hedged".

Cordially,

Peter

Peter Coenen, 8 November 2017
Founder & CEO of The Value Firm®

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