TANTALLON TECH & SUSTAINABILITY FUND

The Tantallon Tech & Sustainability Fund is a Cayman Island vehicle that invests in listed equities globally. The fund targets a concentrated portfolio of around 20 names seeking returns from long-term growth companies as well as cyclical opportunities.

Tantallon Capital Advisors, the advisor since inception in 2017, is a Singapore-based entity holding a Capital Markets Service License in Fund Management from the Monetary Authority of Singapore.

Performance

Tantallon Tech & Sustainability Fund Size USD 10mn (Cayman is Feeder) (Inception Jan 17)

	Fund	BW Tech*	DJ Sust**	Tech&Sust	O/U Perf
March 2017	**+0.6%**	+3.5%	+1.1%	**+2.3%**	**-1.7%**
2017 YTD	**+1.3%**	+12.5%	+6.4%	**+9.4%**	**-8.1%**
Inception	**+1.3%**	+12.5%	+6.4%	**+9.4%**	**-8.1%**

** Bloomberg World Technology Index*
*** Dow Jones Sustainability World Diversified*

The fund went live at the beginning of the quarter and started deploying funds after a big run-up of the technology sector in 2016. We exited the quarter with 10 positions and 50pct of cash deployed.

On the technology front, we built our positions in the cyclical names such as Micron, Hynix, Sumco and Global Wafers which all turned into contributors for the quarter. We believe this is one of those once in a decade opportunities for the tech cyclicals. We were more selective in the growth names as valuations here are stretched and focused on Japan turnaround opportunities.

We have spent a couple of decades following the consolidation of the memory industry and feel comfortable that the current state of profitability can be sustained given only three major DRAM producers and four major NAND flash producers of which the No.2 is currently handicapped by the restructuring process of the Toshiba group. While China is developing new entrants/competitors in most technology sub-sectors, we do not see a credible threat emerging in the memory space. We expect the stocks to continue to re-rate as earnings power is seen as more sustainable.

On the sustainability front, our initial research focus is targeting Electric Vehicles over Renewable Power. On the growth side, we built positions in the EV supply chain with BYD and SDI and are looking to add further materials and component companies as plug-in vehicles approached the 1m unit sales mark in 2016 and look to accelerate market penetration as battery price reductions are both enabling and forcing the traditional auto industry to offer a wider range of attractive vehicles. Meanwhile consumers are able to access more affordable cars with less range anxiety. We expect 2018-2020 to be a period of positive surprises in terms of price, performance and adoption (from a low level) and lead directly into a period of meaningful EV adoption in 2020-2025.

We have analyzed the competitive landscape and initially expect two fairly distinct markets to develop. One will be

FUND DETAILS

Investment Manager:
Tantallon Capital (Cayman Islands)

Fees:
1.5%pa Management fees

Administrator:
DBS Bank Ltd

Minimum Investment:
USD 1,000,000

Domicile:
Cayman Islands

Custodian:
DBS Bank Ltd

Feeder funds
Offshore (Cayman Is)

Auditor:
KPMG

Lawyers
Harney Westwood & Riegels Singapore
Morgan Lewis Stamford LLC

Dealing:
Monthly

Contact:
Alex Hill
(alex@tantalloncapital.com)

2017	JAN	FEB	MAR	APR	MAY	JUN	JUL	AUG	SEP	OCT	NOV	DEC
Fund Monthly Gross Return	0.71%	0.60%	1.54%									
Fund Cumulative Gross Returns	0.71%	1.31%	2.87%									
Fund Monthly Net Returns	0.35%	0.34%	0.62%									
Fund Cumulative Net Returns	0.35%	0.69%	1.32%									
Equity Monthly Returns	5.65%	2.91%	1.96%									
Equity Cumulative Returns	5.65%	8.56%	10.52%									

centered on the OECD manufacturers and their markets while the other will see the China manufacturers control their domestic market and then expand into the EM markets. We therefore see an opportunity for OECD component manufacturers such as Samsung SDI to generate respectable margins by supplying OECD brands while China component makers implement a more aggressive cost structure to develop their domestic market and other EM markets.

On the cyclical side of the sustainability opportunity, we did dip our toes into the solar supply chain where share prices had been decimated in 2016 due to continued fall in product prices as well as a deteriorating outlook for growth in 2017 coupled with the US election results. We looked for opportunities where industry consolidation could stabilize fundamentals and lead to a substantial share price recovery. While Polysilicon prices did recover in 2016Q4, the trend remained short-lived and by mid 2017Q1 price declines re-accelerated on the back of continued capacity build in China. We were promptly stopped out our position in FSLR. 2017 now looks to be part of a longer transition period on many fronts with limited (if any) growth in China and the US, declines in Japan and Europe and strong growth only in selected emerging markets such as India and the Middle East. It all adds up to a flat year in terms of GW installations at best.

A major change for the renewable energy sector is occurring in 2017-18 as pricing across all geographies switches from a feed-in tariff support structure to one based on wholesale market rates. Sufficient grid investment is becoming the gating factor to guarantee a successful transition toward a larger contribution from intermittent (renewable) sources. The successful grids will demonstrate the benefits and eventually lower cost associated with renewables and put the solar industry on a renewed growth trajectory by the end of the decade. We will continue to follow this development looking both cyclical and growth opportunities.

Given our two distinct areas of focus and no benchmark to follow, we look at the global market returns as well as the average return of two specialized indexes (Bloomberg World Technology Index and Dow Jones Sustainability World Index) for perspective.

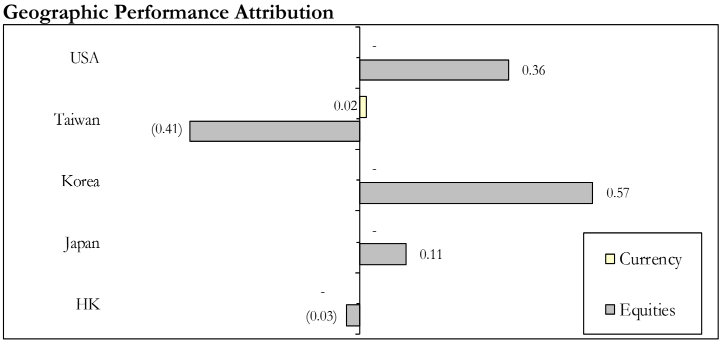
Our equity returns did somewhat better than both the global and this average while the fund’s returns fell well below as we were adding equity positions throughout the quarter. We exit Q1 with 55% of the portfolio in equities and targeting to own 70% by end of Q2.

Risk & risk control:

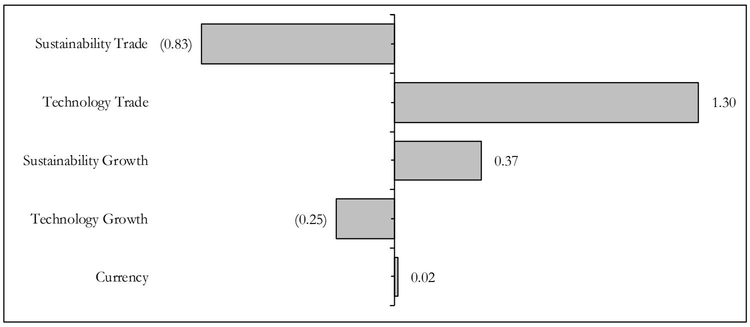
Given the portfolios high exposure to North East Asia, we are concerned about developments around North Korea. In addition, we are looking out for threats to our expectation to continued robust global economic growth (interest rates, FED balance sheet unwind, China restructuring), which underpin our cyclical technology investments. We maintain stop-loss levels for all our positions.

% OF ASSETS ALLOCATION	EXPOSURE
Hong Kong	5.0%
Japan	17.9%
Korea (South)	13.5%
Taiwan	4.9%
United States	11.2%
Cash	47.5%
Total	**100.0%**

Geographic Performance Attribution



Sector Performance Attribution



Equity Positions

Total	10	Largest 5	32.88% of NAV	Liquidity	0.07 days	Mkt Capitalization	>2Bn	86%
						Gross Exposure	>500m-2Bn>	14%
						(USD)	<500mn	0%

Top 5 Holdings		Top 5 Contributors	Top 5 Detractors
Micron Technology Inc (UW)	11.22%	Micron Technology Inc (UW)	First Solar Inc (US)
Samsung SDI Co Ltd (KP)	5.77%	Samsung SDI Co Ltd (KP)	Softbank Group Corp (JT)
Sumco Corp (JT)	5.46%	Sumco Corp (JT)	Nintendo Co Ltd (JT)
SK Hynix Inc (KP)	5.27%	Sino-American Silicon Product (TT)	Ememory Technology Inc (TT)
Renesas Electronics Corp (JT)	5.16%	SK Hynix Inc (KP)	OCI Co Ltd (KP)