

THE TANTALLON FUND

The Tantallon Fund is a Cayman Island vehicle which invests in listed equities in the Asia Pacific region. The fund targets a concentrated portfolio of 35 names, with a 3-5 year investment horizon. At the portfolio manager's discretion the fund may hedge its market and currency exposure, and short sell individual securities.

Tantallon Capital Advisors, the advisory company since inception in 2003, is a Singapore-based entity holding a Capital Markets Service License in Fund Management from the Monetary Authority of Singapore.

The fund declined -1.59%, reducing our year to date advance to +28.39%. Regional indices were modestly weaker.

On the positive side our milk exposure contributed handsomely again this month, as A2Milk continues to re-rate and our more recent Indian acquisition Heritage Foods climbed sharply despite reporting weak numbers following the acquisition of Reliance Dairy; this dragged operational performance, although topline growth of 22% in milk and 21% in value-added product gives some indication of the demand dynamic. In aggregate our dairy exposure added +1.8% to NAV. Tata Steel, the focus of increasingly positive news flow both on its domestic and European operations, contributed +82bps to NAV. Sadly elsewhere the portfolio proved lackluster, with particularly sharp weakness in our other steel company Vallourec, -86bps, negating the strength in Tata, and some galling weakness in our long-standing position in Gateway Distriparks in India, with particularly disappointing results from its rail business, as our logistics exposure continues to suck wind. Japan was poor across the board, with Shimano trading steadily weaker, and lackluster showing by Fanuc, M3 and Rakuten. Our JPY position, healthily positive much of the month, swung into deficit on valuation date and detracted -33bps

Like Alice Through the Looking Glass the Korean Air flight to Vladivostok flies resolutely in the opposite direction before swinging through a long north-western circle over China, and disgorging a packed flight into Vladivostok's new terminal. The avoidance of North Korean airspace triples what should be barely an hour long flight. (Siberian Airlines, on a packed daily flight from

Performance

Tantallon Fund Size USD 33mn (Cayman is Feeder)
(Inception Nov 03)

| | Tan | MSCI Pacific Free Index | Over/(Under)perf |
|---------------------|----------|----------------------------|------------------|
| Aug 2017 | -1.59% | -0.21% | -1.38% |
| 2017 YTD | +28.39% | +12.49% | +15.90% |
| 2016 | -11.32% | +1.49% | -12.81% |
| 2015 | -3.01% | +0.44% | -3.45% |
| Inception | +128.48% | +66.63% | +61.85% |
| Compound | +6.15%pa | Volatility | +15.07% |
| 3 mth T-bill return | +1.00% | % Sharpe Ratio | 0.342 |

FUND DETAILS

Investment Manager: Tantallon Capital (Cayman Islands)
Fees: 1.5%pa Management fees

Administrator: Portcullis Trust (Singapore) Ltd
Minimum Investment: USD 1,000,000

Domicile: Cayman Islands
Prime Broker: Morgan Stanley

Feeder funds
Onshore (Cayman LP), Offshore (Cayman Is)

Auditor: Pricewaterhouse Coopers
Lawyers: Maples & Calder
Shearman & Sterling LLP

Dealing: Monthly
Contact: Alex Hill
(alex@tantalloncapital.com)

VVO to Hong Kong, sails across the DPRK with impunity). IN 2005 when I first visited in idle curiosity to look for ideas that might fit the thesis of the opening of the Russian Far East to Asian trade and tourism, Bill Browder told me bluntly that he would never visit the place and wouldn't touch any company associated with the city; it was then, and beneath the service remains, a town run by the mob, and most old Asian hands can

| YEAR | RETURN | JAN | FEB | MAR | APR | MAY | JUN | JUL | AUG | SEP | OCT | NOV | DEC |
|-----------|----------|---------|--------|---------|--------|---------|--------|--------|--------|--------|--------|---------|--------|
| Inception | +128.48% | | | | | | | | | | | | |
| 2017 | +28.39% | +2.69% | +6.43% | +6.00% | -1.17% | +5.74% | +0.96% | +6.75% | -1.59% | | | | |
| 2016 | -11.32% | +13.28% | -4.88% | -14.59% | +1.39% | +0.26% | -6.79% | +0.20% | +2.70% | -0.26% | +2.11% | -4.30% | +1.39% |
| 2015 | -3.01% | +1.79% | -4.91% | +2.46% | -5.89% | +2.71% | -1.05% | +4.50% | +8.99% | -4.50% | -6.25% | -0.84% | +1.12% |
| 2014 | +0.24% | -2.28% | +4.41% | -5.08% | -3.85% | -2.91% | +3.22% | -3.84% | -2.48% | -0.50% | +0.28% | +16.37% | -1.34% |
| 2013 | +20.14% | +6.23% | +5.97% | +2.90% | +3.62% | -3.88% | -5.55% | +2.56% | -0.05% | -2.19% | +1.86% | +5.75% | +2.08% |
| 2012 | -0.12% | -0.87% | -0.18% | -1.47% | -3.88% | -4.03% | -2.33% | -0.20% | -0.73% | +5.81% | +0.95% | +2.81% | +4.50% |
| 2011 | -9.85% | -4.09% | -1.64% | +3.28% | +3.93% | -0.67% | -1.51% | +2.01% | +0.47% | +3.46% | -6.24% | -6.44% | -2.16% |
| 2010 | -3.54% | -7.08% | -4.95% | +4.06% | +4.90% | -7.24% | -1.02% | -0.17% | -0.29% | +9.24% | +0.32% | -2.51% | +2.47% |
| 2009 | +29.45% | -5.50% | +4.43% | -2.25% | +3.46% | +13.97% | -0.12% | +7.32% | -1.34% | -2.12% | -1.45% | +4.23% | +7.03% |
| 2008 | -28.36% | -5.72% | +2.44% | -0.05% | -5.39% | -1.33% | -6.87% | -6.65% | -5.39% | -4.17% | +0.59% | +0.07% | +0.20% |
| 2007 | +20.24% | +0.39% | +4.60% | +1.34% | +0.05% | +2.44% | +4.19% | +4.86% | -0.38% | +3.66% | +4.35% | -3.07% | -3.40% |
| 2006 | +12.99% | +4.20% | -1.53% | -0.93% | +0.44% | -1.93% | +0.13% | +1.02% | -3.71% | +0.26% | +4.89% | +6.89% | +3.08% |
| 2005 | +22.75% | -0.55% | +3.77% | -0.68% | -1.45% | +0.54% | +1.92% | +4.23% | +0.87% | +7.76% | -4.00% | +5.28% | +3.56% |
| 2004 | +25.40% | +5.80% | +4.80% | +4.60% | -1.69% | -2.67% | -0.53% | -1.42% | -0.18% | +5.42% | +3.17% | +2.41% | +3.65% |
| 2003 | +2.00% | | | | | | | | | | | -3.50% | +5.70% |

recall the fate of a young New Zealand lawyer who traveled there with his Russian girlfriend to attempt to bargain for her release some 20 years ago. However after an absence of 12 years, I was pleasantly surprised at the change that massive infrastructure investment, and the resumption of direct control by Moscow, has had on the city. Improved flight links to China, with daily flights to 4 northern Chinese cities, regular flights to Osaka and Tokyo, daily flights to Hong Kong, (and 3 times a week to Pyongyang), have all contributed to a surge in tourism, although dire hotel shortages make Putin's declared aim of making this a Russian San Francisco fairly comic. There are restaurants and bars of good quality, and while the shops and supermarkets are as drab as ever, the buzz along the waterfront is palpable and the new Georgian restaurant, Lowenbrau bier keller, and assorted sushi bars, are packed with Koreans and Chinese.

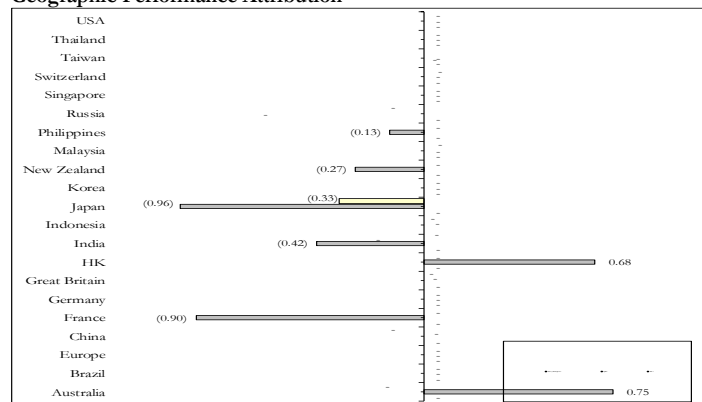
Tigre de Crystal, the casino in which our invested company Summit Ascent holds 60%, sits 50km from the city, and 20 minutes from the airport, on a hill looking down onto a popular local beach. Fading billboards at the junction carry montages of 3 other casinos, none of which have yet broken ground, reflecting a surge of optimism on the prospects for establishing a gaming enclave which 5 years on are facing a somewhat more sober reality. The casino is an unimpressive concrete box, 5 stories high, with 120 rooms, a large gaming floor, and 2 restaurants. Since it opened last summer the junket business has grown rapidly, and the

Russian grind market is slowly developing as illegal casino in the city are closed down. Its main constraint is a lack of room space to house the junket players Korean and Chinese, for whom the introduction of visa-free travel (and the Russian visa is a Kafkaesque nightmare!) in August this year is likely to unlock significant demand. Footfall over the 3 days I spent there last month was impressive, and with little likelihood of any competition, earnings growth from here is largely reliant on the development of the second phase of the casino, which will triple room capacity. Having seen Macau, Manila and Singapore develop over the last decade, and generally having gotten in too early and out too soon, I am happy taking a 5 year view on this. Three years ago the storied players of the long only world were taking placements at \$6.60 in this concept; I had thought that buying in sub-\$2 looked sensible, but alas I would have done better to have shorted it! After benign interim results it has become apparent that Lawrence Ho is cutting his investment in the project and the stock has fallen precipitately to barely \$1, at which level I have averaged aggressively. And am biting my fingernails!

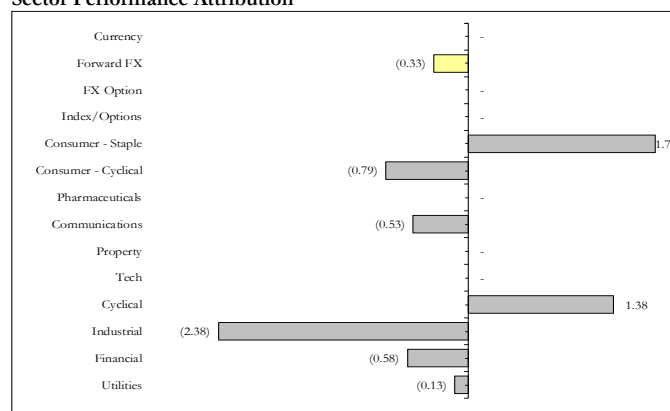
Prem and I are off to India in September and in November I hope to be in Japan. Absent the North Korean threat the data still point to reviving consumer confidence, and improving growth in all geographies. Tighter rates are bullish. I continue to try and accentuate the many more positive developments globally, and ignore the Cassandras pointing to low volatility, the malign influence of passive investment mandates, and the potential Armageddon of central banking normalization.

| % OF ASSETS ALLOCATION | EQUITY LONG | EQUITY SHORT | INDEX LONG | INDEX SHORT | NET EXPOSURE | GROSS EXPOSURE |
|------------------------|----------------|--------------|------------|-------------|----------------|----------------|
| Australia | 6.34% | | | | 6.34% | 6.34% |
| China | | | | | | |
| Europe | 5.29% | | | | 5.29% | 5.29% |
| Hong Kong | 29.75% | | | | 29.75% | 29.75% |
| India | 46.54% | | | | 46.54% | 46.54% |
| Indonesia | | | | | | |
| Japan | 19.01% | | | | 19.01% | 19.01% |
| Korea (South) | | | | | | |
| New Zealand | 3.59% | | | | 3.59% | 3.59% |
| Philippines | 2.70% | | | | 2.70% | 2.70% |
| Singapore | | | | | | |
| United States | | | | | | |
| Total | 113.22% | | | | 113.22% | 113.22% |

Geographic Performance Attribution



Sector Performance Attribution



Equity Positions

| | | | | | | | | |
|-------|----|-------------------|---------------|-----------------|----------|----------------------|------------|-----|
| Long | 22 | Largest 10 Longs | 71.77% of NAV | Long Liquidity | 0.53days | Mkt Capitalization | >2Bn | 59% |
| Short | 0 | Largest 10 Shorts | 0% of NAV | Short Liquidity | 0.00days | Gross Exposure (USD) | >500m-2Bn< | 35% |
| | | | | | | | <500mn | 6% |

Top 5 % Longs

| | |
|----------------------------|--------|
| Kotak Mahindra Bank Ltd | 11.38% |
| Pacific Basin Shipping Ltd | 10.16% |
| Aegis Logistic Ltd | 8.79% |
| Melco International | 8.73% |
| Tata Steel Ltd | 7.43% |

Top 5 Contributors

| |
|--------------------------------|
| Heritage Foods Ltd (L) |
| A2 Milk Co Ltd (L) |
| Tata Steel Ltd (L) |
| MMG Ltd (L) |
| Pacific Basin Shipping Ltd (L) |

Top 5 Detractors

| |
|-----------------------------|
| Gateway Distriparks Ltd (L) |
| Vallourec SA (L) |
| Kotak Mahindra Bank Ltd (L) |
| Shimano Inc (L) |
| Fanuc Corp (L) |