

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 rose +.96bps for the month of June, marginally underperforming regional indices. We are +22.22% for the first half, well ahead of the regional benchmark gains of +9.6% and +11.25% (ex-Japan).

Although held back by a mark to market loss of -87bps in our long yen position, on which more later, our equity book performed strongly, +1.82%, led by gains in Hong Kong and Australia/New Zealand. A return to form of Pacific Basin, after an ugly sell-off at the end of the first quarter, accounted for our largest gain (+1.01% of NAV) and continued speculation on a takeover of OOIL fuelled strength in our other shipping counter, OOIL, which contributed +82bps to NAV. A takeover of OOIL by a combination of COSCO and Shanghai International Port Group was announced over the weekend at a cash price of \$78.67/share. This is a nice present to start the second half, and compares with a pre-announcement price of \$60 and our cost price in June last year of \$27. I have bought myself an Aston Martin DB11 to celebrate, and urge you all to do the same! Our gains in Australia and New Zealand were largely accounted for by a surge in our recently-acquired position in A2Milk, a spin-off from Frontera in New Zealand, who are marketing protein-free milk and milk-products designed to woo back the growing numbers of fastidious quasi-vegan millennials who have sworn off dairy. Strong numbers and upward revision to earnings from this mid-cap company saw this small position contribute +76bps to NAV. In India our recent entry travel and hostel operator Cox and Kings contributed +70bps on good numbers, as did Tata Steel, with a similar percentage contribution.

Performance

Tantallon Fund Size USD 32mn (Cayman is Feeder)
(Inception Nov 03)

	Tan	MSCI Pacific Free Index	Over/(Under)perf
Jun 2017	+0.96%	+1.26%	-0.30%
2017 YTD	+22.22%	+9.67%	+12.55%
2016	-11.32%	+1.49%	-12.81%
2015	-3.01%	+0.44%	-3.45%
Inception	+117.48%	+62.46%	+55.02%
Compound	+5.85%pa	Volatility	+15.06%
3 mth T-bill return	+1.01%	% Sharpe Ratio	0.321

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)

India however was dragged down by weakness in our LNG/LPG importer Aegis Logistics, a rocket-ship since we purchased it 18 months ago, which succumbed to profit taking and detracted -1.2% from NAV. Summit Ascent, also known as Plummit Descent, our Vladivostok casino operator,

YEAR	RETURN	JAN	FEB	MAR	APR	MAY	JUN	JUL	AUG	SEP	OCT	NOV	DEC
Inception	+117.48%												
2017	+22.22%	+2.69%	+6.43%	+6.00%	-1.17%	+5.74%	+0.96%						
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%

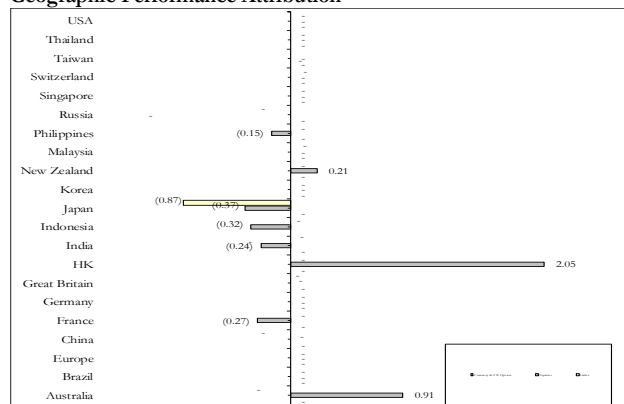
continues to have a turgid time (in contrast to our Macau casino operator Melco) and detracted -47bps.

We remain very committed to our barbell of global inflation trades (shipping, copper, steel) and our belief in the secular story in India, although having now jettisoned both Medco and Freeport our copper exposure is reduced to MMG in Hong Kong. I would like to increase our Japanese exposure, which remains immaterial, with our positions in M3, Fanuc and Nippon Ceramic, as it seems clear to me that in an environment of improving global growth, and assisted by JPY weakness, the outlook for Japanese equities, underpinned as they are by inordinate support from the BOJ, looks promising. My reluctance to move hinges on my increasing nervousness over the situation in North Korea, and my incredulity that equity markets continue to take such a resolutely Panglossian view of the outcome of this imbroglio. That Trump is probably even more widely disliked than Kim Jong Un hardly helps matters, and we retain our long Yen position as the best and cheapest hedge on this macro event taking a turn for the worse. I also fail to see how Kuroda can continue to justify being the only central bank governor continuing such egregiously large levels of intervention as the global deflationary threat recedes. Wiser heads than I find my arguments risible!

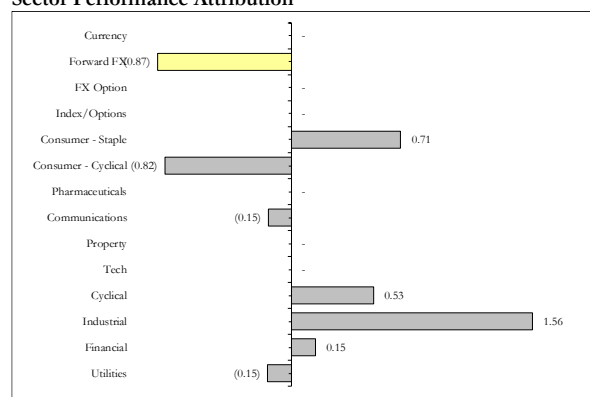
London, and other major British cities have been celebrating Pride week, and the streets, shops, restaurants and clubs are full of locals and tourists, sexual orientation immaterial, spending happily and enjoying themselves. Similar tales reach me from Berlin, Barcelona and Madrid. In Singapore, henceforth Southfork in this diary, the powers that be have decreed that only Singapore citizens and permanent residents may take part in Pride events. Such open, progressive and liberal attitudes are bound to continue to attract large global companies with diversity committees! Look how well Grozny is doing.

% OF ASSETS ALLOCATION	EQUITY LONG	EQUITY SHORT	INDEX LONG	INDEX SHORT	NET EXPOSURE	GROSS EXPOSURE
Australia	14.33%				14.33%	14.33%
China						
Europe	6.67%				6.67%	6.67%
Hong Kong	40.68%				40.68%	40.68%
India	42.66%				42.66%	42.66%
Indonesia						
Japan	13.06%				13.06%	13.06%
Korea (South)						
New Zealand	4.05%				4.05%	4.05%
Philippines	2.90%				2.90%	2.90%
Singapore						
United States						
Total	124.35%				124.35%	124.35%

Geographic Performance Attribution



Sector Performance Attribution



Equity Positions

Long	24	Largest 10 Longs	77.53% of NAV	Long Liquidity	0.40days	Mkt Capitalization	>2Bn	76%
Short	0	Largest 10 Shorts	0% of NAV	Short Liquidity	0.00days	Gross Exposure (USD)	>500m-2Bn<	17%
							<500mn	7%

Top 5 % Longs		Top 5 Contributors		Top 5 Detractors	
Kotak Mahindra Bank Ltd	11.63%	Pacific Basin Shipping Ltd (L)		Aegis Logistics Ltd (L)	
Melco International	10.50%	Orient Overseas Intl Ltd (L)		Summit Ascent Higs Ltd (L)	
Pacific Basin Shipping Ltd	10.37%	A2 Milk Co Ltd (L)		Vallourec SA (L)	
Aegis Logistic Ltd	9.17%	Cox and Kings Ltd (L)		Shree Cement Ltd (L)	
Orient Overseas Intl Ltd	6.75%	Tata Steel Ltd (L)		Zee Entertainment Enterprise (L)	