

# 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 +6%, comfortably ahead of flat to marginally firmer regional indices, lifting our NAV to +15.85% for the year. For the 6<sup>th</sup> or 7<sup>th</sup> time- I've given up counting- since 2008, we breach our old high water mark, but as we are no longer charging performance fees (there having been neither performance nor fees) this is of purely forensic interest!

The long book returned +5.16%, and we made a (realized) gain of +84bps short JPY. Within the portfolio the single biggest contributor was Vallourec, which bounced back hard after February's results-induced weakness, and added +1.42% to NAV. India in aggregate was the largest contributor, adding +2.55%, with notable strength in Kotak Bank, and new-comer Cox and Kings, an Indian travel operator with growing interests in hostels and private education initiatives which the market we believe is ignoring. Japan and the Philippines continued to be lackluster, and our largest single weakness was in Auckland International Airport, which cost us -47bps. In Hong Kong our recent additions in the casino sector performed extremely strongly, with Melco and Summit Ascent combined adding +1.6%. However, weakness in our shipping names, and in copper stock MMG, detracted sharply from this result and HK added +52bps at the net level.

Continuing to ponder how to optimize the fund's exposure to the cyclical upswing in the region I have been debating whether I can bring myself to buy any of the regional shipbuilding companies. This group, amongst the most highly-levered and persistently mendacious managements in the region, languishes at what could be considered as attractive price-book multiples (how could we

## Performance

Tantallon Fund Size USD 28mn (Cayman is Feeder)  
(Inception Nov 03)

	Tan	MSCI Pacific Free Index	Over/(Under)perf
March 2017	+6.00%	-0.01%	+6.01%
2017 YTD	+15.85%	+6.03%	+9.82%
2016	-11.32%	+1.49%	-12.81%
2015	-3.01%	+0.44%	-3.45%
Inception	+106.15%	+57.07%	+49.08%
Compound	+5.99%pa	Volatility	+15.13%
3 mth T-bill return	+0.75%	% Sharpe Ratio	0.332

## 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)

possibly have lost money shorting these things 4 years ago!) and the first quarter saw a sharp pick-up in orders for the first time in three years, although this was exclusively in the offshore and LNG tanker segment. The continued absence of new orders in the container and handy/Cape sized bulk carriers remains supportive of our investment thesis in holding

YEAR	RETURN	JAN	FEB	MAR	APR	MAY	JUN	JUL	AUG	SEP	OCT	NOV	DEC
Inception	+106.15%												
2017	+15.85%	+2.69%	+6.43%	+6.00%									
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%

Pac Basin and OOIL, and as I would have to sell one of these to buy some Korean monster such as Hyundai Heavy I think I shall sit where I am for the time being.

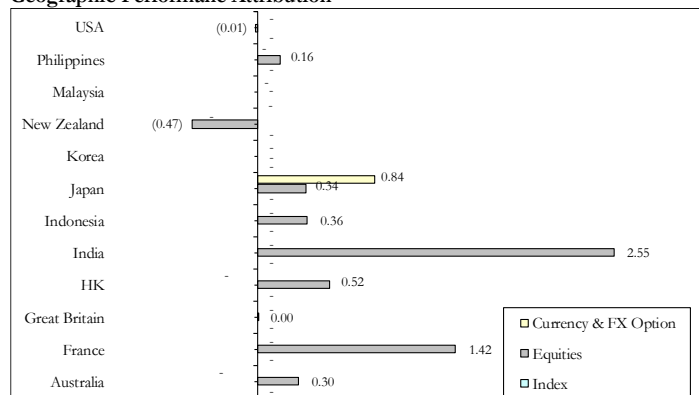
The inability to translate some of my more venomous opinions into action, while possibly saving my few remaining shareholders money, makes this monthly missive a great deal less interesting to write. On the dull side there remains no change to my generally bullish view of regional markets, which I continue to feel are at the beginning of what should be a multi-year acceleration in economic activity, after nearly 6 years in the doldrums, and a steady re-rating of the price/earnings multiple. My darker urges would have me long Korean puts, from which in retrospect we would have profited handsomely, despite the head-scratching strength of the Kospi, as volatility has soared following recent US rhetoric. I would also be short the Singapore market, as I remain flabbergasted by the backward-looking nanny state policies that have been, and continued to be, pursued here. In possibly the most pointed "bird" I have seen flipped anywhere, comparable to the de-listing by the Jardine Groups in Hong Kong in 1994, Osim, one of the few truly entrepreneurial companies on the exchange has de-listed and announced its relisting in Hong Kong. Twenty years ago companies such as Noble and (ironically) the Jardine Group, were moving their listings to Singapore. How long before

Jardines follows Osim's example and delists? For a city with ambitions to be a regional financial centre the Singapore stock exchange has succeeded in turning itself into the most comatose in the region; even Malaysia looks more interesting. The property market is similarly moribund as the Chinese capital which has driven every asset market from Niseko to Melbourne to record highs, pointedly ignores this place, as do the Chinese themselves: they educate themselves in Australia and prefer to hang out in Hong Kong, despite their ability to be abducted in the small hours from their luxury apartments.

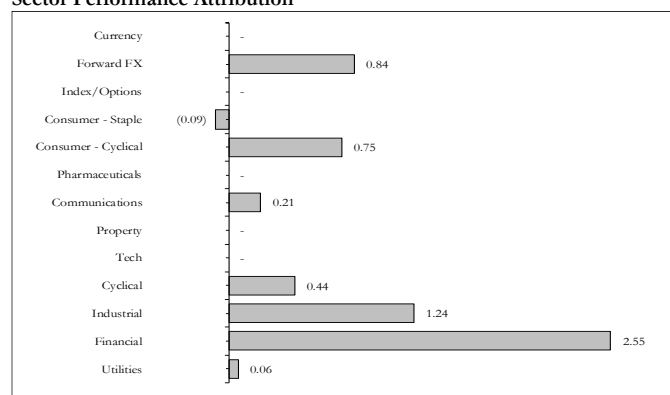
As we enter the second quarter the geo-political issues nagging markets are well-flagged. I take less comfort than most in a resolution of the North Korean issue; the problem is not Trump but the lunatic in Pyongyang. We are now long yen as a hedge against more craziness ahead of the birthday of the Great Leader (and mine) on April 15th. Meanwhile a better than feared Trump/Xi meeting has soothed worries about a confrontation on trade, but concerns on that front are now replaced by a crackdown on shadow banking and the role played in it by the insurance sector, with the detention of the head of the insurance regulator. The implications of this for the continuation of China's debt-fueled growth look ominous, and the commodities markets, notably iron ore (a key product for our bulk shipping exposure) have already been hit hard. The second quarter could be more challenging.

% OF ASSETS ALLOCATION	EQUITY LONG	EQUITY SHORT	INDEX LONG	INDEX SHORT	NET EXPOSURE	GROSS EXPOSURE
Australia	6.51%				6.51%	6.51%
China						
Europe	8.51%				8.51%	8.51%
Hong Kong	40.84%				40.84%	40.84%
India	46.10%				46.10%	46.10%
Indonesia	2.12%				2.12%	2.12%
Japan	14.62%				14.62%	14.62%
Korea (South)						
New Zealand	4.19%				4.19%	4.19%
Philippines	9.02%				9.02%	9.02%
Singapore						
United States	3.35%				3.35%	3.35%
<b>Total</b>	<b>135.26%</b>				<b>135.26%</b>	<b>135.26%</b>

#### Geographic Performance Attribution



#### Sector Performance Attribution



#### Equity Positions

Long	27	Largest 10 Longs	79.99% of NAV	Long Liquidity	0.75days	Mkt Capitalization	>2Bn	70%
Short	0	Largest 10 Shorts	0% of NAV	Short Liquidity	0.00days	Gross Exposure (USD)	>500m-2Bn< <500mn	25% 5%

#### Top 5 % Longs

Kotak Mahindra Bank Ltd	12.03%
Pacific Basin Shipping Ltd	11.40%
Aegis Logistics Ltd	10.64%
Vallourec Sa	8.30%
Melco International	7.90%

#### Top 5 Contributors

Vallourec Sa (L)
Kotak Mahindra Bank Ltd (L)
Melco International (L)
Cos And Kings Ltd (L)
Summit Ascent Holdings Ltd (L)

#### Top 5 Detractors

Orient Overseas Intl Ltd (L)
Auckland Intl Airport Ltd (L)
Pacific Basin Shipping Ltd (L)
Mmg Ltd (L)
Aegis Logistics Ltd (L)