

# 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 +5.74%, leaving us +21.06% year to date. Regional indices were weak, with the ex-Japan benchmark -1.7% on the month.

Our performance in May was principally driven by a further surge in Melco, as Macau GGR numbers continue to improve, with the recovery now extending to VIP gaming after a near 5 year decline. Melco jumped 28% on the month, contributing +210bps to NAV; it has now risen nearly 80% from our entry level in February this year. With the regulatory crackdown now firmly in the past and transport links set to improve markedly with the opening of the new Macau-Hong Kong-Zhuhai Bridge I see no reason to reduce the position. OOCL also contributed significantly, following upbeat commentary from both CMA and Maersk on the outlook for container trade, and somewhat more cautious but still positive commentary for OOCL themselves. The stock contributed +1.2% to NAV and I continue to expect the company to be taken out by the Chinese at a significant premium. India also returned reasonable performance, with Tata Steel, Aegis Logistics and Kotak Bank all ahead after reporting strong results. In Japan both Nippon Ceramic, a relatively recent entry, manufacturing infra-red sensors and ultrasonic products with increasing relevance to ADAS in the auto sector, and M3 reported good quarterly numbers and

## Performance

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

	Tan	MSCI Pacific Free Index	Over/(Under)perf
May 2017	+5.74%	+1.32%	+4.42%
2017 YTD	+21.06%	+8.31%	+12.75%
2016	-11.32%	+1.49%	-12.81%
2015	-3.01%	+0.44%	-3.45%
Inception	+115.43%	+60.44%	+54.99%
Compound	+5.81%pa	Volatility	+15.11%
3 mth T-bill return	+0.97%	% 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)

reasonable returns. Our JPY long position contributed 27bps on a mark to market basis; we remain long the currency.

YEAR	RETURN	JAN	FEB	MAR	APR	MAY	JUN	JUL	AUG	SEP	OCT	NOV	DEC
Inception	+115.43%												
2017	+21.06%	+2.69%	+6.43%	+6.00%	-1.17%	+5.74%							
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%

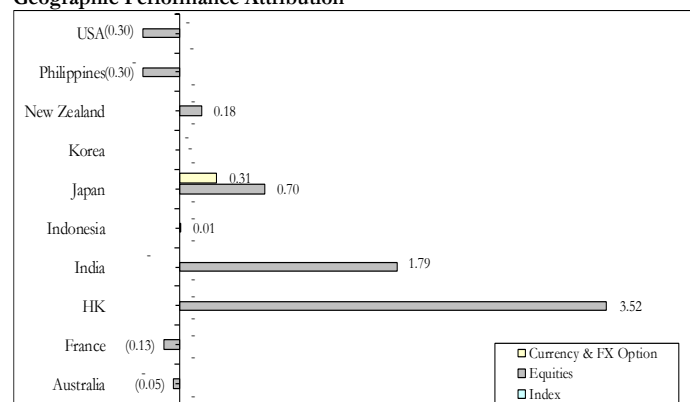
The only significant detractor to performance was Gateway Distriparks, costing -68bps. The stock has been in the doldrums for the last 18 months and much hinges on progress of the long-awaited Bombay-Delhi rail link and the accompanying improvement in internal transport efficiency. I am tempted to add more. Both Max's Group in the Philippines and Freeport McMoran have been exited, costing us a combined -80bps. The recidivist tendencies of Philippine politics are sadly re-asserting themselves, and the optimism of the Aquino presidency has evaporated as the clown in Malacanang channels Ferdinand Marcos and stirs a hornet's nest in Mindanao. Our sole remaining position here remains Manila Water. Duterte's popularity with the Filipino diaspora (ok, my maids!) continues to stun me. I intend to use the liquidity raised here to increase our Japanese exposure, starting with Rakuten.

zone, even as the Trump-bump in US rates and the dollar evaporates. China now appears an oasis of sobriety and reason, and the renminbi is trading robustly. I'm glad we got out of the way of that one in good time! Korea, my ultimate bugbear, trades not on the threat from Dr Strangelove over the border and the growls from "Mad Dog" Mattis, but as a warrant on global growth momentum. We own nothing in the market, but the ship-building stocks I ruminated on purchasing 3 months ago have rocketed. We do remain fully invested, and long the yen, and I continue to believe we will see sustained strength in regional equity markets from these levels.

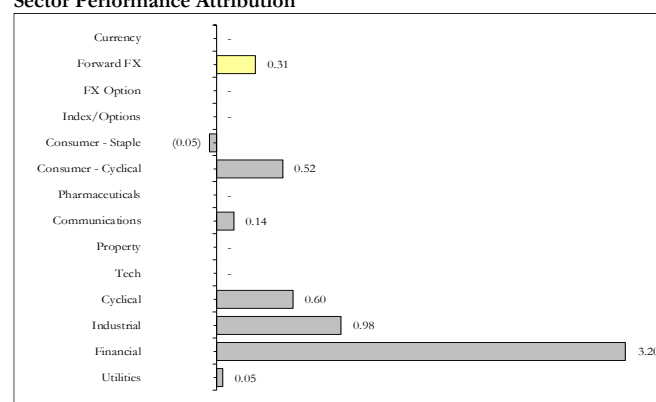
The antics of another "so-called" President continue to stretch credulity, and yet it is striking how little the markets care. Shrugging aside geo-political risk economic recovery continues to gather momentum, most notably in the euro-

% OF ASSETS ALLOCATION	EQUITY LONG	EQUITY SHORT	INDEX LONG	INDEX SHORT	NET EXPOSURE	GROSS EXPOSURE
Australia	14.44%				14.44%	14.44%
China						
Europe	7.46%				7.46%	7.46%
Hong Kong	41.69%				41.69%	41.69%
India	46.16%				46.16%	46.16%
Indonesia	1.72%				1.72%	1.72%
Japan	14.44%				14.44%	14.44%
Korea (South)						
New Zealand	4.13%				4.13%	4.13%
Philippines	3.28%				3.28%	3.28%
Singapore						
United States						
<b>Total</b>	<b>133.32%</b>				<b>133.32%</b>	<b>133.32%</b>

#### Geographic Performance Attribution



#### Sector Performance Attribution



#### Equity Positions

Long	25	Largest 10 Longs	82.23% 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

Kotak Mahindra Bank Ltd	12.63%
Melco International	11.11%
Aegis Logistics Ltd	11.10%
Pacific Basin Shipping Ltd	10.14%
Vallourec Sa	7.46%

#### Top 5 Contributors

Melco International (L)
Orient Overseas Intl Ltd (L)
Aegis Logistics Ltd (L)
Kotak Mahindra Bank Ltd (L)
Tata Steel Ltd (L)

#### Top 5 Detractors

Gateway Distriparks Ltd (L)
Shree Cement Ltd (L)
Fanuc Corp (L)
Seek Ltd (L)
MMG Ltd (L)