

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.

April continued on a downward trend making for a third consecutive month of declines. The main reason for the drop was the strengthening in the USD against a majority of currencies including our holdings in Japan, Taiwan, Korea and Europe.

Technology went through a roller coaster month of result releases coupled with one direct effect from the trade tensions.

Apple was sold down during the month on negative indications from the supply chain but has since rallied to AT highs on the back of solid results and the announcement of even more aggressive buy-backs on the back of tax savings benefitting the bottom line as well as higher dividends.

The results of the major internet platforms not only impressed in terms of profit growth but also lent support to a stronger for longer outlook by increasing capex at an unprecedented rate. The consensus now expects that the demand for data can continue to outpace the platform's ability to add server and memory capacity well into next year. The demand for DRAM and processors is therefore taken to be unlimited. We remain uncomfortable with this extremely bullish view but do recognize its power to move the commodity chip and component sectors which are continuing to see strong prices and volumes. Some of our remaining tech holdings - Murata, NVDA, AMD – have exposure to these mid-term trends.

The most worrying development for the tech supply chain in April was the proposed ban of all component sales by US

Performance

Tantallon Tech & Sustainability Fund Size USD 14mn (Cayman is Feeder)
(Inception Jan 17)

	Fund	MXWD*	BW Tech**	DJ Sust***	Tech&Sust	O/U Perf
Apr 2018	-2.3%	+0.8%	-0.5%	+1.0%	+0.2%	-2.5%
2018 YTD	-5.0%	-0.7%	+3.7%	-1.6%	+1.1%	-6.1%
2017	+24.4%	+21.6%	+36.8%	+20.6%	+28.7%	-4.3%
Inception	+18.2%	+20.8%	+41.9%	+18.7%	+30.3%	-12.1%

* MSCI ACWI Index

** Bloomberg World Technology Index

*** Dow Jones Sustainability World Diversified

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:

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companies to Chinese telecom equipment maker ZTE which was found out to continue to violate US imposed trade sanctions with countries like North Korea. While ZTE is less significant than Cisco, Huawei and Ericsson in various telecom equipment sectors, it is a significant supplier in China and many emerging markets and this ban, if upheld despite an about face by president Trump on the issues, could wreak some havoc in the global supply chains and affect custom and commodity chip volumes. Given the overheated nature of the tech supply chain,

	2018	JAN	FEB	MAR	APR	MAY	JUN	JUL	AUG	SEP	OCT	NOV	DEC
Fund Monthly Gross Return		4.5%	-2.3%	-4.0%	-2.1%								
Fund Cumulative Gross Returns		4.5%	2.1%	-2.0%	-4.0%								
Fund Monthly Net Returns		4.0%	-2.4%	-4.2%	-2.3%								
Fund Cumulative Net Returns		4.0%	1.4%	-2.8%	-5.0%								
Equity Monthly Returns		5.2%	-3.0%	-5.2%	-2.6%								
Equity Cumulative Returns		5.2%	2.1%	-3.2%	-5.7%								

it bears watching as we move through the summer into what is usually the strong part of the year.

On the sustainability front, good news drove several sub-sectors higher.

Less wind curtailment in China due to the implementation of grid upgrades gave a lift to the renewable IPPs.

Strong solar results for 2017 and a very strong start in 2018 despite expectations for a flattish year also propelled the solar supply chain higher.

On the EV front, the first quarter of the year showed an acceleration in shipments to 60% yoy growth as compared to 53% growth for all of 2017. The big-3 markets (China, Europe and US) shipped 265,000 vehicles in the first quarter vs. 166,000 units in the first quarter of last year and 1.08m units for all of 2017. EVs (Including full EVs and Plug-in Hybrids) accounted for 1.7% of total car shipment in those markets with Europe and US benefitting from more vehicle choice as Nissan, Renault, VW and Tesla brought mainstream models to the market.

China on the other hand was struggling a bit due to a change in the subsidy program that sees a steep reduction in support for buying EVs with limited range. This adjustment promises to raise the quality of EVs in the Chinese market (and the average battery capacity) in the medium term but hurts some of the local mini-car producers in the short-term. We were stopped out of our position in BYD but saw good moves in prices for companies that are active in the global battery by the supply chain.

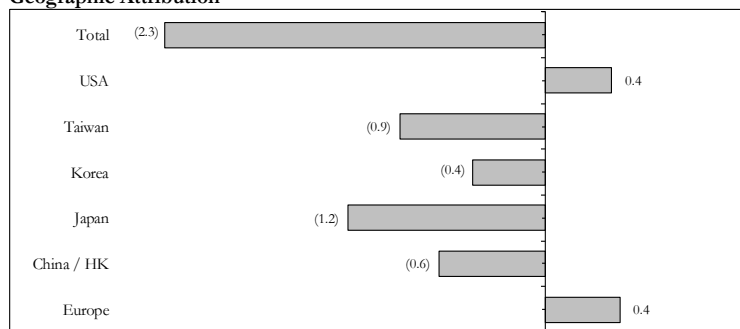
With solar and wind energy starting to set/affect electricity price expectation without subsidies, these energy technologies have entered the mainstream – at a time where they represent 5% of electricity output - and we expect that a few long-term leaders can dominate an increasingly mainstream business.

We expect the EV industry to reach that stage in the next 3-5 years. We look for fleet adoption, lower battery prices, a wider choice of mainstream models and a steady competitive push by the Chinese industry to leapfrog the OECD ICE (internal combustion engine) leaders to accelerate EV penetration.

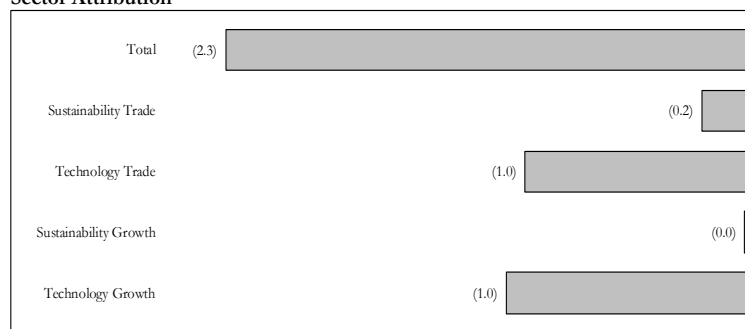
This investment area, however, remains very dynamic. The upcoming `Shenzen IPO of the top mainland battery manufacturer looking to raise in excess of US\$1bn will renew attention on all the competitors as well as the whole supply chain from metals to cell makers. It will also raise the question how long and how successfully the non-Chinese can compete over the long term.

% OF ASSETS ALLOCATION	EXPOSURE
Japan	26.1%
Taiwan	25.4%
Korea (South)	7.6%
United States	7.6%
Europe	7.1%
China / Hong Kong	0.0%
Cash	26.2%
Total	100.0%

Geographic Attribution



Sector Attribution



Equity Positions

Total	13	Largest 5	47.4% of NAV	Liquidity	0.3 days	Mkt Capitalization	>7.5Bn	57.9%
						Gross Exposure (USD)	>1Bn-7.5Bn<	19.9%
							<1Bn	22.2%

Top Holdings

Ememory Technology Inc (TT)	16.4%
Nintendo Co Ltd (JT)	12.8%
Umicore (BB)	7.2%
Nidec Corp (JT)	5.8%
Chroma ATE Inc (TT)	5.2%

Main Contributors - Apr

Ememory Technology Inc (TT)
Umicore (BB)
Quimica Y Minera Chil-SP ADR (US)
Advanced Micro Devices (US)
Nidec Corp (JT)

Main Detractors - Apr

Chroma ATE Inc (TT)
Realtek Semiconductor Corp (TT)
Nintendo Co Ltd (JT)
BYD Co Ltd-H (HK)
Murata Manufacturing Co Ltd (JT)

The Fund has appointed Hugo Fund Services SA, 6 Cours de Rive, 1204 Geneva, Switzerland, as its Swiss Representative. Banque Heritage SA, 61 Route de Chêne, CH-1208 Geneva, Switzerland is the Swiss Paying Agent. In Switzerland shares shall be distributed exclusively to qualified investors. The fund offering documents, articles of association and audited financial statements can be obtained free of charge from the Representative.