

# 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.

The fund finished up 0.6% in July, its first gain since January despite our top holding eMemory falling 14% on the month. The cash position remained high as we have not yet deployed the proceeds from selling the tech cyclicals.

Tech earnings growth has remained very strong thru 2018Q2 at about 20% yoy which is down from 30%+ a year ago but still very firm. We remain concerned about the cyclical earnings momentum of the memory business, which now accounts for half of global semiconductor profitability and serves as a weather wane for the overall tech sector. We have positioned ourselves in areas that should be insulated from adverse memory earnings trends.

Among the tech names we hold, AMD reported a big jump towards sustainable earnings with 18Q2 OP of \$153m, which compares to break-even last year. OLED materials supplier United Display 18Q2 results and outlook signaled that 18Q1 was a bottom and that the OLED growth trend is intact. We initiated a position back in May. Murata's recovery from depressed margin levels is finally on the way after a weak 18Q1.

As mentioned above, Taiwan's embedded memory maker eMemory has continued to demand patience. 18Q2 earnings fell almost 20% yoy due to handset inventory adjustment, which affected sales of display controllers and power ICs where eMemory currently generates the bulk of its royalty revenue. We have invested in eMemory as a strong and steady royalty grower in the 15-20% CAGR range akin to ARM. Several factors have de-railed this trend over the past 2 years but July revenues indicate that eMemory should start to again track our expectations as 12" wafer revenue contribution is rising significantly (shift from 8"), top-tier global customers are beginning to generate revenue and new security & IoT applications are growing to dilute the cyclical inventory effect of the handset semiconductor business.

## Performance

Tantallon Tech & Sustainability Fund Size USD 13mn (Cayman is Feeder)  
(Inception Jan 17)

	Fund	MXWD*	BW Tech**	DJ Sust***	Tech&Sust	O/U
<b>Perf</b>						
<b>Jul 2018</b>	+0.6%	+2.9%	+2.8%	+3.1%	+2.9%	-2.4%
<b>2018 YTD</b>	-6.6%	+1.3%	+9.4%	-0.1%	+4.7%	-11.3%
<b>2017</b>	+24.4%	+21.6%	+36.8%	+20.6%	+28.7%	-4.3%
<b>Inception</b>	+16.2%	+23.2%	+49.7%	+20.5%	+35.1%	-18.9%

\* 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:

Alex Hill  
(alex@tantalloncapital.com)

Nvidia and Realtek have yet to announce 18H1 results but continue to be positioned well for growth in data and IoT. The cyclical aspect of Nvidia's exposure to currency mining remains a risk while its exposure to data and autonomous vehicle trends positions it for LT growth.

On the sustainability front, the Electric Vehicle (EV) supply chain is making a strong start in line with the EV unit ramp driven by new model volumes led by Tesla Model 3.

	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%	0.1%	-2.0%	0.8%					
Fund Cumulative Gross Returns		4.5%	2.1%	-2.0%	-4.0%	-3.9%	-5.8%	-5.0%					
Fund Monthly Net Returns		4.0%	-2.4%	-4.2%	-2.3%	-0.1%	-2.2%	0.6%					
Fund Cumulative Net Returns		4.0%	1.4%	-2.8%	-5.0%	-5.1%	-7.2%	-6.6%					
Equity Monthly Returns		5.2%	-3.0%	-5.2%	-2.6%	0.1%	-2.7%	0.6%					
Equity Cumulative Returns		5.2%	2.1%	-3.2%	-5.7%	-5.7%	-8.3%	-7.7%					

LG Chem posted 33% yoy battery revenue growth in 18Q2 while SDI's battery revenue jumped 75% yoy in 18Q2. SDI's OP rose 112% yoy for the quarter but net profit declined as equity earnings from the OLED subsidiary turned to losses yoy. We expect battery profits to continue to expand and the OLED contribution to turn positive again in 18H2. Newly listed China EV battery leader CATL as well as BYD, have not reported so far but the remaining top-5 player Panasonic also managed 21% revenue growth.

The global EV market expanded units by 65% YTD to 750,000. At this rate 2018 sales may reach close to 2mn units as compared to 1.22mn last year.

The rise in battery cell production also lifted revenues for 2 other portfolio holdings. Battery component maker Umicore posted 45% yoy growth in its materials division while testing equipment maker Chroma ATE raised overall revenues by 44% yoy in 18H1.

The only battery related segment that did not register a positive share price trend was the major Lithium miners as the debate continues about the sustainability of EV growth and the resulting demand/supply balance. We remain holders of SQM and are encouraged by the 18Q2 results for Albemarle (ALB), which saw Lithium revenues rise 30% yoy and Lithium profits expand 43% yoy. Alongside eMemory, SQM has been our weakest stock YTD.

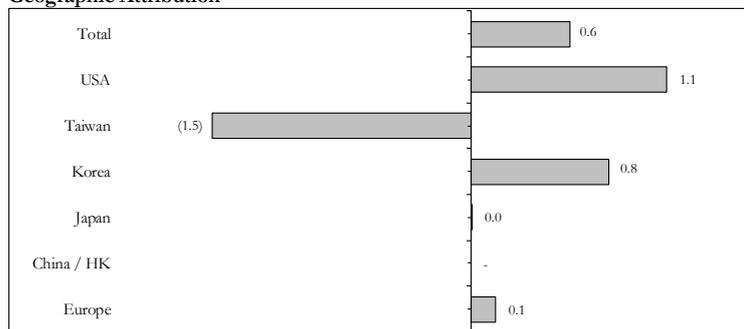
We continue to follow the fall-out from the Chinese tariff decision for the solar industry outlook in the second half and do not expect an immediate recovery for the equipment makers. The necessary consolidation should enable a few profitable leaders to emerge over the next 1-2 years.

Given our expectation for higher volatility, both for equities and currencies, we look to add to our core holdings and are also taking a closer look at steady cashflow generators.

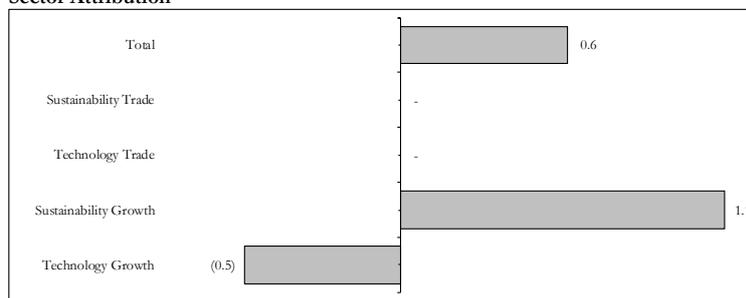
On the sustainability front we have identified clean utilities that have stabilized cashflows. On the tech front there are several companies that deploy steady cashflow generation to pay attractive dividends and enable the companies to exercise aggressive buy-back programs.

% OF ASSETS ALLOCATION	EXPOSURE
Taiwan	24.4%
United States	12.3%
Japan	11.9%
Korea (South)	9.6%
Europe	7.6%
China / Hong Kong	0.0%
Cash	34.2
<b>Total</b>	<b>100.0%</b>

#### Geographic Attribution



#### Sector Attribution



#### Equity Positions

Total	12	Largest 5	40.0% of NAV	Liquidity	0.3 days	Mkt Capitalization	>7.5Bn	58.5%
						Gross Exposure (USD)	>1Bn-7.5Bn<	19.5%
							<1Bn	22.0%

#### Top Holdings

Ememory Technology Inc (TT)	14.5%
Umicore (BB)	7.6%
Murata Manufacturing Co Ltd (JT)	6.5%
Chroma ATE Inc (TT)	6.0%
Nidec Corp (JT)	5.4%

#### Main Contributors - Jul

Advanced Micro Devices (US)
LG Chem Ltd (KP)
Realtek Semiconductor Corp (TT)
Universal Display Corp (US)
Samsung SDI Co Ltd (KP)

#### Main Detractors - Jul

Ememory Technology Inc (TT)
Nidec Corp (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.

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