

# 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 slipped -8bps, reducing our YTD gain to +2.11%

April was frustrating. While our Hong Kong names did well and India, as I had hoped, came back strongly, we suffered heavily from the surge in the dollar, giving up roughly half our gains in our long yen position. Weakness in Fanuc after some poor earnings, and a sharp sell-off in Sberbank following the latest round of Russian sanctions, compounded our problems. I had lifted half our JPY forward position around 104.60, but was too eager to put the position back on, and did so around 107. In the event with the JPY testing 110 this cost -3.45% on a mark to market basis for the month. Our Japanese positions detracted a further -2.2%, with weakness in Ain in addition to Fanuc. Sberbank cost -1.26%. On the plus side Melco stood out, as continued acceleration in gross gambling revenue in Macau underpinned an earnings beat; ructions in the commodities markets post the Rusal sanctions helped our copper stock MMG; and thank God we got back into Kotak Bank, which reported stellar numbers and broke sharply higher. Our other substantial Indian position, Aegis Logistics, also recovered most of the Q1 sell-off and Vallourec benefited from the strength in the oil price and further positive developments in the US shale market.

In addition to being an attractive China derivative, Australia boasts, remarkably, the world's fourth biggest pool of pension savings, courtesy of the mandatory Superannuation levy, currently 9% of wages. For years this savings pool has remained resolutely domestic, heavily exposed to the Australian financial sector, and the banking oligopoly of the Four Pillars. The very coziness of this environment has bred arrogance and malfeasance, especially in regard to the distribution of wealth management and insurance products, into which a Royal Commission is steadily poring. AMP

<b>Performance</b>			
Tantallon Fund Size USD 38mn (Cayman is Feeder) (Inception Nov 03)			
	Tan	MSCI Pacific Free Index	Over/(Under)perf
Apr 2018	-0.08%	+1.40%	-1.48%
2018 YTD	+2.11%	-0.13%	+2.24%
2017	+37.04%	+21.57%	+15.47%
2016	-11.32%	+1.49%	-12.81%
Inception	+149.01%	+79.85%	+69.16%
Compound	+6.5%pa	Volatility	+14.88%
3 mth T-bill return	+1.82%	Sharpe Ratio	0.31

<b>FUND DETAILS</b>	
<b>Investment Manager:</b> Tantallon Capital (Cayman Islands)	<b>Fees:</b> 1.5%pa Management fees
<b>Administrator:</b> Portcullis Trust (Singapore) Ltd	<b>Minimum Investment:</b> USD 1,000,000
<b>Domicile:</b> Cayman Islands	<b>Prime Broker:</b> Morgan Stanley
<b>Feeder funds</b> Onshore (Cayman LP), Offshore (Cayman Is)	
<b>Auditor:</b> Pricewaterhouse Coopers	<b>Lawyers</b> Maples & Calder Shearman & Sterling LLP
<b>Dealing:</b> Monthly	<b>Contact:</b> Alex Hill (alex@tantalloncapital.com)

has been the first major casualty of this investigation, but the inescapable conclusion from a week spent in Melbourne and Sydney was that the banks themselves stood to have their wings clipped, and that both their lending practices and the reach of their non-banking businesses could well be curtailed. Although the model is very different, the scope for a nimble upstart business in asset management to disrupt or profit from the travails of the industry leaders in this environment reminds me

YEAR	RETURN	JAN	FEB	MAR	APR	MAY	JUN	JUL	AUG	SEP	OCT	NOV	DEC
Inception	+149.01%												
2018	+2.11%	+6.09%	+0.07%	-3.74%	-0.08%								
2017	+37.04%	+2.69%	+6.43%	+6.00%	-1.17%	+5.74%	+0.96%	+6.75%	-1.59%	-0.19%	+2.14%	+0.33%	+4.36%
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%

somewhat of Japan and our SBI Holdings bet, we have been building a position in Pengana Holdings, a listed fund management company with current AUM of A\$3.5billion associated with Soul Pattinson the investment bank/holding company. We have also returned to Aristocrat, the gaming machine company, one of the first purchases we made in the fund in November 2003 (at 1.80), intrigued (somewhat belatedly) by its transformation into a social casino and gaming platform coupled with its still robust reliance on slot machine sales and revenue participation (share price now 28.20 !!).

A week in Beijing, Hong Kong and Macau was enough to convince me that despite concerns on a slowdown in Chinese growth and tighter monetary policy, private consumption remains robust and consumer confidence high and if anything strengthening. The most visible metric of this has been the inexorable monthly acceleration in GGR in Macau over the last 14 months, and a late night prowl through the majority of the properties on the Cotai Strip revealed them strikingly busier than I recall from my visit in last February. Melco has risen 140% since we purchased it, and remains cheaper than peers, on 12X next year's earnings, with the upcoming opening of the Morpheus to add to its Macau footprint, with additional exposure to the Philippines, and, somewhat more ambiguously, Japan. The issue overhanging the sector remains the uncertainty of the extension or cancellation of the 6 concessions, the majority of which expire in 2022. The reality is no-one has a

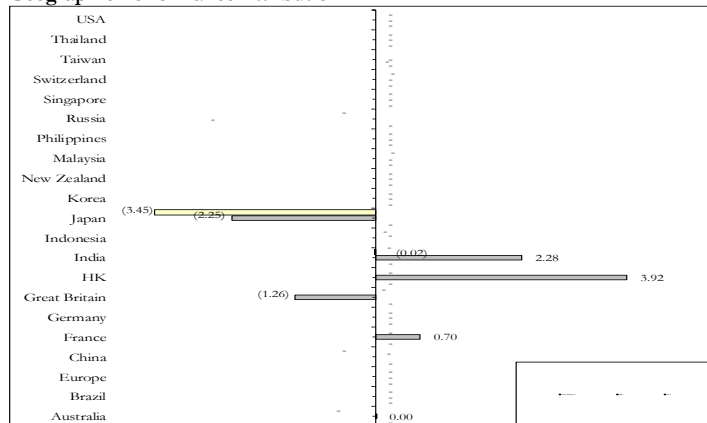
clue, but post the corruption clampdown and the clean-up of the junket market, the rising importance of Macau as a grind and MICE destination (the HK-Macau-Zhuhai bridge is finished and will open shortly) fits a lot better with Xi's China than its earlier incarnation. My personal view is that the most vulnerable players will be the Americans, and how long Trump-backers like Adelson will be allowed to extract billions from the Chinese masses I wonder. The obvious winner in that scenario is Galaxy, already benefiting from the divorce-enforced departure of Steve Wynn. We have added a position.

As events on the North Korean front are turbo-charged the prospect of a change in overflight rights in the near future would put Vladivostok and Tigre de Cristal, our rather less successful casino investment, 2 hours closer to Korean and many potential Chinese gamblers. Flights into VVO continue to expand, with total weekly flights +35% in 2018, with a steady increase in the number of northern Chinese cities and daily flights now from Tokyo and Narita. Naga, owner of one of the three concessions at Primorye, has broken ground on their site, and I wait to see what the new Taiwanese (?) shareholder who bought out Lawrence Ho at Summit Ascent intends to do in regard to a Phase Two extension.

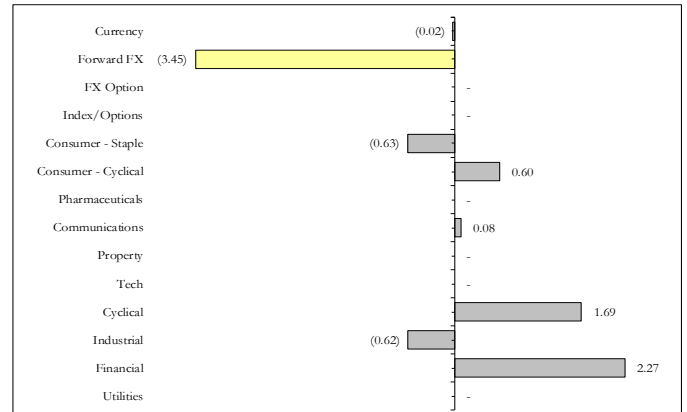
While I continue to see many more bullish opportunities than bearish ones in the region, two things I am not doing are salivating over the prospects for South Korean companies of DPRK reunification, or getting excited about the implications of the Malaysian general election result. The more things seem to change, the more they stay the same!

% OF ASSETS ALLOCATION	EQUITY LONG	EQUITY SHORT	INDEX LONG	INDEX SHORT	NET EXPOSURE	GROSS EXPOSURE
Australia	1.42%				1.42%	1.42%
China						
Europe	10.38%				10.38%	10.38%
Hong Kong	38.06%				38.06%	38.06%
India	43.97%				43.97%	43.97%
Indonesia						
Japan	37.06%				37.06%	37.06%
Korea (South)						
New Zealand						
Philippines						
United States						
<b>Total</b>	<b>130.89%</b>				<b>130.89%</b>	<b>130.89%</b>

#### Geographic Performance Attribution



#### Sector Performance Attribution



#### Equity Positions

Long	24	Largest 10 Longs	83.56% of NAV	Long Liquidity	1.70days	Mkt Capitalization	>2Bn	59%
Short	0	Largest 10 Shorts	0% of NAV	Short Liquidity	0.00days	Gross Exposure (USD)	>500m-2Bn< <500mn	30% 11%

Top 5 % Longs		Top 5 Contributors		Top 5 Detractors	
Kotak Mahindra Bank Ltd	11.91%	Melco International Develop (L)		Sberbank PJSC-Sponsored ADR (L)	
Aegis Logistics Ltd	11.34%	MMG Ltd (L)		Fanuc Corp (L)	
Pacific Basin Shipping Ltd	10.48%	Aegis Logistics Ltd (L)		Ain Holdings Inc (L)	
Melco International Develop	9.77%	Kotak Mahindra Bank Ltd (L)		Shimano Inc (L)	
MMG Ltd	7.87%	Vallourec SA (L)		Bank of Kyoto Ltd (L)	

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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