

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 declined -3.74%, more or less in line with sharp falls in regional markets, reducing our year-to-date gain to +2.19%.

The surge in equity volatility finally tripped us up this month, with sharp falls in a number of our leading positions driven by the trade war rhetoric coming from the White House. An earnings miss at Nexteer, our Chinese auto component manufacturer, already seen as vulnerable on the tariff question, cost us -1.5%, and in aggregate our Hong Kong positions cost -3% with MMG our copper stock also sharply weaker. India, which has dragged our performance all year, cost an additional -1.46%, led by weakness in Tata Steel. Our overall equity book slumped -5.24%. This mark-down was once again mitigated by our JPY position which added +1.48%.

Having seen the fund peak up roughly +10% in the third week of the year it is frustrating to close the first quarter with such minimal progress. We have been saved by our yen position, which has contributed +6.6% to end March, offsetting a fall of -4.3% in our equity book. India has been awful, with an aggregate Q1 cost of -5.4%, while Japan has been a relative highlight, adding +1.25%. Ain Holdings, a recent addition to the portfolio, has been the main driver of that positive result in Japan, trailing Pacific Basin marginally as the largest gainer in the portfolio. MMG, A2Milk (about which I am still kicking myself) and HDFC Life (uniquely in our Indian holdings) were the other gainers in our top 5. Tata Steel, Gateway, Aegis, and Heritage Foods, all Indian names, make up 4 or our top 5 losers, although the near halving of Nexteer in March has propelled that stock to the distinction of being our most costly position in the first quarter.

The good news entering the second quarter is that I feel confident that India is about to re-assert itself as the premier domestic growth story in Asia, with minimal vulnerability to the geopolitical headwinds on trade. We have to be fair aggravated our issues in

Performance

Tantallon Fund Size USD 38mn (Cayman is Feeder)
(Inception Nov 03)

	Tan	MSCI Pacific Free Index	Over/(Under)perf
Mar 2018	-3.74%	-3.42%	-0.32%
2018 YTD	+2.19%	-1.51%	+3.70%
2017	+37.04%	+21.57%	+15.47%
2016	-11.32%	+1.49%	-12.81%
Inception	+149.21%	+77.36%	+71.85%
Compound	+6.5%pa	Volatility	+14.92%
3 mth T-bill return	+1.73%	Sharpe Ratio	0.32

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
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the market in the choices we made to reduce exposure here in Q4, in particular the decision to exit Kotak Bank in favour of Bank of Kyoto. This was dumb, and I have reversed it, buying back Kotak, which has shrugged off the Indian market weakness, 8% above our exit level. Further scandals in the public sector banks, and allegations of misconduct at ICICI, underline yet again how strongly positioned this highly professional organization is. The financial revolution sweeping India is arguably the

YEAR	RETURN	JAN	FEB	MAR	APR	MAY	JUN	JUL	AUG	SEP	OCT	NOV	DEC
Inception	+149.21%												
2018	+2.19%	+6.09%	+0.07%	-3.74%									
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%

most dramatic of all of the changes that have been precipitated by demonetisation and the adoption of the biometric universal ID card, Aadhar. Together with our holding in HDFC Life we now have 16% of the fund devoted to this theme.

I also continue to believe that Japan represents an under-appreciated opportunity, buffeted as it is by fluctuations in dollar/yen and scepticism on the success and sustainability of Abe's Three Arrows attempt to end the deflationary scourge and introduce structural reform. Together with our JPY exposure Japan represents easily the largest amount of risk in the portfolio, but while I am comfortable with our macro call, translating it into more effective stock selection continues to challenge me. Bank of Kyoto looked like a sensible cheap exposure to a portfolio of companies in the Kyoto area and to movement in the JGB market designed to make conditions easier for the banks. But the market rewards growth, and we have accordingly ditched this and Softbank, and replaced them with SBI Holdings, an internet banking and brokerage business, with an investment portfolio embracing everything from biotech to crypto, which is challenging the obscene margins charged by the old-line incumbents in the financial sector and growing rapidly. A visit to M3 during a few days in Tokyo in late March, reminded me again of how foolish we had been to back away after 3 years from this online medical portal, which intriguingly for such a relatively small company now ranks amongst the most admired companies in Japan for domestic MBA students looking for employment, in sharp contrast to the

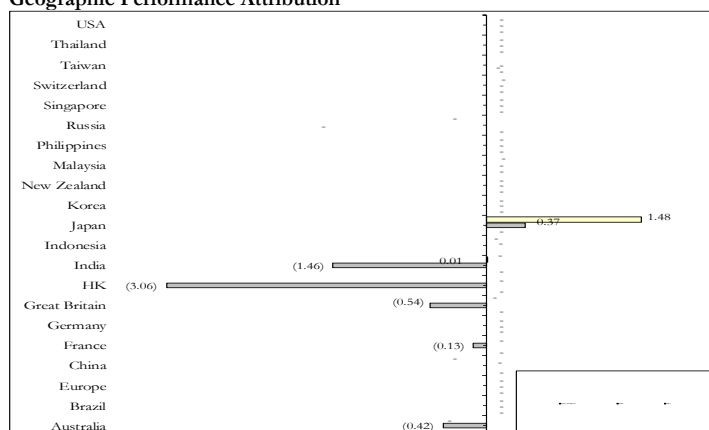
domestic money managers who are noticeably absent from its shareholder list.

Things are moving suspiciously fast on the North Korean front. I have been sceptical that anything material would eventuate from the Kim-Xi meeting, let alone the prospects for a Trump one, but the reunification narrative is getting legs and I am wondering whether I am missing something. We haven't owned anything in Korea for 3 years, but the appeal of a stock such as POSCO, against the backdrop of Chinese steel production cuts and increased global demand make it an interesting idea whatever the outcome of Korean diplomacy. In the meantime, the yen looks like a clear loser from the moderation of this geopolitical risk. And while we may have missed Korea we have sadly been caught by developments in Russia, with our position in Sberbank, purchased last July, under the cosh and proving costly in April. On the other hand, our Vladivostok casino operator might well benefit from an outbreak of goodwill in the Korea/Russia/China triangle, so all is not lost!

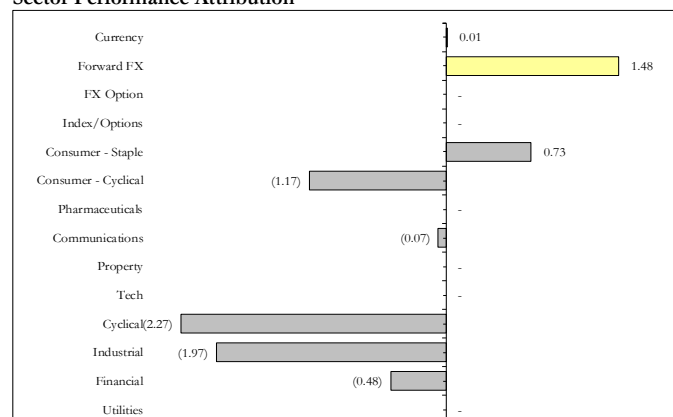
Writing this amidst wafts of marijuana from neighboring tables in a café in Amsterdam, en route unwisely by car to Berlin, I remain relaxed and bullish. Like the North Korean issue, I suspect that many of the world's seemingly intractable problems, including this spate of trade war rhetoric, will sort themselves out, with the possible exception of British politics. Maybe I am inhaling too much of the neighboring table's smoke!

% OF ASSETS ALLOCATION	EQUITY LONG	EQUITY SHORT	INDEX LONG	INDEX SHORT	NET EXPOSURE	GROSS EXPOSURE
Australia	4.56%				4.56%	4.56%
China						
Europe	10.93%				10.93%	10.93%
Hong Kong	34.29%				34.29%	34.29%
India	32.48%				32.48%	32.48%
Indonesia						
Japan	43.39%				43.39%	43.39%
Korea (South)						
New Zealand						
Philippines						
United States						
Total	125.65%				125.65%	125.65%

Geographic Performance Attribution



Sector Performance Attribution



Equity Positions

Long	25	Largest 10 Longs	72.22% of NAV	Long Liquidity	1.91days	Mkt Capitalization	>2Bn	57%
Short	0	Largest 10 Shorts	0% of NAV	Short Liquidity	0.00days	Gross Exposure (USD)	>500m-2Bn< <500mn	31% 12%

Top 5 % Longs

Pacific Basin Shipping Ltd	10.49%
Aegis Logistics Ltd	10.43%
Melco International	7.59%
Tata Steel Ltd	6.64%
MMG Ltd	6.38%

Top 5 Contributors

Ain Holdings Inc (L)
Monotaro Co Ltd (L)
Aegis Logistics Ltd (L)
Melco International (L)
Heritage Foods Ltd (L)

Top 5 Detractors

Nexteer Automotive Group (L)
MMG Ltd (L)
Tata Steel Ltd (L)
Gateway Distriparks Ltd (L)
Sberbank PJSC-Sponsored ADR (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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