

# 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 rose 4.9% in April, somewhat stronger than the global market's gain of 3.2% despite continuing elevated cash levels. Tech continued to outperform overall markets and 10%+ gains of our largest (tech) holding eMemory as well as China #1 EV maker BYD and Korean #2 battery maker SDI contributed to the outperformance.

Why cash levels still high? We did not hop on the tech rally. Q1 tech (operating) earnings fell about 15% yoy and continued their deceleration from Q4 where they were flat YoY. We do not believe in the sharp recovery scenario for 2019H2 and are looking for a better entry point. It may not be below late 2018 lows but we look to invest into a clearer growth cycle that we can identify.

On the EV front, we added marginally by establishing a position in A-share Wuxi Lead Tech and re-establishing a position in LG Chem. We are waiting to add major battery exposure as we move through the 2019 transition year to steady ~50%+ growth in 2020 and beyond. The change in the Chinese government support scheme will soon be (negatively) reflected in the growth numbers of Chinese EVs while the new product roll-out by German OEMs in the volume segment of the market ramp only early next year.

## Performance

Tantallon Tech & Sustainability Fund Size USD 12mn (Cayman is Feeder) (Inception Jan 17)

	<u>Fund</u>	<u>MXWD*</u>	<u>O/U Perf</u>	<u>MXWD0IT**</u>	<u>DJ Sust***</u>
Apr 2019	+ 4.9%	+ 3.2%	+ 1.7%	+ 6.0%	+ 3.1%
2019 YTD	+11.9%	+15.2%	- 3.3%	+25.6%	+13.7%
2018	-14.1%	-11.2%	- 2.9%	- 6.8%	-12.1%
2017	+24.4%	+21.6%	+ 2.8%	+40.3%	+20.6%
Inception	+19.6%	+24.4%	- 4.8%	+64.3%	+20.6%

\* MSCI ACWI Index

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\*\*\* Dow Jones Sustainability World Diversified Index

## 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)

BYD's strong EV numbers in Q1 were being discounted as rush-buying before the change in the support scheme. Its New Electric Vehicle (NEV) shipments rose an impressive 147% YoY to 71k in 2019Q1 while overall unit shipments managed only a 5% gain to 115k as Internal Combustion Engine (ICE) units dropped 46% to 44k. Meanwhile April sales showed a deceleration with overall vehicles flat YoY at 36.6k driven by 73% YoY growth in NEV to 22.7k off-set by a 41% drop in ICE to 13.8k.

	2019	JAN	FEB	MAR	APR	MAY	JUN	JUL	AUG	SEP	OCT	NOV	DEC
Fund Monthly Gross Return		3.3%	0.1%	3.9%	5.3%								
Fund Cumulative Gross Returns		3.3%	3.5%	7.5%	13.2%								
Fund Monthly Net Returns		3.1%	-0.2%	3.6%	4.9%								
Fund Cumulative Net Returns		3.1%	2.9%	6.6%	11.9%								
Equity Monthly Returns		7.5%	0.1%	8.2%	8.3%								
Equity Cumulative Returns		7.5%	7.6%	16.5%	26.1%								

The US market was also not impressed by TSLA's 110% yoy growth in unit shipments as it represented a 31% sequential drop.

part of 2019, we are going to spend more time looking to build up this part of the portfolio over the summer.

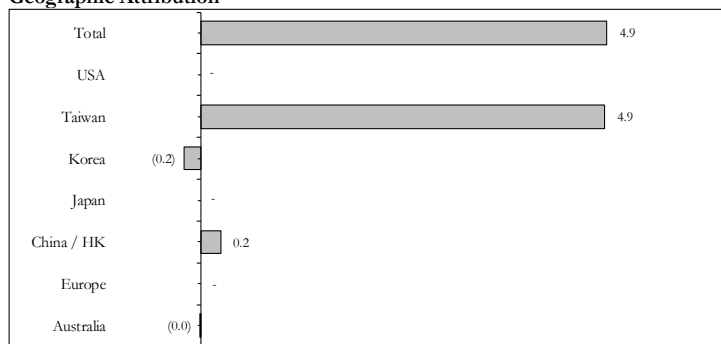
Europe had its own EV shock when local battery component leader Umicore – an holding and strong performer for the portfolio in 2017-8 – revised down its outlook as it was encountering cost pressures on the Cobalt front. Although the spot prices have been falling for a while, Umicore has not been benefitting as it shies away from buying unethical Cobalt from the Congo and continues to buy certified ethical material at elevated prices. This practice has led to Umicore being less price competitive in markets where battery makers care less about the ethics of Cobalt. We applaud the company's approach and expect them to regain share when European auto makers start to ramp larger volumes.

All the way up the EV supply chain, Australian retail conglomerate Wesfarmers made an offer for Kidman Resources where the main asset is a 50-50 JV with industry leader SQM to develop an integrated lithium hydroxide plant based on a local mine. While Wesfarmers expertise lies elsewhere and it has been keen to diversify, we see this aggressive offer with a 40%+ premium as an indicator of attractiveness of the lithium market if one looks beyond the pricing weakness over the past year. Our small holding in the space – Orocobre – responded positively to the bid for a couple of days but has since stagnated.

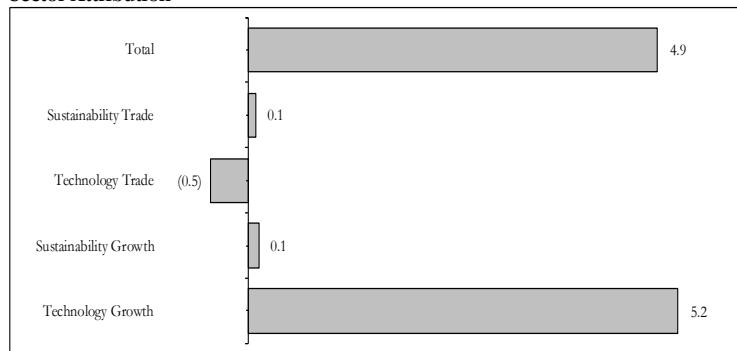
We continue to be under-invested in renewable energy with A-share Longyi representing our sole position. Given our view of a transition period in EV for a good

% OF ASSETS ALLOCATION	EXPOSURE
Taiwan	47.7%
Hong Kong / China	6.1%
Korea (South)	7.5%
Australia	0.5%
United States	0.0%
Japan	0.0%
Cash	38.2%
<b>Total</b>	<b>100.0%</b>

#### Geographic Attribution



#### Sector Attribution



#### Equity Positions

Total	10	Largest 5	52.7% of NAV	Liquidity	0.2 days	Mkt Capitalization	>7.5Bn	32.9%
						Gross Exposure (USD)	>1Bn-7.5Bn<	16.1%
							<1Bn	51.0%

#### Top Holdings

Ememory Technology Inc (TT)	31.5%
Delta Electronics Inc (TT)	8.6%
LG Chem Ltd (KP)	5.0%
Catcher Technology Co Ltd (TT)	4.8%
BYD Co Ltd-H (HK)	2.8%

#### Main Contributors - Apr

Ememory Technology Inc (TT)
BYD Co Ltd-H(HK)
Samsung SDI Co Ltd (KP)
Delta Electronics Inc (TT)
Longi Green Energy Technol-A (CN)

#### Main Detractors - Apr

Catcher Technology Co Ltd (TT)
Wuxi Lead Intelligent Equi-A (CN)
LG Chem Ltd (KP)
Orocobre Ltd (AU)

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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