

# 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 rose +2.98%, bringing us to +4.3% year to date, still well behind the regional indices but at least in April we pulled back some relative performance against regional strength of ~+1.5%.

We had been looking at substantially better numbers earlier in the month but our gains faded, and we were again held back by weakness in Australia, a mixed performance from our Chinese property stocks and a drop in our sole Korean position, Hyundai Development. The equity book was +3.3% in aggregate, and we took modest losses of 17bps each in both our small futures hedge and in our FX positions, long yen, and short AUD. The month's return was principally driven by a 60% jump in Summit Ascent (a +2.3% contribution), and a smaller but still notable move in Vakrangee in India, +22% (contributing +1.9%). Bloomberg in the Philippines continued its stellar run, Melco in Macau was better, and our highly volatile copper stock MMG also contributed despite continued battles over road access to its primary copper resource Los Bambas in Peru.

We have stuck with Summit for several years and watched the share price languish as questions swirled around the rationale for Laurence Ho's exit, and became distinctly nervous when Taiwanese parties connected to Lee Ming Tee acquired sizeable positions. The immediate catalyst for the stock's pop appears to have been confirmation of the interest acquired in the company by one of the leading Macau junket operators, buying out the Taiwanese interests, but the broader picture for gaming in Eastern Russia has become steadily more promising. Naga have commenced work on their own casino and marina complex down the hill from Tigre de Cristal, and two Russian licence holders are also poised to start development on adjacent sites. The geopolitical importance of Vladivostok is consistently emphasized with the series of Xi/Putin, and Asian regional summits and more recently with the visit of Kim Jong Un. All this is underpinning steadily better flight connectivity and rising tourism. The issue facing Summit has been room capacity, and plans

## Performance

Tantallon Fund Size USD 29mn (Cayman is Feeder)  
(Inception Nov 03)

	Tan	MSCI Pacific Free Index	Over/(Under)perf
Apr 2019	+ 2.98%	+1.47%	+ 1.51%
2019 YTD	+ 4.29%	+8.98%	- 4.69%
2018	-19.44%	-14.27%	- 5.17%
2017	+37.04%	+21.57%	+15.47%
Inception	+104.88%	+68.24%	+36.64%
Compound	+4.7% <sub>opa</sub>	Volatility	+14.75%
3 mth T-bill return	+2.41%	Sharpe Ratio	0.16

## FUND DETAILS

**Investment Manager:** Tantallon Capital (Cayman Islands)  
**Fees:** 1.5%<sub>pa</sub> 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  
(alex@tantalloncapital.com)

are now well advanced for significant extension of the gaming and rooming facilities. Having said that I have to admit that as the rest of the portfolio cratered in the final months of 2018 Summit became an increasingly large and illiquid position in the fund and I deemed it prudent to slowly halve the position. Needless to say I now regret that!

YEAR	RETURN	JAN	FEB	MAR	APR	MAY	JUN	JUL	AUG	SEP	OCT	NOV	DEC
Inception	+104.88%												
2019	+ 4.29%	+ 1.80%	-1.50%	+0.99%	+2.98%								
2018	-19.44%	+6.09%	+0.07%	-3.74%	-0.08%	+1.44%	-8.43%	-1.63%	-4.40%	-2.42%	-1.32%	-3.48%	-2.83%
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%

Vakrangee for its part appears to have been reacting to more effective IR presentation from its new CEO (and shareholder) from Blue Dart, the airfreight and logistics company, and to the receipt of clean chits on all three of the investigations instigated into the company's accounts and share dealings by various regulatory bodies. The company is in the early stages of the roll-out of its rebranded "kendra" stores, which offer white label ATM's in rural India, utility payments, insurance and small ticket financial services, and in the more optimistic scenario, the crucial last mile in India's nascent e-commerce sector. The company plan on raising the number of their stores from 3500 at the end of Q1 2019 to 25,000 by March 2020 (still some way short of the numbers of their older, discontinued franchise outlets), and with coverage scarce and scepticism still high, they have much to do to convince the market that their ambitions are achievable....and that the stores can generate transaction volumes and margins across a range of services to propel earnings. But with a clean regulatory chit and no debt, this continues to appeal to me as a reasonable three year opportunity.

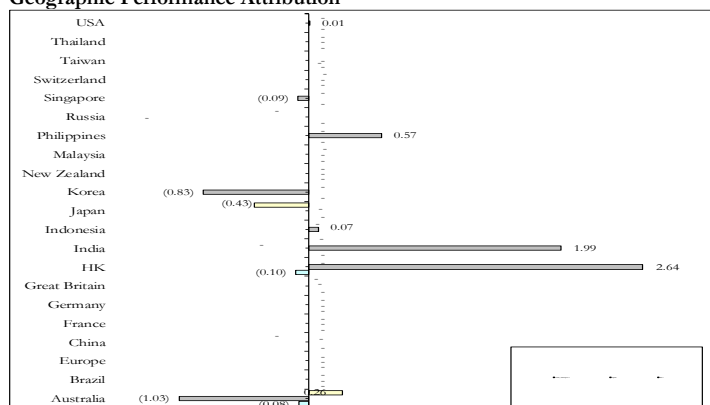
Last month I rashly remarked that I was feeling a lot more confident in the composition of the portfolio and the broader direction of markets, with a clear bias to substantial further support in China, a quiescent Fed jaw-boned by Trump, and dovishness in Europe. I reckoned without Trump of course and much of what we have painfully achieved this year has been washed aside by the abrupt about face on the China relationship, and the increasingly

acrimonious language coming from both sides. The likelihood remains that a deal will still be done (having failed with North Korea can this soi-disant master of the deal fail in China too?) but the risks of a complete rupture, and the conjunction of the trade dispute with the bigger strategic challenges implicit in Xi Jin Ping's China 2025 vision, have risen sharply. China is now clearly committed to offset a breakdown in trade talks with further stimulus to support growth, in contrast to the determination 6 months back to press on with the deleveraging campaign.

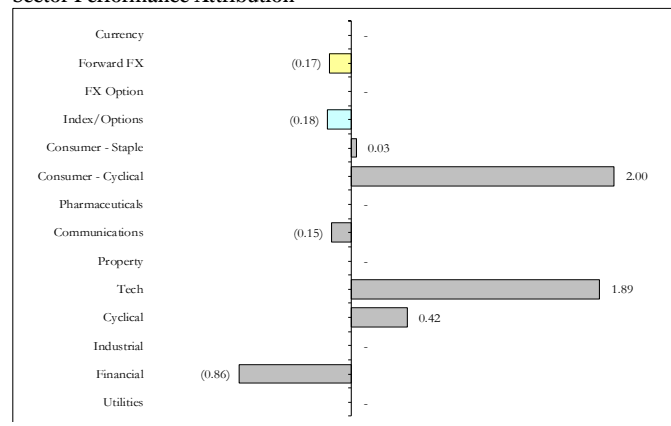
What worries me far more than China trade talks however is US policy towards Iran and the increasingly bellicose attitude taken towards the Middle East by John Bolton and Pompeo. With policy dictated by these two in conjunction with MBS and a newly re-elected Netanyahu, a horrifying Dr. Strangelove combination, it has hard to see any moderating voice getting traction to restrain the inexorable logic of military build-up. The implications if this gets out of hand are really sinister.

% OF ASSETS ALLOCATION	EQUITY LONG	EQUITY SHORT	INDEX LONG	INDEX SHORT	NET EXPOSURE	GROSS EXPOSURE
Australia	5.76%				5.76%	5.76%
Europe						
Hong Kong	36.37%				36.37%	36.37%
India	15.18%				15.18%	15.18%
Indonesia	4.09%				4.09%	4.09%
Japan						
Korea (South)	6.16%				6.16%	6.16%
Philippines	11.33%				11.33%	11.33%
Singapore	8.45%				8.45%	8.45%
Thailand						
United States	11.27%				11.27%	11.27%
<b>Total</b>	<b>98.61%</b>				<b>98.61%</b>	<b>98.61%</b>

### Geographic Performance Attribution



### Sector Performance Attribution



### Equity Positions

Long	21	Largest 10 Longs	63.76% of NAV	Long Liquidity	7.02days	Mkt Capitalization	>2Bn	76%
Short	0	Largest 10 Shorts	0% of NAV	Short Liquidity	0.00days	Gross Exposure (USD)	>500m-2Bn< <500mn	15% 9%

#### Top 5 % Longs

Vakrangee Ltd	9.71%
Thai Beverage PCL	8.45%
Melco International Develop	6.71%
MMG Ltd	5.91%
Universal Robina Corp	5.90%

#### Top 5 Contributors

Summit Ascent Holdings Ltd (L)
Vakrangee Ltd (L)
Bloomberry Resorts Corp (L)
MMG Ltd (L)
Melco International Develop (L)

#### Top 5 Detractors

Pengana Capital Group Ltd (L)
Hyundai Development Co-Engin (L)
Agile Property Holdings Ltd (L)
Iqiyi Inc - ADR (L)
Oneview Healthcare PLC-CDI (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.