

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 -1.50%, reducing us to gains of +27bps for the year. Regional markets continue to push higher, making a mockery of our stock selection, and our under-performance is stark.

We were modestly higher most of the month only to lose nearly 2% of NAV on the 28th of February. For the month the long book was +86bps, a poor result, with weakness in our Philippine, Indonesian and Indian positions, and little traction from our names in Hong Kong. Thai Beverage provided a rare spot of comfort, contributing +90bps to NAV after reporting the first earnings beat since the acquisition of Sabeco in Vietnam, and upbeat commentary on consumer spending in both Thailand and Vietnam. Ali Baba and Melco also contributed satisfactorily, with strong earnings from the latter noteworthy. New dovishness at the Fed notwithstanding, sharp weakness in the JPY, our last remaining hedge, devoured what little positive p+1 our stock positions ground out, and cost in excess of -1.5%.

We took profits in Shima and reduced our Macau exposure over the course of the month, selling small positions in Wynn Macau and Sands China, and paring our holding in Melco. The recovery in GGR from the Q3 low appears to cresting and more focus is being given to the uncertainty on licence renewal post 2022. Easier monetary conditions, a steady RMB and new offerings and upgrades from the major groups should offset continued pressure on illicit money transfers, and the industry as a whole remains one to which we have regional exposure when taken with the position in Bloomberry and Summit Ascent (where SunCity, one of the leading Macau junket operators, has just acquired a stake). We have exited Security Bank in the Philippines at a small profit and less happily have taken the decision to substantially reduce our exposure in India with the sale of Kotak Bank and a two third reduction in our position in Aegis. The opportunity cost of continuing to run such a large position in the latter and its steady de-rating over the last 18 months have been exasperating; what was an attractive growth story predicated on the creation of a "necklace" of

Performance

Tantallon Fund Size USD 26mn (Cayman is Feeder)
(Inception Nov 03)

	Tan	MSCI Pacific Free Index	Over/(Under)perf
Feb 2019	-1.50%	+1.05%	-2.55%
2018 YTD	+0.27%	+7.50%	-7.23%
2018	-19.44%	-14.27%	-5.17%
2017	+37.04%	+21.57%	+15.47%
Inception	+96.99%	+65.96%	+31.03%
Compound	+4.5%pa	Volatility	+14.81%
3 mth T-bill return	+2.42%	Sharpe Ratio	0.14

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
(alex@tantalloncapital.com)

LPG receiving stations around the Indian coast, driven by the imperative to move consumption to clean fuels, has deteriorated into a discussion of the siting of railway sidings and 2 kilometre pipeline connections which progress, if at all, with glacial slowness. We are in the stock around R90, and out at R200, so it is not a disaster, but the mid-300 levels of 2017 look like a moon-shot, and volumes are atrocious. Kotak for its part is embarked on an

YEAR	RETURN	JAN	FEB	MAR	APR	MAY	JUN	JUL	AUG	SEP	OCT	NOV	DEC
Inception	+96.99%												
2019	+0.27%	+1.80%	-1.50%										
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%

unnecessary litigation with its regulator on the level of ownership in the list co of the proprietor, while tasking him with sorting out the (largely self-inflicted) fall-out from the NBFC collapse. The contrast with the regulatory encouragement of Mukesh Ambani's increasing dominance of the growth sectors of the economy at Reliance could not be more marked. India should have dazzled last year as the outstanding EM domestic growth story and beneficiary of lower oil; with China easing aggressively and offering better value and liquidity I see no reason why India should reverse its woeful performance and am happy to cut our exposure.

We have added China Merchants Bank and returned copper stock MMG to the portfolio. The latter stock was a big winner for us in 2017 and we exited in July last year prior to watching the stock halve. Latest results continue to show rapid improvement in the balance sheet, and with the stock still 40% from the highs of last year and substantially lagging the recovery of its peer group, the company once again appears to offer good upside as Chinese stimulus kicks in with increasing ferocity. Both names are intended to add greater beta to the portfolio, although arguably this is too little too late. The most striking moves in commodities have been in Australia, where the mining complex has rocketed as a result of the Vale tailings dam collapse in Brazil, and nothing in the H share universe can come close to matching the exuberance, (and the speed) with which the A share market has moved in the first quarter, prompting a rash of insider selling and an officially-blessed sell recommendation on some of the market's highest flyers from CITIC Securities. So quickly has the

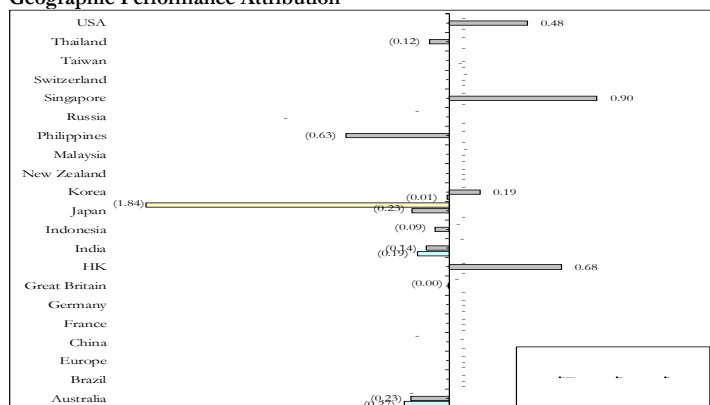
market reacted to the change in policy that further stimulus, particularly incremental RR cuts, may be delayed.

We performed well in 2017 owning real economy stocks geared into the recovery in global growth; we missed the surge in the Chinese internet/e-commerce plays (and avoided their collapse, although we had our own problems!). The issue now is that the earnings hole facing the sectors we liked, despite their de-rating in 2018, is unquantifiable. By contrast the revenue and earnings growth in the new economy names, typically US-listed Tencent spin-offs and relatively recently listed companies, continue to be robust and despite their premium valuations it is these names that are dominating performance. Our relatively large weight in South East Asia is by contrast low beta and dull, and as with India probably merits down-sizing. A portfolio re-think is clearly in order.

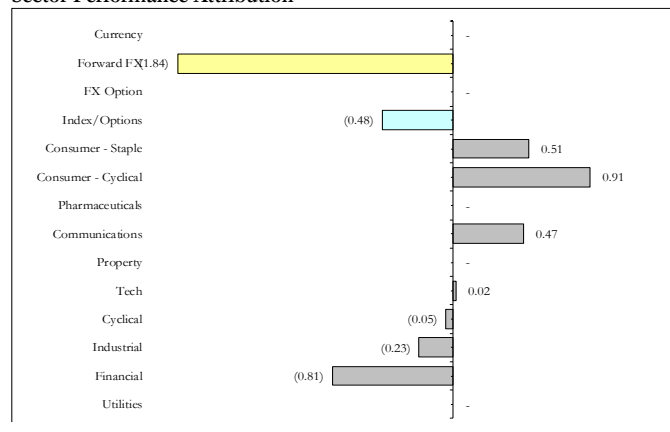
Looking forward a peak in US rates appears imminent, and the prospect of their reduction increasingly likely. Global easing and a weaker dollar should support emerging markets, and Asia specifically given the substantially greater leeway the PBOC has to ease than its peers. We have been poorly positioned at the country and sector level in Q1 and I am uncomfortably aware that we have a mountain to climb to regain performance.

% OF ASSETS ALLOCATION	EQUITY LONG	EQUITY SHORT	INDEX LONG	INDEX SHORT	NET EXPOSURE	GROSS EXPOSURE
Australia	6.55%				6.55%	6.55%
Europe						
Hong Kong	24.85%				24.85%	24.85%
India	12.89%				12.89%	12.89%
Indonesia	14.02%				14.02%	14.02%
Japan	3.57%				3.57%	3.57%
Korea (South)	8.28%				8.28%	8.28%
Philippines	14.12%				14.12%	14.12%
Singapore	9.23%				9.23%	9.23%
Thailand	7.07%				7.07%	7.07%
United States	6.30%				6.30%	6.30%
Total	106.88%				106.88%	106.88%

Geographic Performance Attribution



Sector Performance Attribution



Equity Positions

Long	21	Largest 10 Longs	65.44% of NAV	Long Liquidity	8.99days	Mkt Capitalization	>2Bn	75%
Short	0	Largest 10 Shorts	0% of NAV	Short Liquidity	0.00days	Gross Exposure	>500m-2Bn<	14%
						(USD)	<500mn	11%

Top 5 % Longs

Thai Beverage PCL	9.23%
Melco International Develop	8.42%
MMG Ltd	7.26%
Hyundai Development Co	6.79%
Alibaba Group Holding-SP ADR	6.30%

Top 5 Contributors

Thai Beverage PCL (L)
Alibaba Group Holding-SP ADR (L)
Melco International Develop (L)
Aegis Logistics Ltd (L)
MMG Ltd(L)

Top 5 Detractors

Universal Robina Corp (L)
Shimao Property Holdings Ltd (L)
Security Bank Corp (L)
Kotak Mahindra Bank Ltd (L)
Reliance Industries 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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