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 +1.8%, sharply under-performing the 6%+ surge in regional markets.

We entered January fairly fully hedged, and with the currency volatility of the first few days of the new year handing us gains of 3%+ I felt we were on the right track, expecting the surge in the yen and the collapse in the AUD to be reflected in equity markets as the region re-opened. My hopes for Armageddon were quickly dashed, and although our long book performed reasonably well (+5.2% in aggregate, led by ThaiBeverage and Melco), the drag from Korean puts and a futures hedge against our HK positions detracted -2%, and our short positions in LVMH, Kering and Burberry, all of which were closed early in the month, cost a further -1.1%. Our positions in the AUD and the JPY cost 25bps.

Having participated fully in the weakness of the markets in the second half of last year, failure to participate in the rebound at the start of this year is galling. Chinese economic weakness, European growth and US consumption all look threatening but are being offset by incrementally more aggressive action from the PBOC, and more surprisingly by a volte face by the Federal Reserve, followed in quick succession by the Bank of England, the ECB and the Reserve Bank of Australia. The central banking put is once again alive and well. At RMB4.5 trillion total social financing in China hit a record in January, car sales, excavator sales, and retail activity generally were all robust ahead of the lunar new year, and it is clear that the policy of financial deleveraging has been discarded as the challenges facing the economy have become more manifest. Of more surprise has been the strength in the RMB, seemingly immune to the ebb and flow of sentiment on the progress of trade talks, but which has underpinned my decision to cover our shorts in the luxury brands and to increase our Macau exposure.

I visited Manila briefly late in the month, in search of evidence that the Philippines could be in a position to benefit from the re-shoring of China's manufacturing sector. I was speedily disabused, as one of the Duterte government's more puzzling decisions has been to revoke the favourable tax regime under-pinning the country's 350 odd economic zones. Manila is benefiting however from the surge in gross gaming revenues in the casino sector, led by the 3 casinos on Manila Bay. I stayed at City of Dreams (not recommended) and toured Okado (which is massive), and Solaire (by

Performance

Tantallon Fund Size USD 30mn (Cayman is Feeder)
(Inception Nov 03)

	Tan	MSCI Pacific Free Index	Over/(Under)perf
Jan 2019	**+ 1.80%**	+6.38%	-4.58%
2018 YTD	**+ 1.80%**	+6.38%	-4.58%
2018	**-19.44%**	-14.27%	- 5.17%
2017	**+37.04%**	+21.57%	+15.47%
Inception	**+100.00%**	+64.23%	+35.77%

Compound	+4.7%pa	Volatility	+14.84%
3 mth T-bill return	+2.38%	Sharpe Ratio	0.15

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)

YEAR	RETURN	JAN	FEB	MAR	APR	MAY	JUN	JUL	AUG	SEP	OCT	NOV	DEC
Inception	+100.00%												
2019	+ 1.80%	+ 1.80%											
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%

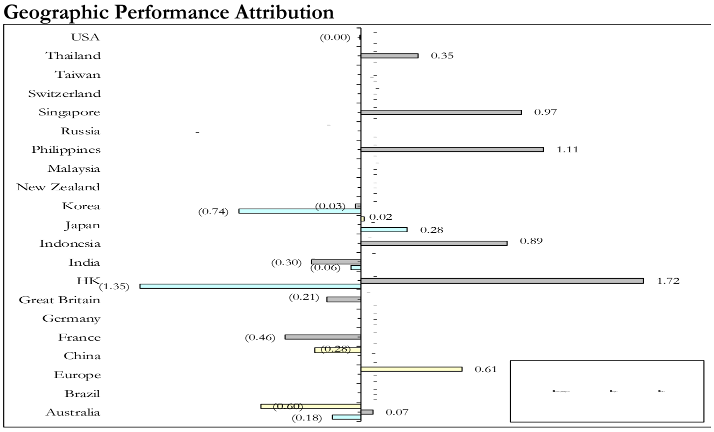
comparison a high-class product) and was impressed with the traffic in the halls and retail space at all hours of the day. Earlier concerns that Okado would cannibalise traffic have not been born out and with GGR at roughly US4billion, +14% last year, Manila is now closing on Singapore, where GGR last year declined -2%. Chinese and Korean junkets, and a substantial domestic grind market, are the main customers, and with Macau subject to periodic nervousness on anything from the extension of the licenses to renewed crackdowns on illicit cash movement, Manila appears poised to continue to gain regional share. Duterte has declared himself against the industry, but that has not stopped a bizarre, and thus far tolerated development, involving the illegal employment of over 250,000 Mainland Chinese, on tourist visas, running offshore gaming activities (POGO's)aimed at the mainland. This activity is banned in Macau, and the total employed in Manila in this business dwarfs the employment of the legal casino industry; street estimates put the commercial office demand from this activity at nearly 9% of total space in the Manila area. We have a position in Bloomberry, the owner and operator of Solaire, and have re-entered Universal Robina, the regional coffee/snacks/soft drinks conglomerate, after a savage 3 year de-rating.

Elsewhere in the region I must face the fact that many of my most strongly held opinions look just plain wrong. Aided by the perplexing strength in the RMB the Chinese retail bid has recovered its poise, under-pinning everything from Macau to Louis Vuitton. Hong Kong landlords have soared, and SHK Properties is back at 130. We have not been short much, but what we have has stung. And what we have owned on the long-side has been all-too-often lacklustre, led inevitably by India, on which my views are barely printable. I was fortunate to have enjoyed an animated discussion in St Moritz earlier this month with the head of one of the leading Italian fashion brands, a private company with some 50 outlets on the mainland, and the unshakeable faith he had in the opportunity that China continued to present was striking. We debated the rise in consumer debt, the weakness in property and equity markets dampening the wealth effect, the potential for a weaker RMB, the clampdown on offshore purchasing though stringent customs checks, and any other negatives I could think of to shake him. To no avail, although we did agree that Prada and Dolce and Gabbana had lost the plot. Maybe I should be long the Kerings and LVMH's of this world. In India, where they seem longer term potential, they are in joint venture with Reliance (inevitably), once again reminding me that there is no escaping the necessity of owning that stock in India.

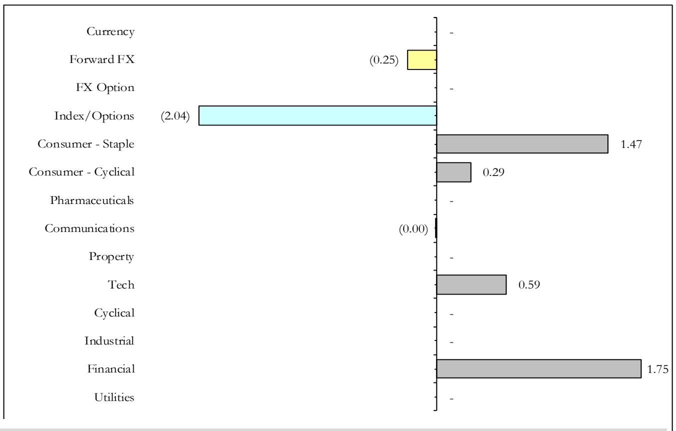
My conviction that 2019 would be an ugly year was clearly widely shared. Positioning has been very conservative and with the unanimous move by global central banks to question whether further credit tightening is warranted, there may be the potential to recover more of the ground surrendered in the second half of 2018. Trump and Xi will surely fudge a compromise on the trade front, and the issue will be whether weaker earnings will be trumped by the anticipation of steadily more aggressive policy support.

% OF ASSETS ALLOCATION	EQUITY LONG	EQUITY SHORT	INDEX LONG	INDEX SHORT	NET EXPOSURE	GROSS EXPOSURE
Australia	6.02%			(10.68%)	(4.66%)	16.70%
Europe						
Hong Kong	22.87%				22.87%	22.87%
India	18.20%			(14.65%)	3.55%	32.85%
Indonesia	12.43%				12.43%	12.43%
Japan						
Korea (South)	5.25%	(5.24%)		(0.01%)	(0.00%)	10.50%
Philippines	14.74%				14.74%	14.74%
Singapore	7.32%				7.32%	7.32%
Thailand	4.08%				4.08%	4.08%
United States	5.11%				5.11%	5.11%
Total	**96.02%**	**(5.24%)**		**(25.34%)**	**65.44%**	**126.60%**

Geographic Performance Attribution



Sector Performance Attribution



Equity Positions

Long	20	Largest 10 Longs	60.84% of NAV	Long Liquidity	10.40days	Mkt Capitalization	>2Bn	75%
Short	2	Largest 10 Shorts	5.24% of NAV	Short Liquidity	0.00days	Gross Exposure	>500m-2Bn>	15%
						(USD)	<500mn	10%

Top 5 % Longs		Top 5 Contributors	Top 5 Detractors
Aegis Logistics Ltd	7.68%	Thai Beverage PCL (L)	Aegis Logistics Ltd (L)
Melco International Develop	7.64%	Melco International Develop (L)	Kering (S)
Kotak Mahindra Bank Ltd	7.46%	Vakrangee Ltd (L)	LVMH Moet Hennessy Louis Vui (S)
Thai Beverage PCL	7.32%	Universal Robina Corp (L)	Burberry Group PLC (S)
Universal Robina Corp	5.62%	Bank Central Asia TBK PT (L)	Summit Ascent Holdings Ltd (L)