

# 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 eked out a gain of roughly +1%, and we limp to the close of the first quarter +1.27%, lagging the broad market advance significantly.

Having vented my spleen on India last month the market proceeded to confound me by advancing smartly, and gains from Aegis and Reliance contributed the bulk of the returns of the fund in March. Aegis has been sold in entirety, and the Vakrangee position has been raised into one of the largest in the fund, as the miasma of negative publicity surrounding the firm dissipates and a new chief executive, known to us from his days at Blue Dart the air freight operator, begins to address market scepticism as the rebranding exercise in its "kendra" outlets gathers pace. Hong Kong and China, where the bulk of the fund is now invested, by contrast disappointed, with copper stock MMG under pressure as a result of an industrial dispute blocking access to its Las Bambas mine in Chile. Melco and our clutch of Chinese property companies were also lacklustre. Universal Robina in the Philippines was our second biggest contributor, but broadly speaking I am dissatisfied with the beta we are getting from the clutch of South East Asian names purchased in December last year; we have exited our positions in Thailand, principally CPAll, and will do the same in Indonesia.

I occupied myself in March with 10 days on the bike heading south from Wellington across the Cook Strait, and down to Queenstown, missing the horror in Christchurch by 24 hours, and contemplating both my performance and my mortality. I can do little about one of them! We did at one stage own Auckland International Airport, and I was impressed with the upgrades to the terminal and the general improvement in Auckland's infrastructure. But the opportunity cost of holding airport stocks in this environment is too high, even though the New Zealand tourist juggernaut looks unstoppable. A brief pause in Sydney provided an opportunity to catch up with management at Pengana, in the throes of a closed-end venture capital offer, which

## Performance

Tantallon Fund Size USD 28mn (Cayman is Feeder)  
(Inception Nov 03)

	Tan	MSCI Pacific Free Index	Over/(Under)perf
Mar 2019	+ 0.99%	- 0.09%	+ 1.08%
2018 YTD	+ 1.27%	+7.41%	- 6.14%
2018	-19.44%	-14.27%	- 5.17%
2017	+37.04%	+21.57%	+15.47%
Inception	+ 98.95%	+65.81%	+33.14%
Compound	+4.6%opa	Volatility	+14.77%
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)

should boost their AUM by 20%. The opportunity cost of holding this little idea has been high, but insiders show a commendable appetite for lapping up the stock at present levels, and their confidence in the long term opportunity of diversifying the Australian retail superannuation flows out of domestic equity into foreign and private equity was comfortably high. The market has long been dominated by Platinum and more recently Magellan, who have

YEAR	RETURN	JAN	FEB	MAR	APR	MAY	JUN	JUL	AUG	SEP	OCT	NOV	DEC
Inception	+ 98.95%												
2019	+ 1.27%	+ 1.80%	-1.50%	+0.99%									
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%

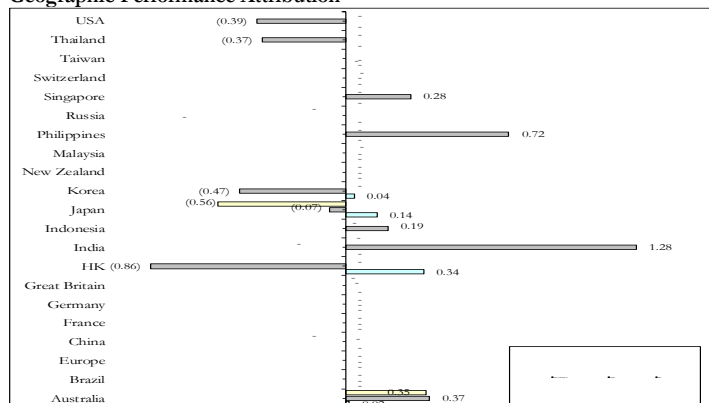
been taking nearly 90% of the foreign equity flows, and I am confident that Pengana have the drive and connections to emerge as a major new player in the lucrative market. We have added modestly to our position.

Returning to Ho Chi Minh after 3 years was eye-opening: Tan Son Nhat is an airport I really would like to invest in! the tourist boom since my last visit is astonishing, and it is predominantly South East Asian. The Vietnam tunnels at Cu Chi, first visited in glorious isolation 30 years ago, are now surrounded by acres of bus parks, and the Kalashnikov's are (sensibly) locked by the muzzle on the firing range. Hotel occupancies are in the high 90's and service accommodation even tighter. Although notionally communist there is none of the intrusive surveillance and censorship that Xi JinPing's regime has forced through across the border, and pollution is yet to become an urban issue. Market cap (US\$170billion) to GDP is at a rational 65%, after several booms and busts the broad multiple now stands at roughly 12 times and price/growth at 1.1. Wages are less than a fifth of China's, and the country has been an immediate beneficiary of Trump's trade policies as FDI has rocketed, with the Koreans (Samsung alone accounts for roughly 25% of Vietnam's exports) dominating. Three years ago market access looked too problematic when weighed against the listed opportunities and the price: that has changed and some direct exposure looks a great deal more attractive than anything else in Asean. In the meantime we have tangential exposure through ThaiBev and Universal Robina.

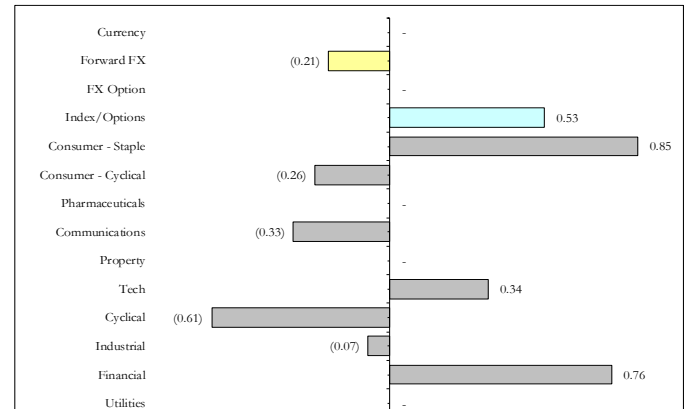
While we have endured a lacklustre start to the year I now have a much higher level of conviction in our stocks and our level of market exposure. China is going "full gas" on policy measures to head off the impact of trade pressures, with the surprisingly strong March Total Social Financing numbers adding to generally stronger PMI's and a notable pick up in the property market. We are probably under-exposed to Korea given this U turn in policy, but our property and gaming exposure regionally is kicking in satisfactorily. April at least should mark something of a return to better form in our results.

% OF ASSETS ALLOCATION	EQUITY LONG	EQUITY SHORT	INDEX LONG	INDEX SHORT	NET EXPOSURE	GROSS EXPOSURE
Australia	6.87%			(9.66%)	(2.79%)	16.53%
Europe						
Hong Kong	38.62%				38.62%	38.62%
India	12.58%				12.58%	12.58%
Indonesia	13.11%				13.11%	13.11%
Japan						
Korea (South)	7.17%				7.17%	7.17%
Philippines	11.15%				11.15%	11.15%
Singapore	8.80%				8.80%	8.80%
Thailand						
United States	11.61%				11.61%	11.61%
<b>Total</b>	<b>109.91%</b>			<b>(9.66%)</b>	<b>100.25%</b>	<b>119.57%</b>

#### Geographic Performance Attribution



#### Sector Performance Attribution



#### Equity Positions

Long	24	Largest 10 Longs	63.55% of NAV	Long Liquidity	7.66days	Mkt Capitalization	>2Bn	77%
Short	0	Largest 10 Shorts	0% of NAV	Short Liquidity	0.00days	Gross Exposure (USD)	>500m-2Bn< <500mn	13% 10%

#### Top 5 % Longs

Thai Beverage PCL	8.80%
Vakrangee Ltd	8.06%
Melco International Develop	6.62%
Pengana Capital Group Ltd	6.35%
Universal Robina Corp	5.97%

#### Top 5 Contributors

Vakrangee Ltd (L)
Pengana Capital Group Ltd (L)
Universal Robina Corp (L)
Reliance Industries Ltd (L)
Shimao Property Holdings Ltd (L)

#### Top 5 Detractors

MMG Ltd (L)
Hyundai Development Co-Engin (L)
Melco International Develop (L)
Iqiyi Inc - ADR (L)
China Evergrande Group (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.