

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.

We are publishing our first regular monthly portfolio comment with the fund entering its 9th month since inception. August registered solid gains of 1.8% and the fund rose for the 7th time in 8 months. While tech has shown increasing volatility during the summer, the trend has remained positive. Meanwhile the sustainability component of the portfolio has been supported by announcements of aggressive electric vehicle roll-out plans throughout the summer.

Outlook: The big question for the tech sector right now is whether it can sustain its positive momentum (absolute and relative) through the spring of 2018. In other words, is it possible for tech to help sustain a rising market AND outperform it?

The market still loves all things IOT (internet of things) & electronic components. The two are linked as the internet not only provides the connectivity for IOT to work but also the business models to monetize the investment in IOT infrastructure: processors, memory, sensors, cameras, wireless. With many IOT efforts still in the early stage, the positive trends will continue to drive sector profitability in 2018.

Industry earnings have been buoyed by commodity profits and weathered a weak Chinese smartphone market this year. Expectations for a big product launch by Apple have not only boosted its shares but also helped sustain high expectations sector wide.

Performance

Tantallon Tech & Sustainability Fund Size USD 11mn (Cayman is Feeder)
(Inception Jan 17)

	Fund	BW Tech*	DJ Sust**	Tech&Sust	O/U Perf
Aug 2017	+1.8%	+2.7%	+0.3%	+1.5%	+0.3%
2017 YTD	+10.4%	+25.1%	+12.6%	+18.9%	-8.4%
Inception	+10.4%	+25.1%	+12.6%	+18.9%	-8.4%

* Bloomberg World Technology Index

** Dow Jones Sustainability World Diversified

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:

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While I remain broadly bullish on the sector outlook well into 2018, I am going to pay particular attention to the NAND Flash memory supply-demand balance in the fourth quarter as a possible signal for a plateau.

The portfolio - What is working

Sustainability Growth: our battery investments are working. Samsung SDI has emerged as a premier EV battery provider and the purest battery cell stock. Battery component supplier

	2017	JAN	FEB	MAR	APR	MAY	JUN	JUL	AUG	SEP	OCT	NOV	DEC
Fund Monthly Gross Return		0.71%	0.60%	0.91%	-0.08%	4.83%	1.30%	1.77%	2.05%				
Fund Cumulative Gross Returns		0.71%	1.31%	2.23%	2.15%	7.08%	8.47%	10.39%	12.66%				
Fund Monthly Net Returns		0.35%	0.34%	0.62%	-0.38%	4.68%	1.06%	1.54%	1.84%				
Fund Cumulative Net Returns		0.35%	0.69%	1.31%	0.93%	5.66%	6.78%	8.42%	10.42%				
Equity Monthly Returns		5.65%	2.91%	1.96%	-0.20%	7.37%	1.64%	2.42%	2.75%				
Equity Cumulative Returns		5.65%	8.73%	10.86%	10.64%	18.79%	20.73%	23.66%	27.05%				

Umicore and Chinese EV makers BYD also look well positioned to gain from increasing EV penetration.

Tech Trade: the memory trade is working buoyed by tight supply situations in both DRAM and Flash lifting prices further. Our holdings in Micron and Hynix have been volatile in July-August trading down by as much as 25% from the summer peaks but have recently returned to the top of that range. We look for further upside as strong earnings become more sustainable.

Tech Growth: Turnaround Nintendo is reinventing itself based on new product introductions.

The portfolio - What in not working (yet)

Tech Trade: semiconductor wafer maker Sumco has given back all of its gains despite improving utilization and pricing. We need to evaluate for renewed upside.

Tech Growth: Our holdings in IoT semiconductor companies have been a mixed bag and failed to match the outrageous gains by sector darling NVDA. Renesas had to weather a major liquidity event with a large secondary offering but just posted record quarterly gross profits. eMemory is primed for strong earnings momentum after renegotiating royalty payment streams with QCOM and AAPL. Realtek has potential to put its wireless and audio expertise to work in consumer IOT devices. The group has been a drag during this strong period but upside is still intact.

Sustainability Trade: Polysilicon producer OCI has been flat while certain solar cell makers have had a strong six months. It now looks to have entered a re-rating on the back of a stronger chemicals cycle – welcome but not what we were

looking for. We were stopped out of our other solar holding - FSLR - before it started its strong move.

What next?

September 2017 is an important month. Apple new iPhone launch will re-set the specs for all smartphones.

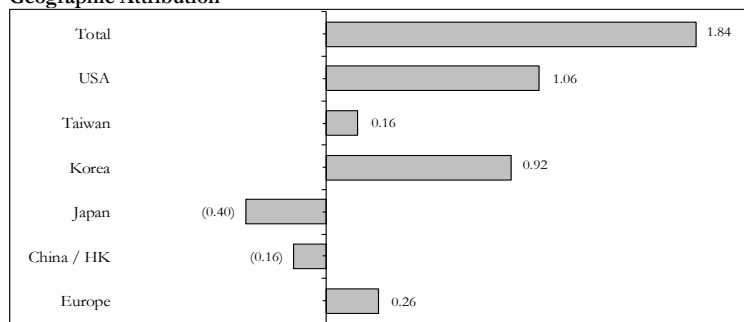
I am especially interested in 3D sensing as it is part of the package that will eventually bring us autonomous driving.

On the sustainability front the US will remain at the center stage in terms of news flow as the president may be asked to decide on solar panel tariffs as part of an ITC complaint by the bankrupt US solar maker Suniva. We aim to focus our research on improvements of the grid infrastructure and opportunities for storage rather than additions to generating capacity.

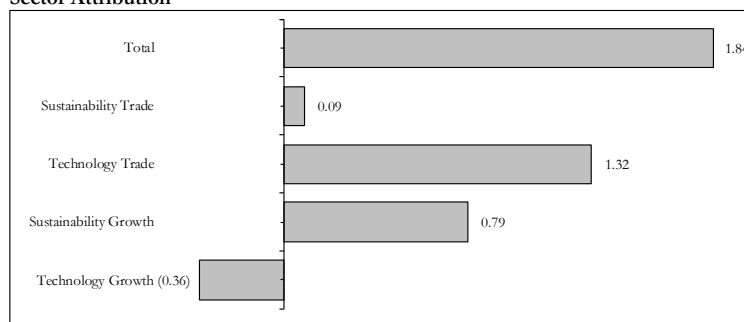
We just came back from a week in Taiwan: Time to digest the 25 meetings and look for strong exposure to the key trends.

% OF ASSETS ALLOCATION	EXPOSURE
Europe	5.9%
China / Hong Kong	4.9%
Japan	17.7%
Korea (South)	16.4%
Taiwan	9.1%
United States	21.2%
Cash	24.8%
Total	100.0%

Geographic Attribution



Sector Attribution



Equity Positions

Total	14	Largest 5	42.48% of NAV	Liquidity	0.10 days	Mkt Capitalization	>7.5Bn	68%
						Gross Exposure (USD)	>1Bn-7.5Bn	29%
							<1Bn	3%

Top 5 Holdings

Micron Technology Inc (UW)	16.47%
Samsung SDI Co Ltd (KP)	7.40%
SK Hynix Inc (KP)	6.44%
Nintendo Co Ltd (JT)	6.32%
Umicore (BB)	5.85%

Top 5 Contributors - AUG

Micron Technology Inc (UW)
Samsung SDI Co Ltd (KP)
Renesas Electronics Corp (JT)
SK Hynix Inc (KP)
Realtek Semiconductor Corp (TT)

Top 5 Detractors - AUG

Sumco Corp (JT)
Umicore (BB)
Ceva Inc (US)
Ememory Technology Inc (TT)
BYD Co Ltd-H (HK)

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.