

# 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.

October posted a second consecutive month of strong results with the fund gaining 6.0% on the back of positive reactions to very strong earnings at Micron which lifted the commodity end of the semiconductor industry including wafer manufacturer Sumco. New addition to the portfolio Chroma ATE was a major contributor on the back of more positive EV (Electric Vehicle) development plans which also drove the price of battery component company Umicore. Among the detractors, only AMD stands out as it corrected heavily after excellent results.

## Earnings growth

In this month's commentary, I would like to focus on the tech sector's overall profitability because it is showing extraordinarily positive momentum at all time high levels and both the underlying reason for and the necessary ingredient to maintain elevated multiples going forward.

Our tech portfolio companies showed a combined 180% in earnings growth to \$10.2bn. Of the 13 companies that report quarterly earnings (some in HK and EU do not), 4 firms were still losing money in 16Q3 but this quarter delivered \$2.9b of the total in 17Q3.

Third quarter earnings for tech in general and for memory semiconductor makers in particular were very strong and drove the sector higher in October after a strong gain in September. 2017Q3 quarterly tech earnings (96% of tech MC reported) have already surpassed the prior peak of 2016Q4. The seasonally strong Q4 usually sets such a high bar that

## Performance

Tantallon Tech & Sustainability Fund Size USD 14mn (Cayman is Feeder)  
(Inception Jan 17)

	<b>Fund</b>	<b>BW Tech*</b>	<b>DJ Sust**</b>	<b>Tech&amp;Sust</b>	<b>O/U Perf</b>
<b>Oct 2017</b>	<b>+6.0%</b>	+8.5%	+1.8%	<b>+5.1%</b>	<b>+0.9%</b>
<b>2017 YTD</b>	<b>+27.5%</b>	+36.7%	+16.9%	<b>+26.8%</b>	<b>+0.6%</b>
<b>Inception</b>	<b>+27.5%</b>	+36.7%	+16.9%	<b>+26.8%</b>	<b>+0.6%</b>

\* Bloomberg World Technology Index

\*\* Dow Jones Sustainability World Diversified

## FUND DETAILS

<b>Investment Manager:</b> Tantallon Capital (Cayman Islands)	<b>Fees:</b> 1.5%pa Management fees
<b>Administrator:</b> DBS Bank Ltd	<b>Minimum Investment:</b> USD 1,000,000
<b>Domicile:</b> Cayman Islands	<b>Custodian:</b> DBS Bank Ltd
<b>Feeder funds</b> Offshore (Cayman Is)	
<b>Auditor:</b> KPMG	<b>Lawyers</b> Harney Westwood & Riegels Singapore Morgan Lewis Stamford LLC
<b>Dealing:</b> Monthly	<b>Contact:</b> Alex Hill (alex@tantalloncapital.com)

only the following year's Q4 has a chance to renew the record levels (or not as in weak years - 2008, 2011, 2015).

Putting numbers to the earnings boom, our tracked tech universe (\$10.7tr MC) posted yoy operating profit growth of 34% to \$120bn in Q3. This was a little bit less than the 38% and 37% yoy growth figures for Q1 and Q2, respectively but easily is the longest and strongest string of quarterly growth numbers over the past 10 years and only matched by the period of the PC ascendancy of the mid-90s. Q3 memory earnings were up 2.7x

	2017	JAN	FEB	MAR	APR	MAY	JUN	JUL	AUG	SEP	OCT	NOV	DEC
Fund Monthly Gross Return		0.5%	0.4%	0.7%	-0.2%	4.8%	1.3%	1.8%	2.1%	9.2%	6.3%		
Fund Cumulative Gross Returns		0.5%	0.9%	1.7%	1.5%	6.4%	7.7%	9.6%	11.9%	22.2%	29.8%		
Fund Monthly Net Returns		0.4%	0.3%	0.6%	-0.4%	4.7%	1.1%	1.5%	1.8%	8.9%	6.0%		
Fund Cumulative Net Returns		0.4%	0.7%	1.3%	0.9%	5.7%	6.8%	8.4%	10.4%	20.2%	27.5%		
Equity Monthly Returns		5.7%	2.9%	2.0%	-0.2%	7.4%	1.6%	2.4%	2.8%	10.7%	7.8%		
Equity Cumulative Returns		5.7%	8.7%	10.9%	10.6%	18.8%	20.7%	23.7%	27.1%	40.6%	51.5%		

yoy to US\$15.8bn driving a semiconductor profit growth of 67% yoy.

It is also worth noting that the Q3 profit strength included only pedestrian growth at Apple and was reflected throughout its supply chain.

**Growth Drivers going forward: More data**

The driver of this growth remains the world’s huge appetite for data: collection, transmission, analysis, storage that all lead to data-driven enterprise and consumer decisions and actions. Given that several drivers such as IoT (internet of things), AI (artificial intelligence) and ADAS (~autonomous vehicles) are in the early stages, the 3-5yr outlook remains bright. Shorter term, however, beyond a strong 2018H1 based on a resurgent Apple and the same positive drivers, the sector overall will be challenged to deliver double-digit earnings growth.

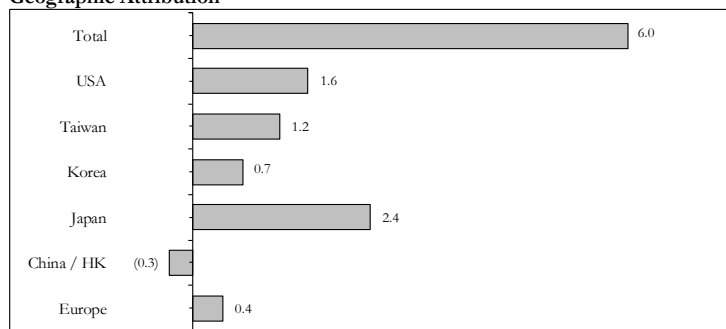
**Growth Driver in 2018-19: EV launches and broader adoption of autonomous vehicles**

During 2018, the fund will look to shift its focus toward technology opportunities in sustainability. With positive feedback from autonomous vehicle roll-out in very technology friendly Arizona, we expect to see an acceleration in the schedule to introduce the technology more broadly which will lend a further impetus to the electrification of transportation. Meanwhile, China is ramping to launch a large number of EVs in the domestic market ranging from the high-end Tesla challenger Nio (hi-end SUV NS8) to the mid-range offerings from China based JVs to the mass market models of the local manufacturers. The boom is driven by a very strong local support package of

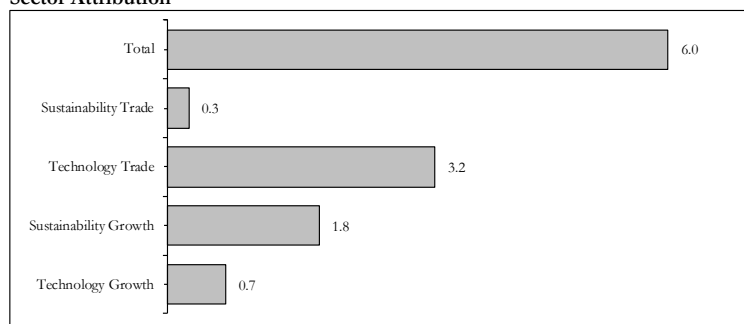
policies set out by the government. We are planning on spending more time in and on China in 2018.

% OF ASSETS ALLOCATION	EXPOSURE
Japan	22.5%
United States	19.7%
Taiwan	14.4%
Korea (South)	14.3%
China / Hong Kong	5.6%
Europe	5.4%
Cash	18.1%
<b>Total</b>	<b>100.0%</b>

**Geographic Attribution**



**Sector Attribution**



**Equity Positions**

Total	15	Largest 5	44.7% of NAV	Liquidity	0.1 days	Mkt Capitalization	>7.5Bn	70.7%
						Gross Exposure (USD)	>1Bn-7.5Bn<	21.9%
							<1Bn	7.4%

Top Holdings		Main Contributors - Oct		Main Detractors - Oct	
Micron Technology Inc (US)	15.5%	Micron Technology Inc (US)		Ememory Technology Inc (TT)	
Nintendo Co Ltd (JT)	11.0%	Sumco Corp (JT)		Advanced Micro Devices (US)	
Ememory Technology Inc (TT)	6.1%	Chroma ATE Inc (TT)		BYD Co Ltd-H (HK)	
Samsung SDI Co Ltd (KP)	6.0%	Renesas Electronics Corp (JT)			
SK Hynix Inc (KP)	6.0%	Umicore (BB)			

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.