

# 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.

September delivered excellent results with the fund gaining 8.9% on the back of strong gains from our holdings in memory companies and the EV battery supply chain. The memory stocks were buoyed by a strong set of results from Micron (FY17 ending 8/17) and continued tightness in the demand/supply situation of both DRAM and NAND. On the EV front, the announcements of accelerated EV adoption plans and/or plans of eventual sales bans of ICE cars (2025-40) kept the focus on the auto industry and EV supply chain. China then followed up its 2025 target of 7mn EVs on the with a New Energy Vehicle (NEV) credit mandate that forces domestic makers & importers to either produce a certain number of EVs or to buy credits. This plan should ensure at least 1m Chinese EVs produced by 2020.

Apple's product intro during the month was a mixed affair with high interest in the iPhone X (read 10) that looks to feature OLED screen and face recognition but less enthusiasm for the incremental upgrade in the form of the iPhone8. The issue for the supply chain is that iPhone X will not see mass production until October and volume may be constrained while demand for the iPhone 8 should undershoot expectations. While some of this was anticipated due to market knowledge of the difficulties in the component supply chain for the iPhone X, the product delay risks a lackluster 2017Q4 for the wireless industry with a lot of the action being moved into 2018. The lack of momentum in the tech sector during the summer may have discounted this delay but poor Q3 or Q4 numbers from Apple are still likely to rattle the market.

## Performance

Tantallon Tech & Sustainability Fund Size USD 12mn (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>Sep 2017</b>	<b>+8.9%</b>	+0.7%	+2.0%	<b>+1.4%</b>	<b>+7.5%</b>
<b>2017 YTD</b>	<b>+20.2%</b>	+26.0%	+14.9%	<b>+20.4%</b>	<b>-0.2%</b>
<b>Inception</b>	<b>+20.2%</b>	+26.0%	+14.9%	<b>+20.4%</b>	<b>-0.2%</b>

\* 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:

Alex Hill  
(alex@tantalloncapital.com)

So far no weakness in commodity prices such as NAND have been seen which means that the supply chain for Apple is holding on to its inventory rather than putting it on the spot market in a sign of the tightness of the market. No.2 NAND producer Toshiba was able to sign an MOU with a group of investors lead by Bain Capital which should ensure the mother company's survival (and continued listing) and may see the IPO of the independent NAND maker in the next couple of years. Given the elevated transaction price, Bain and friends clearly expect the market to remain strong over this period. Related

	2017	JAN	FEB	MAR	APR	MAY	JUN	JUL	AUG	SEP	OCT	NOV	DEC
Fund Monthly Gross Return		0.7%	0.6%	0.9%	-0.1%	4.8%	1.3%	1.8%	2.1%	9.0%			
Fund Cumulative Gross Returns		0.7%	1.3%	2.2%	2.2%	7.1%	8.5%	10.4%	12.7%	22.8%			
Fund Monthly Net Returns		0.4%	0.3%	0.6%	-0.4%	4.7%	1.1%	1.5%	1.8%	8.9%			
Fund Cumulative Net Returns		0.4%	0.7%	1.3%	0.9%	5.7%	6.8%	8.4%	10.4%	20.2%			
Equity Monthly Returns		5.7%	2.9%	2.0%	-0.2%	7.4%	1.6%	2.4%	2.8%	10.7%			
Equity Cumulative Returns		5.7%	8.7%	10.9%	10.6%	18.8%	20.7%	23.7%	27.1%	40.6%			

to the deal, we exited our position in WDC, which appears to have squandered its chance to secure LT NAND supply by playing its strong hand too aggressively with (ex-)partner Toshiba. We judge the WDC-Toshiba relationship as irreparable.

**Outlook:** Given the mixed outlook for Apple near term, I expect some volatility for tech going into 2018 and an increased focus away from wireless toward the continued build-out of the data back-bone as it looks to support future developments of the internet of things (IoT), in particular artificial intelligence (AI) applications and autonomous driving (ADAS).

### The portfolio - What is working:

**Sustainability Growth:** We added Chroma ATE Inc of Taiwan which expands our exposure to the battery supply chain as one of the company's product lines focuses on the testing and curing of lithium ion batteries. The company is a leading provider of specialized testing equipment as well as complete production lines that control the initial charging process of a battery which 'sets' the internal chemistry for performance and longevity. Chroma's experience with Tesla's mass production process sets it up well for supporting the industry-wide ramp.

**Tech Trade:** memory price stability continues to support a stronger for longer thesis while Japan tech appears to also have exited the summer doldrums with Sumco challenging spring-time highs.

**Tech Growth:** Nintendo's Switch hybrid game continues to see strong demand while the dramatic appreciation of Softbank's holding in BABA is starting to have a positive

effect on the telco-internet conglomerate. The rolling launch of its \$100bn (Son's) Vision Fund does not yet offer concrete benefits to Softbank but it does serve to highlight the company's strong strategic positioning.

### The portfolio – What is not working (yet)

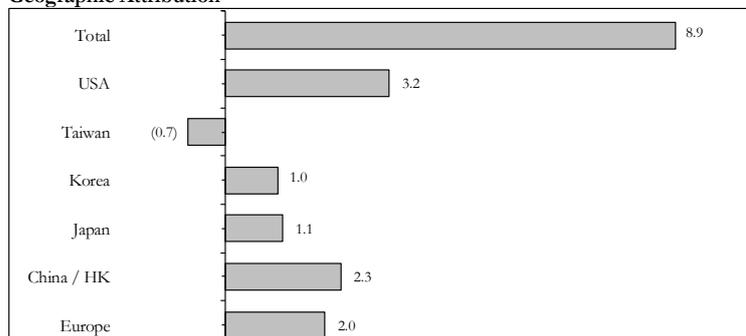
**Tech Growth:** Our non-DRAM/NAND semiconductor holdings are still a mixed lot. While Renesas has moved positively with the rest of Japan, eMemory and Realtek (paid good dividend) continue to tread water. IoT related growth still fails to drive overall growth for these companies as the wireless and computing segments are stable at best. We expect eMemory to benefit from a recovery in the display driver sector in the short-term and from embedded security applications over the longer term.

### What next?

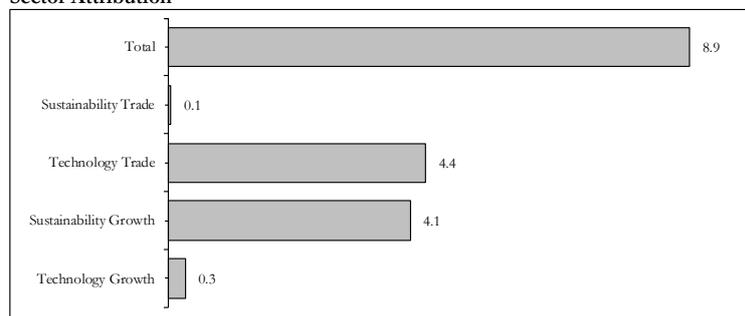
We continue to work on understanding compound semiconductor technology and its application to optical sensing.

% OF ASSETS ALLOCATION	EXPOSURE
Europe	6.0%
China / Hong Kong	7.1%
Japan	17.6%
Korea (South)	16.3%
Taiwan	15.8%
United States	23.2%
Cash	14.0%
<b>Total</b>	<b>100.0%</b>

### Geographic Attribution



### Sector Attribution



### Equity Positions

Total	15	Largest 5	47.5% of NAV	Liquidity	0.2 days	Mkt Capitalization	>7.5Bn	64.0%
						Gross Exposure (USD)	>1Bn-7.5Bn<	24.2%
							<1Bn	11.8%

Top Holdings		Main Contributors - SEP		Main Detractors - SEP	
Micron Technology Inc (UW)	18.7%	Micron Technology Inc (UW)		Realtek Semiconductor Corp (TT)	
Ememory Technology Inc (TT)	7.8%	BYD Co Ltd-H (HK)		Ememory Technology Inc (TT)	
SK Hynix Inc (KP)	7.1%	SK Hynix Inc (KP)		Chroma Ate Inc (TT)	
BYD Co Ltd-H (HK)	7.1%	Nintendo Co Ltd (JT)		Western Digital Corp (US)	
Samsung SDI Co Ltd (KP)	6.8%	Umicore (BB)		Samsung SDI Co Ltd (KP)	

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 IANIALLOU CAPITAL, 13/ TELUK AYER ST #03-05, SINGAPORE 068602. I: +65 6321 3920 F: +65 6321 3924 www.tantailoncapital.com

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