

# 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.

The fund finished the month down 2.2%, following the 2.3% drop in the tech index, which fell more than the overall markets. While the sustainability index only retreated 1.1% in the month, the renewable energy sector was hit hard by changes in the subsidy structure in China instituted as the end of May.

The fund is down 7.2% for the first half of the year which compares to an overall market decline of just 1.5% and a tech sector that has continued to power ahead on the back of solid earnings, cash-flow generation and buy-backs particularly for the leading software and internet platform companies.

Among our tech holdings, AMD, NVDA and Murata have posted strong gains YTD but our 2 largest positions eMemory and Nintendo have held back the fund performance. We have exited our Nintendo position at gain but down more than 21% from the January high.

On the sustainability side of the portfolio, only battery component producer and materials recycler Umicore has continued to post strong gains YTD while Lithium miner Quimica, battery cell maker LG Chem and polysilicon maker OCI have fallen off substantially in 2018. We exited OCI at a loss during June and avoided another 20% of share price depreciation.

We established a new position in June in Universal Display (OLED US), an OLED materials maker that had sold down heavily due to delays in LED display adoption by Apple which also affected our holding in battery maker Samsung SDI as it owns a stake in the Samsung OLED business.

We are re-evaluating our complete lack of exposure to the solar sector as the industry has digested the subsidy signal from China, which puts a cap on the annual capacity of new solar projects that is eligible for preferential feed-in tariffs. We see this as a natural progression in the process of wind and solar energy

## Performance

Tantallon Tech & Sustainability Fund Size USD 13mn (Cayman is Feeder)  
(Inception Jan 17)

	Fund	MXWD*	BW Tech**	DJ Sust***	Tech&Sust	O/U
<b>Perf</b>						
<b>Jun 2018</b>	-2.2%	-0.7%	-2.3%	-1.1%	-1.7%	-0.5%
<b>2018 YTD</b>	-7.2%	-1.5%	+6.5%	-3.1%	+1.7%	-8.8%
<b>2017</b>	+24.4%	+21.6%	+36.8%	+20.6%	+28.7%	-4.3%
<b>Inception</b>	+15.5%	+19.8%	+45.7%	+16.9%	+31.3%	-15.8%

\* MSCI ACWI Index

\*\* 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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(alex@tantalloncapital.com)

entering the energy generation mainstream. While the 'surprise' move does upset the existing business model of the local industry players, it is only a matter of time until the capacity building plans are revised and volume growth resumes at the new rates. Fact is that solar and wind power are starting to rank as the least expensive way to expand generating capacity in some locales and this geographic footprint is expanding. We see this transition to market prices for solar and wind energy as the final shakeout stage and are looking to position ourselves in the leaders of what should be a steadier growth industry.

	2018	JAN	FEB	MAR	APR	MAY	JUN	JUL	AUG	SEP	OCT	NOV	DEC
Fund Monthly Gross Return		4.5%	-2.3%	-4.0%	-2.1%	0.1%	-2.0%						
Fund Cumulative Gross Returns		4.5%	2.1%	-2.0%	-4.0%	-3.9%	-5.8%						
Fund Monthly Net Returns		4.0%	-2.4%	-4.2%	-2.3%	-0.1%	-2.2%						
Fund Cumulative Net Returns		4.0%	1.4%	-2.8%	-5.0%	-5.1%	-7.2%						
Equity Monthly Returns		5.2%	-3.0%	-5.2%	-2.6%	0.1%	-2.7%						
Equity Cumulative Returns		5.2%	2.1%	-3.2%	-5.7%	-5.7%	-8.3%						

On the EV battery front, the industry witnessed the Chinese IPO of Contemporary Amperex Technology (CATL) at the beginning of June. The stock listed at CNY25 and managed about 2 weeks of limit up gains before the share price consolidated around the CNY70 level at the end of the month. The \$25bn MC company is looking to aggressively expand production to satisfy domestic demand as well as international demand from major OEMs. While it is less established than the 3 major international battery cell makers Panasonic (Tesla), LG Electronics and Samsung SDI, it is initially aiming for a clear leadership position in China ahead of BYD and then for the top spot worldwide.

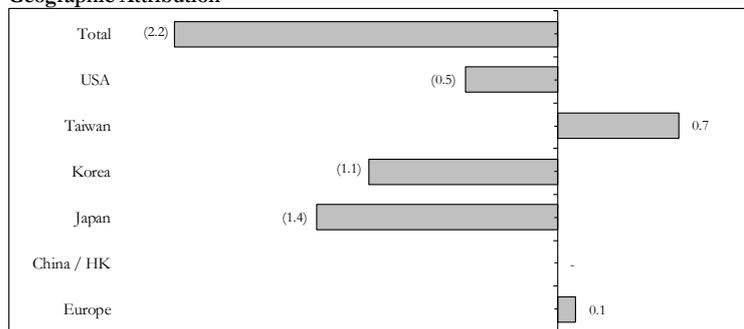
We expect this leadership group of 4-5 battery makers to dominate the next 5+ years of EV growth as OEMs engage with a limited number of quality suppliers and aim to spread their volume among at least 3 nationalities in addition to demanding local production outside Asia in the Americas and Europe. We are therefore evaluating CATL and once again BYD in addition to our holdings in LG and SDI. So far we have not got comfortable with an investment in Panasonic as their relationship with Tesla in their joint Gigafactory project lacks necessary transparency. In addition, we continue to look for opportunities in the supply chain of these leading producers.

On the tech front, we continue to worry about the cycle despite stable memory prices and what appears to be an improving outlook for the Apple supply chain. While the trade war escalation has so far not shown any real impact, there is an increasing chance of supply line hiccups in semiconductor consuming industries such as Autos.

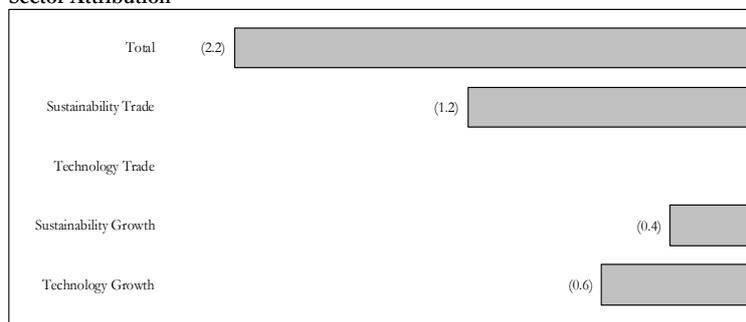
As a result, our holdings remain focused on niche leaders aside from NVDA and we also do not expect our elevated cash position to be reduced in the immediate future.

% OF ASSETS ALLOCATION	EXPOSURE
Taiwan	26.4%
Japan	12.0%
United States	11.2%
Korea (South)	8.9%
Europe	7.5%
China / Hong Kong	0.0%
Cash	34.0%
<b>Total</b>	<b>100.0%</b>

#### Geographic Attribution



#### Sector Attribution



#### Equity Positions

Total	12	Largest 5	42.2% of NAV	Liquidity	0.3 days	Mkt Capitalization	>7.5Bn	56.0%
						Gross Exposure	>1Bn-7.5Bn>	18.2%
						(USD)	<1Bn	25.8%

#### Top Holdings

Ememory Technology Inc (TT)	17.0%
Umicore (BB)	7.5%
Murata Manufacturing Co Ltd (JT)	6.3%
Chroma ATE Inc (TT)	5.7%
Nidec Corp (JT)	5.7%

#### Main Contributors - Jun

Murata Manufacturing Co Ltd (JT)
Ememory Technology Inc (TT)
Chroma ATE Inc (TT)
Advanced Micro Devices (US)
Umicore (BB)

#### Main Detractors - Jun

Nintendo Co Ltd (JT)
Samsung SDI Co Ltd (KP)
Universal Display Corp (US)
OCI Co Ltd (KP)
LG Chem 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 Representative.

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