

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 saw the biggest tech sell-off for the year, with the sector globally falling as much as 15% before bouncing back on the last day of the month. This drop not only outpaced the 12% and 11% drops in Jan-Feb and March, respectively, but also looks to coincide with peak earnings and therefore signals the start of a more substantial correction that could last at least several quarters. On average, the funds' 14 holdings lost 14% during October but some fortunate selling of some of our holdings such as AMD and NVDA near their peaks limited the damage somewhat to a loss of 10.8%. The disappointing result highlighted that none of our holdings are immune to negative liquidity flows and multiple compression and forces us to anticipate trough multiples even for solid growers. We exited the month with 7 holdings, down from 14, and cash levels at 54%.

All but one of our current holdings belong to our sustainability investments but given their technology angle, they also experienced price pressure given a less certain economic outlook coupled with pressure on multiples.

Our only tech and top holding eMemory Technology of Taiwan continued to be a drag on results given a further 21% downward move. After meeting with management during the month our conviction remains strong and we have confidence that the firm will post solid profit growth in 2019. The company's second generation of embedded memory IP (intellectual property), which has been in development since 2012 and under evaluation by foundries and semiconductor design customers since 2015 is now gaining traction in mass production. This progress is becoming apparent from the revenue and EBIT record set in 18Q3 (albeit with minimal yoy growth), the more favorable product mix (increasing exposure to 12" wafer production) and 20%+ revenue growth in October which augurs well for 18Q4 and 2019. While the share cannot escape the current volatility and liquidity exit from EM, we expect eMemory to stand out in

Performance

Tantallon Tech & Sustainability Fund Size USD 12mn (Cayman is Feeder)
(Inception Jan 17)

	<u>Fund</u>	<u>MXWD*</u>	<u>MXWD0IT**</u>	<u>DJ Sust***</u>	<u>O/U Perf****</u>
Oct 2018	-10.8%	-7.6%	-9.5%	-7.4%	-2.4%
2018 YTD	-14.4%	-5.5%	+2.1%	-6.1%	-14.2%
2017	+24.4%	+21.6%	+40.3%	+20.6%	-4.3%
Inception	+6.5%	+14.9%	+43.2%	+13.2%	-22.5%

* MSCI ACWI Index

** MSCI ACWI Information Technology Index

*** Dow Jones Sustainability World Diversified Index

**** Comparison with average of Tech & Sust

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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a lackluster growth environment and regain its premium valuation in 2019.

As for the rest of the tech sector, 18Q3 results reported during October delivered 20%+ earnings growth for the 7th straight quarter and matched the seasonally strong 17Q4 peak. This is what a strong tech year should deliver. However, we anticipate that 18Q3 was the last quarter to post 20%+ yoy growth. Weaker memory pricing and a weaker capex and order outlook confirm that this is THE peak and like in all disappointing tech year-ends over the past decade (2011 & 2015) a sequential down Q4 can only mean the

	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%	0.8%	1.8%	1.5%	-10.6%		
Fund Cumulative Gross Returns		4.5%	2.1%	-2.0%	-4.0%	-3.9%	-5.8%	-5.0%	-3.3%	-1.9%	-12.3%		
Fund Monthly Net Returns		4.0%	-2.4%	-4.2%	-2.3%	-0.1%	-2.2%	0.6%	1.6%	1.2%	-10.8%		
Fund Cumulative Net Returns		4.0%	1.4%	-2.8%	-5.0%	-5.1%	-7.2%	-6.6%	-5.2%	-4.0%	-14.4%		
Equity Monthly Returns		5.2%	-3.0%	-5.2%	-2.6%	0.1%	-2.7%	0.6%	2.6%	1.5%	-19.8%		
Equity Cumulative Returns		5.2%	2.1%	-3.2%	-5.7%	-5.7%	-8.3%	-7.7%	-5.3%	-3.9%	-22.9%		

beginning of a correction. With the SOX Index down 18% and the EM Tech index down 29% from the 2018 peak to end of October, a 'normal' correction is in progress.

For the remainder of the year we will be digesting the abundance of changes in the tech, sustainability and trade environment. On the tech front, we are dealing with some level of excess data infrastructure investments, the resulting pricing erosion of hardware (memory in particular) and the potential relocation of capacity out of China and the resulting delay in decision making about the next investment cycle. Our base case scenario sees a bottom in sector earnings momentum in 2019Q3 which assumes another mid-cycle correction followed by a pick-up in tech spending on data, IoT and mobility.

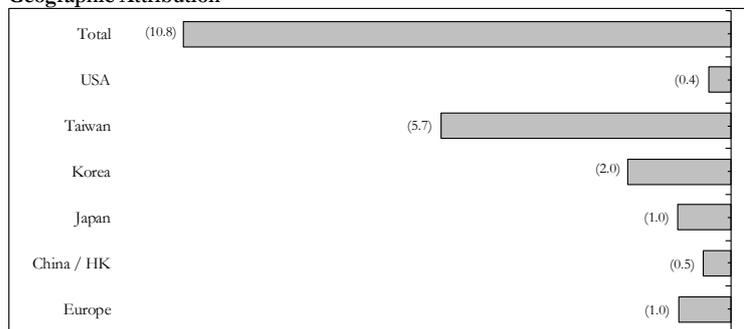
On the sustainability side we are weighing the loud reminders of the environmental threats coupled with powerful natural disasters and the directly opposing policy decisions in the US. While China remains the country with the clearest long-term commitment to renewable energy and electric transportation given its problems with polluted city air, we are evaluating the downward shift to slower economic growth and the knock-on effect on policy.

Given the scale of these uncertainties, we expect to revisit some of our past holdings at better prices and opportunities to invest in proven renewable technology leaders at more attractive levels. Having built up cash, we are eager to rebuild our positions in sustainability leaders but in no rush to do so.

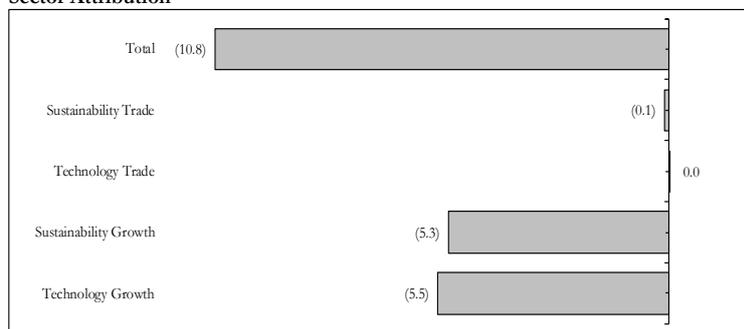
We will continue to focus on the transition of global mobility from combustion engine to electric drive train. Tesla's sizeable operating profit in 18Q3 coupled with record battery profits by three of the four leading module producers shows that the industry is coming of age and that the supply chain is reaching critical mass to sustain profitability. At the moment, six of our seven holdings have exposure to this transition.

% OF ASSETS ALLOCATION	EXPOSURE
Taiwan	25.6%
Korea (South)	11.7%
Hong Kong / China	6.6%
United States	2.1%
Europe	0.0%
Japan	0.0%
Cash	54.0%
Total	100.0%

Geographic Attribution



Sector Attribution



Equity Positions

Total	7	Largest 5	42.7% of NAV	Liquidity	0.5 days	Mkt Capitalization	>7.5Bn	56.3%
						Gross Exposure	>1Bn-7.5Bn	7.2%
						(USD)	<1Bn	36.5%

Top Holdings

Ememory Technology Inc (TT)	16.8%
Samsung SDI Co Ltd (KP)	11.7%
Delta Electronics Inc (TT)	6.8%
BYD Co Ltd-H (HK)	5.3%
Quimica Y Minera Chil-SP ADR (US)	2.1%

Main Contributors - Oct

Advanced Micro Devices (US)

Main Detractors - Oct

Ememory Technology Inc (TT)
 Samsung SDI Co Ltd (KP)
 Chroma ATE Inc (TT)
 Umicore (BB)
 Realtek Semiconductor Corp (TT)

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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