

# 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 ended the year on a high note with a 6% gain on the back of strong moves by our main holdings in tech, solar and the battery supply chain. All markets and all strategies contributed positive returns in what was a very strong month concluding an incredible recovery year.

For the Fund, this was a year of 2 halves. We managed to post solid gains into May despite high cash levels on the back of a strong recovery in our key holdings. We then started to lag the continued price recovery from June and fell far short of market gains in general, and sector gains in tech in particular. Our increased tech exposure towards the end of the year allowed us to start to participate in the rally while our remaining positions in solar and batteries continued to perform.

On the tech front, the recovery in fundamentals is finally starting to become apparent. Memory prices, chip production volumes and TSMC revenues and outlook are signaling a return to YoY growth for the industry, at least on the back of lower first quarter comps. Given how far semiconductor and tech shares have run, we are concerned that the market is set up for a period of consolidation.

We feel that fundamentals need to catch up with share prices that appear to discount a strong 2020 moving into sustained period of growth beyond. We have a difficult time finding the needed demand drivers to continue to deliver rapid growth.

## Performance

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

	<u>Fund</u>	<u>MXWD*</u>	<u>O/U Perf</u>	<u>MXWD0IT**</u>	<u>GSIN***</u>
Dec 2019	+ 6.3%	+ 3.4%	+ 2.9%	+ 4.8%	+ 2.8%
2019 YTD	+ 8.9%	+24.0%	-15.1%	+45.1%	+25.8%
2018	- 14.1%	- 11.2%	- 2.9%	- 6.8%	- 9.5%
2017	+24.4%	+21.6%	+ 2.8%	+40.3%	+18.7%
Inception	+16.4%	+34.0%	-17.6%	+89.7%	+35.0%

\* MSCI ACWI Index

\*\* MSCI ACWI Information Technology Index

\*\*\* MSCI World ESG Leaders Index

## FUND DETAILS

**Investment Manager:** Tantallon Capital Advisors Pte Ltd  
**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:** Boris Petersik  
 (Boris@tantalloncapital.com)

While 5G is clearly a growth opportunity and the initial stages are visible, 4G investments are falling off. The net effect is tepid infrastructure growth while PCs have just experienced a replacement cycle and handsets are beginning the 5G transition from a low base.

Huawei has built high inventories and continues to do so but there are limits to how much they want to hold. Either they start to feel more comfortable with the US supply chain or the US content rules become more draconian which really starts

	2019	JAN	FEB	MAR	APR	MAY	JUN	JUL	AUG	SEP	OCT	NOV	DEC
Fund Monthly Gross Return		3.3%	0.1%	3.9%	5.3%	-5.7%	1.7%	0.8%	-1.7%	-3.5%	1.8%	0.4%	6.6%
Fund Cumulative Gross Returns		3.3%	3.5%	7.5%	13.2%	6.8%	8.6%	9.4%	7.6%	3.8%	5.6%	6.1%	13.0%
Fund Monthly Net Returns		3.1%	-0.2%	3.6%	4.9%	-6.0%	1.4%	0.5%	-2.0%	-3.8%	1.5%	0.1%	6.3%
Fund Cumulative Net Returns		3.1%	2.9%	6.6%	11.9%	5.2%	6.6%	7.1%	5.0%	1.0%	2.4%	2.5%	8.9%
Equity Monthly Returns		7.5%	0.1%	8.2%	8.3%	-10.4%	3.0%	0.3%	-3.1%	-5.9%	3.1%	0.5%	8.4%
Equity Cumulative Returns		7.5%	7.6%	16.5%	26.1%	13.0%	16.4%	16.7%	13.2%	6.5%	9.8%	10.4%	19.7%

limiting their ability to purchase. In either case the extraordinary Huawei driven order momentum will decline.

We therefore plan to remain selective with our tech holdings and avoid the urge to chase. We like our positions in AMD, Murata and ST Micro. Our core holding in eMemory remains a high conviction as the firm's effort in promoting an ecosystem around its security & memory solution gains traction among major tech and internet groups. This bodes well given that all major foundries are able to offer the solutions to the key semiconductor suppliers to the IoT industry.

On the sustainability front we are shifting our attention back to e-mobility. We have added back a position in Lithium as the combination of an eventual China EV trough in 2020H1 combined with the major EV kick-off by VW in Europe should make for a positive inflection point after a very disappointing period for the industry – ex Tesla – in 2019H2.

Chinese policy adjustment continues as a major driver of the global EV roll-out given that its market accounts for about half of global units. After throttling back EV unit growth into negative YoY territory with downward adjustment in EV subsidies, Beijing now appears to take a more benign stance on further reductions in 2020 to allow the domestic industry to get back onto a growth track. Beijing appears satisfied that it has upped the requirements sufficiently to eliminate support for cheap short-range vehicles and now properly incentivizes the adoption of quality EVs in the domestic market, which may give its producers a longer-term edge in the global markets.

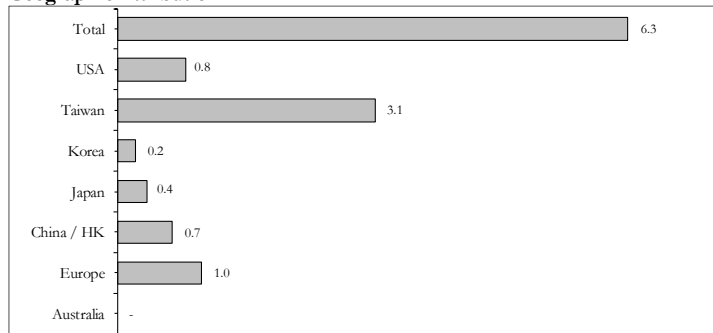
Meanwhile it has opened up the domestic market not only to international EV brands but also the international EV supply chain which for example allows Korean battery makers to supply local production of domestic and international EV brands. This opens a more balanced growth opportunity for Samsung SDI, one of our battery holdings.

On the solar front we have exited our holding in mono cell maker Longi but continue to look for growth from our exposure to the upstream producers of poly silicon and cover glass. We remain cautious on module pricing given the steep ramp in capacity at a time of peak margins but expect further gains for the beneficiaries of the increased volumes.

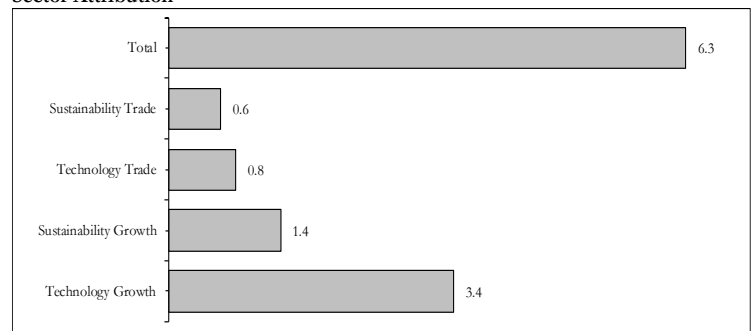
A recent trip to Taiwan has highlighted a few new beneficiaries in the solar and wind supply chain, which we will be looking at in greater detail.

% OF ASSETS ALLOCATION	EXPOSURE
Taiwan	24.8%
United States	16.6%
H K / China	16.4%
Europe	11.1%
Japan	5.2%
Korea (South)	5.1%
Cash	20.8%
<b>Total</b>	<b>100.0%</b>

#### Geographic Attribution



#### Sector Attribution



#### Equity Positions

Total	12	Largest 5	48.6% of NAV	Liquidity	0.3 days	Mkt Capitalization	>7.5Bn	44.9%
						Gross Exposure (USD)	>1Bn-7.5Bn<	17.4%
							<1Bn	37.7%

#### Top Holdings

Ememory Technology Inc (TT)	24.7%
Advanced Micro Devices (US)	6.9%
Xinyi Solar Holdings Ltd (HK)	5.9%
Umicore (BB)	5.7%
Longi Green Energy Technology-A (CN)	5.4%
Xinyi Solar Holdings LTD (HK)	2.5%

#### Main Contributors - Dec

Ememory Technology Inc (TT)
Xinyi Solar Holdings Ltd (HK)
Advanced Micro Devices (US)
Umicore (BB)
SMA Solar Technology AG (GR)

#### Main Detractors - Dec

Nari Technology Co Ltd-A (CN)
Livent Corp (US)
ST Microelectronics NV (FP)

The Fund has appointed ACOLIN Fund Services AG, succursale Genève, 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.