

# 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 fell 2% in August and was slightly ahead of the 2.6% market decline. Our solar holdings in China and Hong Kong were the sole contributors as expectations for solar installations improved.

eMemory disappointed with an unexpectedly weak July revenue number while our EV & battery exposure was marked down as evidence of a rapid deceleration of Chinese shipments appeared in the wake of the anticipated cut in subsidies. We will review our EV scenario in more detail in this monthly.

eMemory revenue disappointment came as a surprise. While a weak 19Q2 (April) royalty revenue print was expected on the back of trough revenues at the foundries in 19Q1, July revenues (bulk of 19Q3 royalty revenue) should have reflected a pick-up in foundry activity in 19Q2. The reason this did not happen appears to have been lower wafer pricing for the products where eMemory is most active which more than off-set the pick-up in volumes during the second quarter. This event does not detract from our positive mid-term outlook (1. increased IP penetration of leading-edge product & processes and 2. enabling a hardware security platform) but it does highlight that eMemory's mature process and product IP royalties are less stable than we thought. We expect that adoption of eMemory's IP on advanced

## 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>
Aug 2019	- 2.0%	- 2.6%	+ 0.6%	- 2.4%	- 1.6%
2019 YTD	+ 5.0%	+12.1%	- 7.1%	+24.5%	+14.1%
2018	- 14.1%	- 11.2%	- 2.9%	- 6.8%	- 9.5%
2017	+24.4%	+21.6%	+ 2.8%	+40.3%	+18.7%
Inception	+12.2%	+21.1%	-8.9%	+62.9%	+22.4%

\* MSCI ACWI Index

\*\* MSCI ACWI Information Technology Index

\*\*\* MSCI World ESG Leaders Index

## 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)

tech nodes continue to generate double digit revenue growth in 2020.

A core question for our portfolio remains: What happens next for the EV market growth?

Global EV sales for the first half of 2019 rose 47% on a world-wide basis. July sales growth contracted dramatically to 2% YoY as China EV sales fell 9% YoY and US sales declined 7% with ROW (mainly Europe)

	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%				
Fund Cumulative Gross Returns		3.3%	3.5%	7.5%	13.2%	6.8%	8.6%	9.4%	7.6%				
Fund Monthly Net Returns		3.1%	-0.2%	3.6%	4.9%	-6.0%	1.4%	0.5%	-2.0%				
Fund Cumulative Net Returns		3.1%	2.9%	6.6%	11.9%	5.2%	6.6%	7.1%	5.0%				
Equity Monthly Returns		7.5%	0.1%	8.2%	8.3%	-10.4%	3.0%	0.3%	-3.1%				
Equity Cumulative Returns		7.5%	7.6%	16.5%	26.1%	13.0%	16.4%	16.7%	13.2%				

delivering a steady 28% YoY growth for the month. China's monthly run rate of 90,000+ units in 19H1 has come down to <70,000 for July and August.

These EV trends are happening in an overall car environment where global unit sales in major markets were down 6% for the first half of 2019 and down 2% for July, showing a stabilizing trend on the back of an improvement in the US.

The fourth quarter in China volumes will decide whether consensus of 25-35% EV growth to 2.55-2.65m units worldwide for 2019 can be met. Normal seasonality off the lower post subsidy base in China should generate 750,000 units in 19H2 sales (+8% YoY) and generate 1.3+m sales for 2019, up 25% yoy. Anything more would send the industry into 2020 on a very strong trajectory.

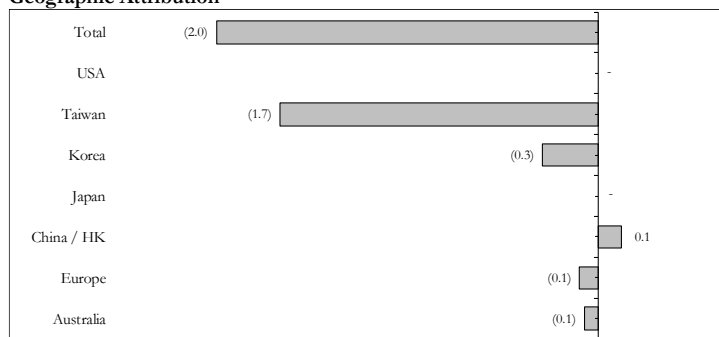
Much less would mean that EV growth remains depressed going into 2020 but would see a much stronger inflection point at some point next year as mainstream European manufacturers, VW Group in particular, ramp up their offerings from entry models such as Golf replacement VW ID to luxury models such as the Porsche Taycan.

We also need to somewhat discount the negative effect of weaker China EV units on battery demand as the reduction in subsidy particularly hits the low end of the Chinese EV markets where battery capacities were small. Average battery capacity is set to show a steep step-up as the new subsidy scheme supports only longer distance capacities and global launches are also focusing on delivering EVs without range anxiety or at least 350km on a full charge.

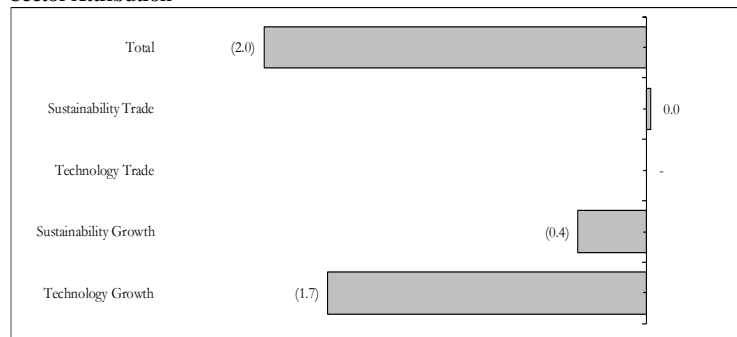
We therefore conclude for the portfolio that the weak EV headline numbers this autumn on the back of the changes in the Chinese subsidy scheme offer an opportunity to build our exposure to the global battery supply chain. We favour global players in the battery supply chain including the depressed materials sector.

% OF ASSETS ALLOCATION	EXPOSURE
Taiwan	28.2%
Hong Kong / China	13.9%
Korea (South)	7.4%
Europe	2.0%
Australia	0.4%
Japan	0.0%
Cash	48.1%
<b>Total</b>	<b>100.0%</b>

#### Geographic Attribution



#### Sector Attribution



#### Equity Positions

Total	8	Largest 5	47.2% of NAV	Liquidity	0.3 days	Mkt Capitalization	>7.5Bn	30.5%
						Gross Exposure (USD)	>1Bn-7.5Bn<	10.6%
							<1Bn	58.9%

#### Top Holdings

Ememory Technology Inc (TI)	28.2%
Longi Green Energy Technol-A (CN)	6.1%
Xinyi Solar Holdings LTD (HK)	5.5%
LG Chem LTD (KP)	4.8%
Samsung SDI Co Ltd (KP)	2.7%

#### Main Contributors - Jul

Xinyi Solar Holdings LTD (HK)
Longi Green Energy Technol-A (C1)

#### Main Detractors - Jul

Ememory Technology Inc (TI)
BYD Co Ltd-H (HK)
LG Chem LTD (KP)
SMA Solar Technology AG (GR)
Orocobre Ltd (AU)

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

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