

# 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.

We remained cashed up into the market recovery that started in late May driving the SPX toward new highs and as a result trailed by a wide margin of 5%.

The market appears to anticipate boom while we mostly see gloom. We see little improvement or further weakening of the fundamentals while the market looks thru the weakness for lower rates followed by the resumption of growth. We see more trade skirmishes like Korea & Japan following in the wake of the US embracing weaponized trade while the market anticipates select product shortages improving prices. For us the end demand for tech looks ominous while the market seems to focus on supply and the lack of capex which is driving free cash flow and the ability to continue buy backs.

Granted, the Taiwanese June and 19Q2 revenues signal a recovery from a weak 19Q1. Tech revenues for 19Q2 grew 4.1% yoy as compared to 19Q1 revenues which fell 0.2% yoy. We see this as a tepid attempt to restock components with any indication about 19H2 demand. The market looks at it as a sure sign for 19H2 demand recovery.

The Micron results are a case in point. Revenues and profits continue to fall in the quarter thru May and we see very large inventories piled up by all major suppliers. Micron looks to reduce capex going

## 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>
Jun 2019	+ 1.4%	+ 6.4%	- 5.0%	+ 8.4%	+ 6.1%
2019 YTD	+ 6.6%	+14.9%	- 8.3%	+24.2%	+15.3%
2018	- 14.1%	- 11.2%	- 2.9%	- 6.8%	- 9.5%
2017	+24.4%	+21.6%	+ 2.8%	+40.3%	+18.7%
Inception	+13.9%	+24.1%	-10.2%	+62.4%	+23.7%

\* 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)

forward (as will all memory makers) but talks up an improvement in supply-demand balance. It is true that things cannot get much worse in terms of demand falling short of supply but given that it has been bad for over 6 months the excess supply from inventory is very likely to continue to depress memory prices and revenues for several quarters to come which will likely drive profits down sequentially into 2020. This is not just for Micron but also for semi equipment and wafer makers. Usually this trend sets the tone for all of tech hardware and we

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

believe in a downward direction for 2019H2.

Where could we be wrong? Domestic US domestic demand could remain healthy in a lower interest environment while other regions could also benefit from lower USD rates and lower stable oil price. In this environment capex in network infrastructure could revive and support sector growth toward more substantial 5G and autonomous vehicle build-outs in 2020 and beyond.

On the EV front, Tesla is making all of the auto industry's good news while the overall auto markets continues to decline, major OEMs are still prepping their EV offerings and the Chinese market adjusts to a new subsidy scheme in the second half of the year.

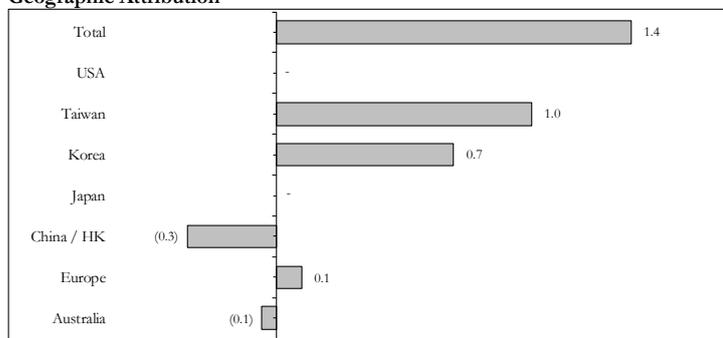
Tesla shipped a record 95,200 cars in 19Q2, up 110% yoy and 4,200 units more than the previous high set in 18Q4. China shipped 353,000 NEV (New Energy Vehicles) up just 31% YoY after 95% growth in 19Q1 and 62% growth for all of 2018. BYD mirrored these declining rates by shipping 72,500 NEV units in 19Q2 (+60% yoy) vs. 73,200 in 19Q1 (+147% yoy). We expect quality China NEV players to grow share and maintain growth during the adjustment period. The overall Chinese car market continues to decline at with June passenger vehicle (PV) shipments down 8% which compares favorably with a 14% drop YTD. However, production of PV continues to decelerate with June down 17% yoy vs YTD down 16% yoy. There is some hope for stimulus to kick in during the second half of 2019 but it is unlikely to rekindle dramatic growth. The silver lining: YTD NEVs occupy 6.2% of personal vehicle shipments in China compared to 3.5% last year and the percentage of full

electric vehicles (as opposed to hybrids) is rising.

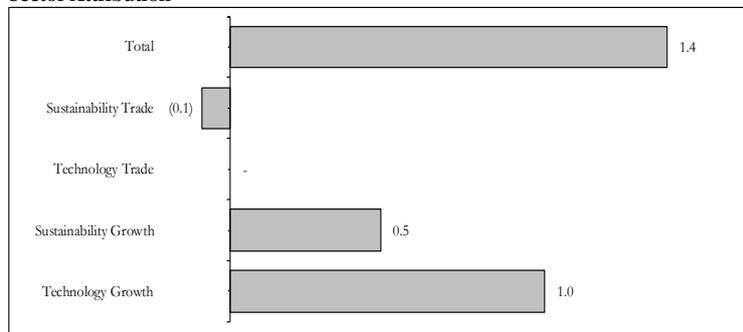
On the renewable energy front, we did increase our exposure to solar and look to continue to do so. The 2019 market for solar remains more stable than anticipated as new markets make up for the drop in Chinese installations and 2020 looks to be a growth market toward new highs as the cost advantage compared to fossil fuels becomes accepted beyond the power industry to include industrial consumers as well as banks and infrastructure funds. We also see yield component of the renewable generating and distribution businesses making for a good place to invest in a lower growth and lower interest rate environment.

% OF ASSETS ALLOCATION	EXPOSURE
Taiwan	32.2%
Hong Kong / China	10.1%
Korea (South)	7.9%
Europe	2.5%
Australia	0.4%
Japan	0.0%
Cash	46.9%
<b>Total</b>	<b>100.0%</b>

#### Geographic Attribution



#### Sector Attribution



#### Equity Positions

Total	8	Largest 5	47.9% of NAV	Liquidity	0.3 days	Mkt Capitalization	>7.5Bn	29.5%
						Gross Exposure (USD)	>1Bn-7.5Bn	5.1%
							<1Bn	65.4%

#### Top Holdings

Ememory Technology Inc (TT)	32.3%
LG Chem Ltd (KP)	5.2%
Longi Green Energy Technol-A (CN)	5.2%
Samsung SDI Co Ltd (KP)	2.6%
BYD Co Ltd-H (HK)	2.6%

#### Main Contributors - Jun

Ememory Technology Inc (TT)
LG Chem Ltd (KP)
Samsung SDI Co Ltd (KP)
SMA Solar Technology AG (GR)
BYD Co Ltd-H (HK)

#### Main Detractors - Jun

Xinyi Solar Holdings Ltd (HK)
Longi Green Energy Technol-A (CN)
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

TANTALLON CAPITAL, 137 TELOK AYER ST #03-05, SINGAPORE 068602. T: +65 6327 3920 F: +65 6327 3924 [www.tantalloncapital.com](http://www.tantalloncapital.com) The information contained in this report is intended for presentation purposes only. This report is not, and should not be construed, as an offer to sell or the solicitation of an offer to purchase or subscribe for any security or financial product.