TANTALLON CAPITAL

January 2021

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 is a Singapore-based entity holding a Capital Markets Service License in Fund Management from the Monetary Authority of Singapore.

Performance

Tantallon Tech & Sustainability Fund — Fund Size: USD 23mn

	Fund	MXWD*	O/U Perf	MXWD0IT**	GSIN***
Jan 2021	**+8.4%**	**-0.5%**	**+8.9%**	**+0.1%**	**-1.0%**
2021 YTD	**+8.4%**	**-0.5%**	**+8.9%**	**+0.1%**	**-1.0%**
2020	**+77.3%**	**+14.3%**	**+63.0%**	**+44.3%**	**+13.5%**
2019	**+8.9%**	**+24.0%**	**-15.1%**	**+45.1%**	**+25.8%**
Inception	**+123.8%**	**+52.4%**	**+71.4%**	**+174.1%**	**+51.7%**

* *MSCI ACWI Index*
** *MSCI ACWI Information Technology Index*
*** *MSCI World ESG Leaders Index*

The fund started the year with an 8% gain driven broadly by our renewable energy, EV and tech holdings while the overall markets traded flat. Three of our 18 holdings failed to move higher as sustainability stocks took a breather in Europe.

On the tech front, earnings growth has fully recovered from early 2019 lows. EBIT for our tech universe ($19tr MC) rose 17% yoy in 2020, steadily accelerating from a 5% improvement in Q1 & Q2 to a 33% jump in Q4. While 30% earnings growth can persist into 2021H1 given the low base, it is difficult to see further acceleration into 2021H2.

We look for our tech holdings to maintain 20% earnings growth at a minimum into 2022. Top holding e-Memory just posted 26% revenue growth in 2020 on the back of a 37% gain in 20Q4 and continues to raise margins due to slower opex growth. Meanwhile its embedded security technology is gaining traction & boosting licensing activity which we expect to translate into royalty revenue contribution in 2023 and beyond, thereby extending the 20% plus growth outlook into mid-decade.

FUND DETAILS

Investment Manager:
Tantallon Capital Advisors Pte Ltd

Fees:
1.5%pa Management fees

Administrator:
IQEQ Services (S) Pte Ltd

Minimum Investment:
USD 1,000,000

Domicile:
Cayman Islands

Custodian:
DBS Bank Ltd

Feeder funds
Offshore (Cayman Is)

Auditor:
KPMG
Singapore

Lawyers
Harney Westwood & Riegels
Morgan Lewis Stamford LLC

Dealing:
Monthly

Contact:
Boris Petersik
(Boris@tantalloncapital.com)

On the sustainability front we are not as concerned about the earnings growth cycle peaking any time soon, particularly in renewable energy equipment and projects as well as electric vehicle materials. While there are pockets in sustainability where the hype cycle may peak in 2021, we

2021	JAN	FEB	MAR	APR	MAY	JUN	JUL	AUG	SEP	OCT	NOV	DEC
Fund Monthly Gross Return	10.2%											
Fund Cumulative Gross Returns	10.2%											
Fund Monthly Net Returns	8.4%											
Fund Cumulative Net Returns	8.4%											
Equity Monthly Returns	12.2%											
Equity Cumulative Returns	12.2%											

expect solar and wind to continue to grow capacity installation in excess of 20% in 2021-23 and for EVs to deliver 50%+ unit growth in 2021. This will continue to drive a recovery in the associated materials markets. We have been expanding our investment horizon by adding nickel and copper exposure.

In a more controversial move for a sustainability fund, we have also established a position in oil major Total. The firm has aggressively stepped up its commitment to sustainability with a credible net zero emissions plan. It has also decided to expand its renewable energy portfolio beyond its Asian footprint by using pertro cashflow to acquire existing RE projects and more importantly RE project pipeline. Rather than contracting for renewable energy from third party providers of clean electricity, it is building its own capacity. We look for rising free cash flows from the oil business (steady prices and pressure to reduce capex/drilling) to fund a long-term trend of increasing RE build. While BP and Shell are moving in a similar direction, we prefer the commitment of Total management.

On the EV front, the latest announcement by GM coupled with their super bowl commercial going viral highlights the pressure that all OEMs are under pressure to fill out their EV offerings. We expect the scramble for battery materials to remain intense as these relative newcomers are looking to secure supply in an environment where Tesla and the early movers have already scoured the landscape and locked up major metals and battery cell supply. This incremental demand will ascertain that the suppliers will be able to re-negotiate better pricing for the agreed on volumes and that they have even better pricing on excess output. We have upped our lithium exposure recently and it now stands at over 20% of the portfolio.

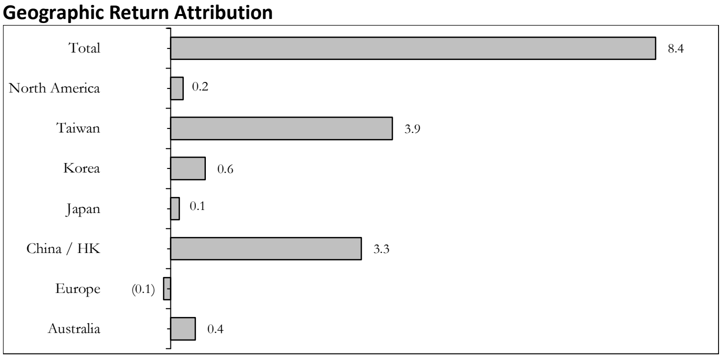
We are aware that the SOX and NEX (Wilder-Hill New Energy) indices are up 65% and 140%, respectively, over the past 12 months in what has been a tech run not seen since 1999-2000. The global renewable energy run is unprecedented as earlier booms occurred only regionally when technologies and business models emerged.

The resulting re-rating of our holdings puts some pressure on us to quantify longer (or stronger) growth trajectories.

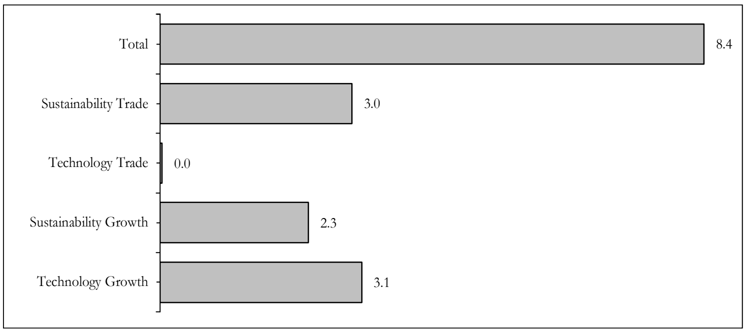
We prefer to identify new companies and add sectors that are making the necessary changes to take advantage of the evolving business opportunities as well as the ESG fund driven liquidity.

Market Allocation	Exposure % of Assets
Taiwan	35.9%
China / HK	25.6%
North America	7.8%
Japan	7.7%
South Korea	5.6%
Australia	4.9%
Europe	0.8%
Cash	11.7%
Total	**100.0%**

Geographic Return Attribution



Sector Return Attribution



Equity Positions

Total	18	Largest 5	50.7 % of NAV	Liquidity	0.1 days	Mkt Capitalization	>7.5Bn	51.1%
						Gross Exposure	>1Bn-7.5Bn>	46.1%
						(USD)	<1Bn	2.8%

Top Holdings		Main Contributors - Jan	Main Detractors – Jan
e-Memory Technology Inc (TT)	26.3%	e-Memory Technology Inc (TT)	Xinyi Energy Holdings Ltd (HK)
Longi Green Energy Technol-A (C1)	7.9%	Longi Green Energy Technol-A (C1)	Vestas Wind Systems A/S (DC)
Nidec Corp (JT)	5.7%	China Longyuan Power Group-H (HK)	Sony Corp (JT)
Samsung SDI Co Ltd (KP)	5.6%	BYD Co Ltd-H (HK)	
BYD Co Ltd – H (HK)	5.2%	Samsung SDI Co Ltd (KP)	