

THE TANTALLON FUND

The Tantallon Fund is a Cayman Island vehicle which invests in listed equities in the Asia Pacific region. The fund targets a concentrated portfolio of 35 names, with a 3–5-year investment horizon. At the portfolio manager’s discretion, the fund may hedge its market and currency exposure, and short sell individual securities.

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

We closed January +4.2%; regional indices in contrast were up/down +69bps/-47bps.

A storming start to the New Year saw us up over 12% at one stage, before fierce de-risking driven by the volatility surge caused by the Robinhood phenomenon, pulled stocks well off their highs. For the month, our equity book returned +1.65%, with gains in our US names (Ballard Power, Nio and TSMC) +3.3% in aggregate offset by weakness in Hong Kong, Korea and Canada (Ivanhoe Mines). Our futures positions cushioned some of the sell-off and contributed +2.67%. Our average net exposure was 75%.

I have made several changes to the portfolio as we enter the new year, the broad thrust of which has been to raise our exposure to oil and financials and to trim our exposure to some of our racier green energy names, particularly NEL in Norway and Ceres Power in the UK. I had attempted something akin to this switch early in November, adding Kookmin Bank, China Mobile, and reducing Xinyi Solar, S Fuel Cell among others, before deciding that the opportunity cost of adding such low beta names was too high. (In the interest of full disclosure, I should add I also bought a position in Kerry Logistics, with a cacophony of evidence pointing to the boom times in pricing and volumes that the sector was experiencing and wondering why this stock had lagged so badly. With more than customary stupidity, this too was jettisoned at a modest profit after a few weeks in search of juicier prizes: the stock has soared 60% in January on a takeover approach from a mainland Chinese competitor!).

The principal casualty of this switch has been Fortescue, one of our largest and longest standing positions, and optically easily the “cheapest” stock in the fund, on a current p/e of less than 4 and a free cash flow yield in excess of 20%. As iron ore prices have defied consensus assumptions, underpinned by resurgent Chinese demand and Covid-induced supply constraints in Brazil, we have tripled our money here and it is hard for me to see how thing can get any better. The Australian market always oscillates between the banks and the miners, and with evidence accumulating that the dire

Performance

Tantallon Fund Size USD 53mn (Cayman is Feeder)
(Inception Nov 03)

	Tan	MSCI Pacific Free Index	Over/(Under)perf
Jan 2021	+ 4.20%	- 0.47%	+4.67%
2021 YTD	+ 4.20%	- 0.47%	+4.67%
2020	+93.52%	+ 9.26%	+84.26%
2019	-3.69%	+15.91%	-19.6%
Inception	+281.53%	+94.60%	+186.93%
Compound	+8.2%pa	Volatility	+16.44%
3 mth T-bill return	+0.05%	Sharpe Ratio	0.49

FUND DETAILS

Investment Manager: Tantallon Capital Advisors Pte Ltd
Fees: 1.5%pa Management fees

Administrator: Portcullis Trust (Singapore) Ltd
Minimum Investment: USD 1,000,000

Domicile: Cayman Islands
Prime Broker: Morgan Stanley

Feeder funds
Offshore (Cayman Is)

Auditor: PricewaterhouseCoopers
Lawyers Harney Westwood & Riegels
Shearman & Sterling LLP

Dealing: Monthly
Contact: Nick Harbinson
(Nick@tantalloncapital.com)

assumptions about NPL formation made by the banks last year are wide of the mark, the implication for positive earnings revisions and better dividends, coupled with the steepening yield curve, prompted us to add National Australia Bank, Bank of Queensland, and a smaller stake in the BNPL (BuyNowPayLater) player, AfterPay, which I am kicking myself for missing last year.

We have also trimmed our Japanese exposure, selling SBI Holdings, from which I had expected significantly better performance as a play on Japanese retail involvement in the equity boom, and Nexon. Earnings numbers from the majority of Japanese companies have been exceptionally strong, with Sony and Nidec among our residual holdings blowing past assumptions, and particularly strong showing from names in the i/c related space, Rohm, Nitto Denko, Disco, to which we have had no exposure. I have too great a propensity to look to hedge the fund through Nikkei futures whenever I feel markets

YEAR	RETURN	JAN	FEB	MAR	APR	MAY	JUN	JUL	AUG	SEP	OCT	NOV	DEC
Inception	+281.53%												
2021	+4.20%	+4.20%											
2020	+93.52%	-3.28%	-9.42%	+2.26%	+14.03%	+15.71%	+12.98%	+6.57%	+7.70%	-1.24%	+1.11%	+17.68%	+7.41%
2019	-3.69%	+1.80%	-1.50%	+0.99%	+2.98%	-7.76%	-3.10%	-0.40%	-3.47%	-0.85%	+4.07%	-2.69%	+7.03%
2018	-19.44%	+6.09%	+0.07%	-3.74%	-0.08%	+1.44%	-8.43%	-1.63%	-4.40%	-2.42%	-1.32%	-3.48%	-2.83%
2017	+37.04%	+2.69%	+6.43%	+6.00%	-1.17%	+5.74%	+0.96%	+6.75%	-1.59%	-0.19%	+2.14%	+0.33%	+4.36%

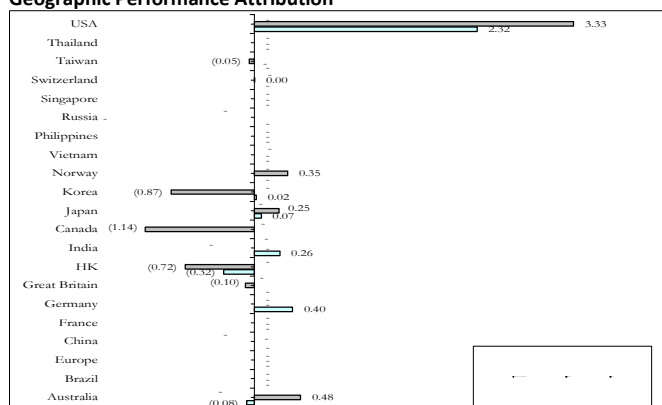
are vulnerable; the robustness of earnings in Japan has made this a needlessly expensive exercise and I should stop it. As a final note on Japan, we took advantage of a sharp pullback to return the medical internet company M3 to the portfolio, three times the price above which I was spoofed into selling it by what I had taken to be a better-informed market observer back in April last year.

In the oil space we have added CNOOC, taking advantage of the forced liquidation resulting from US sanctions on the stock, and the French oilfield services company TechnipFMC, ahead of the spin-off of its green energy subsidiary, Technip Energies. Technip has just been awarded a USD13billion contract for LNG expansion in Qatar, in conjunction with Chiyoda of Japan. The latter stock has jumped 25% on the deal announcement, and while Technip has yet to react, I am confident that once the split entity begins trading in the latter part of February, we should see a sharp re-rating. While I continue to believe that green energy theme has multi-year legs, evidence of tightening supply, higher prices and stronger growth prospects makes oil arguably the most geared, and certainly the cheapest, play on global re-opening and I will be looking to increase my weight further.

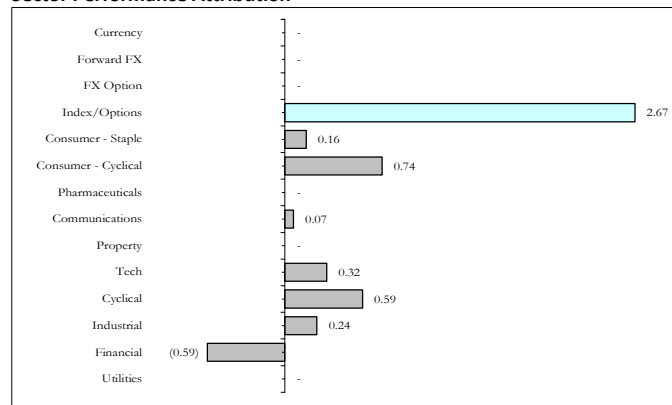
The new year is off to an astonishing start, and the worries occasioned by the explosion of retail options trading, the SPAC boom, and periodic inflation scares, have subsided as quickly as they arose. I have a greater propensity than most to take the bearish tack, as my performance sadly demonstrates, but while I fret about geo-political risks globally, I have no sense that the present boom in equities is anywhere near cresting. Such benign conditions are, thanks to Covid, really unique, and my biggest challenge has to be stopping myself diluting returns by needless and costly hedges. Buffet may not like it but swimming naked sometimes is very enjoyable.

% OF ASSETS ALLOCATION	EQUITY LONG	EQUITY SHORT	INDEX LONG	INDEX SHORT	NET EXPOSURE	GROSS EXPOSURE
Australia	19.18%			(10.83%)	8.35%	30.01%
Europe	12.92%				12.92%	12.92%
Hong Kong	26.91%			(15.82%)	11.09%	42.73%
India	-			(23.77%)	(23.77%)	23.77%
Norway	4.98%				4.98%	4.98%
Japan	12.49%			(11.97%)	0.52%	24.46%
Korea (South)	25.66%			(0.11%)	25.55%	25.77%
Canada	6.21%				6.21%	6.21%
Taiwan	3.40%				3.40%	3.40%
United States	19.62%			(33.55%)	(13.93%)	53.17%
Total	131.37%			(96.05%)	35.32%	227.42%

Geographic Performance Attribution



Sector Performance Attribution



Equity Positions

Long	34	Largest 10 Longs	56.28% of NAV	Long Liquidity	5.20days	Mkt Capitalization	>2Bn	84%
Short	0	Largest 10 Shorts	0.00% of NAV	Short Liquidity	0.00days	Gross Exposure	>500m-2Bn<	9%
						(USD)	<500mn	7%

Top 5 % Longs

Kingdee International Software	6.99%
Taiwan Semiconductor-SP ADR	6.32%
Ivanhoe Mines Ltd – CL A	6.21%
Ballard Power Systems Inc	5.92%
Xinyi Solar Holdings Ltd	5.70%

Top 5 Contributors

Ballard Power Systems Inc (L)
NIO Inc- ADR (L)
Fortescue Metals Group Ltd (L)
Taiwan Semiconductor-SP ADR (L)
BYD Co Ltd - H (L)

Top 5 Detractors

Xinyi Solar Holdings Ltd (L)
Ivanhoe Mines Ltd – CL A (L)
Cnooc Ltd (L)
Korea Investment Holdings Co (L)
Argo Blockchain PLC (L)

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.

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