TANTALLON CAPITAL

April 2025

TANTALLON ASIA IMPACT FUND SF

The Tantallon Asia Impact Fund SF is a fundamental, long-only, Asia focused, total return opportunity fund. The fund invests with a 3-5 year horizon in a concentrated portfolio (30-35 unlevered positions), market cap/sector/capital structure agnostic, but with strong conviction on the structural opportunity, scalable business models, and data-driven analysis of sustainability, innovation, societal trends, and material environmental and governance initiatives to drive profitability.

Tantallon Capital Advisors, is a Singapore-based entity, set up in 2003, holding a Capital Markets Service License in Fund Management from the Monetary Authority of Singapore.

Performance, in USD
(*Inception on March 1, 2021*)

	TAIF SF	MXAP ($)	Over/Under Full Performance
April 2025:	-0.22%	+2.60%	-2.82%
2025 YTD	+1.72%	+2.85%	-1.13%
2024	+17.72%	+7.23%	+10.49%
2023	-7.39%	+8.76%	-16.15%
2022	-27.38%	-19.36%	-8.02%
2021	+5.15%	-3.40%	+8.55%
Inception:	-15.32%	-9.57%	-5.75%
Compound Returns	-3.84%	Volatility	+9.78%
3 month US T-bill	+4.28%	Sharpe Ratio	+1.05

The Tantallon Asia Impact Fund closed down -0.22% in April with markets being duly 'shocked and awed' by "Liberation Day," before finding a lease of life (or, at least, significant short-covering!) with Trump re-affirming his being 'transactional,' and seemingly walking back some of the more draconian elements of his 'tariffs on all' opening gambit, while key insiders in the administration have clearly indicated an acceptance of (re)engaging with the Chinese on less adversarial terms.

- This has been a challenging few weeks as a fundamental investor trying to map demand and supply dynamics in a tariffed/slowing global economic environment, against tariff math and probabilities, significant currency dislocations, 'surprising' election outcomes in multiple geographies, and the near certainty of protracted, unpredictable tariff negotiations.
- Markets continue to 'trade' on tariff headlines, and in particular, pertaining to US/China negotiations; the full details of a trade-reset, and our being able to actually quantify the impact on P&Ls, balance sheets, incremental capital spending, and return expectations, are literally, months (years?) away.
- As we re-calibrate to a prolonged re-set on geo-politics, global trade, and growth, and a defining fracture point between India and Pakistan, we have stayed focused on first principles, investing in resilient businesses well positioned in our core convictions in the AI infrastructure applications layer, energy security, the increase in global defense spending, Japanese and Korean corporate reforms and improving capital allocation discipline, and industrialization and recovering consumption in India and the ASEAN.

FUND DETAILS
Tantallon Asia Impact Fund SF

AUM USD 3,000,000

Investment Manager: Tantallon Capital Advisors Pte Ltd

Minimum Investment: USD 250,000

Administrator: Portcullis Trust (Singapore) Ltd

Fees: 1% pa Management fees

Domicile: Singapore

Dealing: Monthly

Auditor: PwC LLP

Lawyers: Eng and Co. LLC

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Reflecting on the volatility in markets over the last few weeks:

- *Markets will continue to "trade" on tariff headlines.* Perhaps the 'optimists' will be proven "correct" in assuming that markets (and bond markets in particular) will rein-in Trump's Agency of Chaos, and that markets will be 'happy' to eventually settle for (say) a 10%-15% across-the-board tariff on all imports into the US??
    - A*s more companies are forced to "eliminate" guidance amidst significant uncertainty,* it is clear that the clumsy messaging on unilateral tariffs and the heterodox, transactional '*on-again,' 'off-again,'* has seeded confusion globally. Corporate investment decisions and discretionary capex have been put 'on hold,' reflecting the dismantling of the 'trust' and the 'efficiencies' that have under-pinned 30 years of globalization, mercantilism, and cross-border trade.
    - *Potential 'off-ramps' to multiple tariff negotiations are not 'obvious,' and months of uncertainty, painful negotiations, and 'tantrums' lie ahead of us.* A month and 11 days (!) post Liberation Day, we are back at Smoot-Hawley effective tariff rates c. 1937 of 16.4% (or, at least for the next 90 days!), and we would point specifically to the tortured messaging on 'discussions' with Japan, Taiwan, Korea, and India, the vague contours of the trade 'agreement' with the UK, and the ideological 'lines in the sand' vis-à-vis China that continue to loom over the Geneva 'thaw.'
    - There is, therefore, a *fair amount of 'hope' embedded in the market bounce-back* that Trump ultimately, moderates his tariff stance.
- *To be clear, China and the US are (still) locked in a trade war with no 'winners.'* Given ***de minimis*** expectations, the temporary tariff truce coming out of the weekend negotiations in Geneva is risk-positive, and the markets have rushed to cover shorts into the 'reprieve.' That said, the markets' reactions over the last six weeks, and the multi-layered stress points from geo-political posturing and conflict, global recession risks, and

YEAR	RETURNS	JAN	FEB	MAR	APR	MAY	JUN	JULY	AUG	SEP	OCT	NOV	DEC
Inception	-15.32%												
2025	+1.72%	+1.89%	+1.68%	-1.60%	-0.22%								
2024	+17.72%	-0.98%	+6.29%	+2.99%	-3.56%	+1.42%	+5.67%	-1.95%	+4.37%	+3.95%	-2.10%	+3.47%	-2.49%
2023	-7.39%	+6.68%	-6.95%	+2.53%	-2.90%	-2.45%	+3.34%	+2.51%	-7.19%	-3.82%	-5.21%	+4.16%	+2.88%
2022	-27.38%	-9.11%	-1.54%	+4.85%	-5.89%	-1.70%	-10.28%	-0.04%	-1.12%	-8.09%	+1.04%	+5.93%	-4.11%
2021	+5.15%			-7.25%	+3.02%	+0.83%	+2.71%	+0.18%	+6.20%	-3.07%	+3.33%	-0.91%	+0.64%

the risks of rising unemployment levels in both countries, potential 'shortages' on the shelves, and rising inflationary expectations, *should* make it obvious that decoupling is in neither country's interests. *Watch this space.*

- *Machine-driven-volatility, short covering, and 'positioning' notwithstanding, we have likely seen a near-term peak in the US$:* global central banks continue to buy gold; the eye-catching 're-sets' over the last couple of weeks on the Taiwanese dollar, the Malaysian ringgit, the South Korean won, the yen, and even, the HK$ bouncing up to the top of its trading band; the resuscitation of crypto assets; and more fundamentally, shrinking real interest rate differentials between the US and its major trading partners.
- *The collapse in global energy prices is broadly positive for Asia* (with India, China, and Japan being the key beneficiaries), providing most regional central banks the 'cover' of moderating inflationary expectations to ease monetary policy, buffering domestic economies against potential tariff shocks.

The brutal murder of 26 tourists in Pahalgam, Kashmir, by terrorists, will have long-arching consequences: we should be clear that Operation Sindoor marks a permanent 'zero tolerance for terrorism' re-set in relations between Pakistan and India.

- The messaging and the intent to stir communal violence was stark, with the terrorist attack coinciding with the Vance photo-op in front of the Taj Mahal, a day after he had volubly touted the progress being made by the US and India towards a trade 'deal.'
- The detailed documentation on the camps and the infrastructure in Pakistan-occupied-Kashmir, and in Pakistan, which continue to provide explicit support, training and funding for terrorist violence in Kashmir, has been validated by multiple Pakistani politicians in live conversations with international media.
- Modi has chosen to clearly articulate and establish a strong military deterrent against further terrorist attacks with targeted missile strikes on terrorist camps and military infrastructure across the Line of Control in the Kashmir Valley, and in Pakistan.

The markets have been relatively sanguine thus far; we remain mindful that the compulsions of domestic politics on either side of the border, and the calculus of targeted reprisals might well result in tragic miscalculations. Our genuine hope is that the hardliners have been dis-credited, and that both sides find a way to systematically 'de-escalate' and 'dis-engage' on the back of 'mediation' by the US, the Saudis, and the Emiratis underwriting the terms of a 'cease-fire,' while also, acknowledging the military deterrent 'reset.' *Watch this space.*

It's been three months since AI's DeepSeek moment; we are all still wrestling for 'clarity.' *Having met with and studied several US, Chinese, and Indian developers over the last few months, we would pass on the following:*

- China's intentional embrace of "open-weight" AI (i.e., codes and weights are freely available for anyone to use or modify – but, without being truly 'open-source,' sharing the actual training code itself) is rapidly accelerating innovation, and reducing Chinese dependence on Western technology and restricted chips, and has allowed the Chinese eco-system to close the gap with its US peer group in less than three years.
    - Meta's Llama model remains the most downloaded generative AI model, followed by Ali Baba's Qwen and DeepSeek – with their intentionally open-weight models becoming the 'foundational' layer for other AI companies to build upon.
    - Baidu Inc's decision to 'open' its Ernie 4.5 large language model in June would seem to validate the overwhelmingly positive dynamics from an 'open-weight' eco-system.
    - At this point, the feedback from the developer community would rank Qwen and Ernie ahead of Llama in terms of capability, speed, and costs.
- Silicon Valley would seem to have under-estimated the scale of China's ambitions in cloud and quantum computing, and having spent literally, billions, in an arms race within Big Tech (OpenAI, Microsoft, Google, Meta, Amazon, xAI, etc.), are now grappling with the possibility that Chinese large language models and applications could well become the preferred, low-cost, highly efficient engines powering personal assistants, digital companions, and customer service platforms for a growing number of Western and Asian consumers and businesses.
    - Proprietary, closed' (i.e., you have to pay to use them!) American large language generative AI models (Chat GPT, Gemini, Anthropic, DeepMind, etc.), may at this point, still be the 'best' multimodal models on the market.
    - The market, however, is pivoting to affordability, transparency, and global innovation, with potentially negative implications for the expectations/valuations that are currently 'vested' in Silicon Valley's development of closed LLMs.
- The dichotomy that is staring us in the face: while 'free' Chinese large language models are by definition, 'free' from a tariff over-hang, and might well underpin true global innovation in generative AI, the ubiquity of Chinese training and inference models as the foundational layer in customer facing enterprise solutions will almost certainly create another source of meaningful tension over data security and privacy in the western world.

We continue to identify and invest in the picks and the shovels along the AI value chain. Over the next 2-3 years, we have conviction in rapidly accelerating adoption of low-cost training and inference models sustaining demand for high performance chips and computational infrastructure, the accelerating buildout of cloud computing and the datacenter backbone, and surging demand for reliable power supply and cooling solutions.

Conclusion:

Peeling apart an eventful month, and the 'events' and trading 'whiplash' across global markets, we would re-iterate our core convictions in (1) a near term peak in the US$ with positive implications for Asian currencies and risk assets; (2) structurally higher defense spending globally; (3) the growing urgency around investing in energy security given aging infrastructure and surging demand for reliable, high-quality power sources as AI and datacenter spending accelerates; (4) the infrastructure and applications layers along the AI value chain, (5) Japanese and Korean beneficiaries of sustained corporate reforms and improving capital allocation discipline; and (6) (re)industrialization and recovering consumption in ASEAN and India.

- We are invested in attractively valued, long-duration, resilient business models, anchored against our convictions on revenue conversion into margins and free cash flow.

Please do let us know if you would like a follow-up conversation, or a catch-up in the next few days.

Portfolio Overview

Top 5 Positions
Mitsubishi Heavy Industries
Hanwha Aerospace
NEC Corp
HDFC Bank Ltd
ICICI Bank Ltd

Sector Weights & Performance	% NAV	MTD
Industrials	35.4%	+2.17%
Technology	13.3%	-0.26%
Communications	12.4%	+0.07%
Financials	8.4%	-1.58%
Real Estate	5.0%	+0.09%
Materials	3.7%	-0.12%
Consumer Discretionary	2.8%	-0.61%
Utilities	2.5%	+0.02%
Consumer Staples	0.0%	+0.00%
Energy	0.0%	+0.00%
Health Care	0.0%	+0.00%
Cash	16.5%	

Country Weights	% NAV
Japan	36.3%
Korea (South)	16.2%
India (ADR/GDRs)	8.4%
Singapore	5.5%
Hong Kong/China	5.0%
Taiwan	3.0%
Philippines	2.5%
Others	6.6%
Cash	16.5%

The Fund has appointed REYL & Cie Ltd, 62 rue du Rhône, 1204 Geneva, Switzerland, as its Swiss Representative and 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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