

To: Investor Partners of Castlereagh Equity Pty Ltd

From: Peter Phan

Date: 29 May 2015

Re: Monthly Update

| | Castlereagh Equity | ASX All Ordinaries | Relative Performance | CE Net Asset Value |
|--------------------------------|--------------------|--------------------|----------------------|--------------------|
| 1 November 2013 to 29 May 2015 | 15.5% | 6.5% | 9% | 115.5 cents |
| 1 February 2015 to 29 May 2015 | 8.7% | 4% | 4.7% | 115.5 cents |

The XAO started at 5420 on 1 November 2013 and ended at 5774 on 29 May 2015. In percentage terms, this was a rise of 6.5% for the period. CE turned in a slightly better performance at 15.5% during the same period.

Taking things from the commencement of 1 February 2015, the XAO started at 5552 on 1 February 2015 and ended at 5774 on 29 May 2015. In percentage terms, the XAO increased by 4% for this four months period. CE started at 106.2 on 1 February 2015, and ended at 115.5 on 29 May 2015, such being with an increase of 8.7% for the same period.

As stated in previous memorandums, our objective is to purchase, at fair prices, shares of great businesses run by honest and capable management. Great businesses must meet 3 criteria, namely provision of a product/service 1) that is needed or desired 2) is thought by its customers to have no close substitute, and 3) is not subject to price regulation. The existence of these 3 criteria will be evidenced by the businesses' ability to generate a high return of capital (both initial and reinvested) over a long period of time. Companies with great businesses on the ASX are far and few in between, and these are rarely available at a fair price that will ensure an adequate return over the long term.

In the absence of great businesses, we also seek good businesses. Good businesses differ from the great businesses in that one or several of the critical 3 criteria are not met. Nevertheless, at a reasonably cheap price, these businesses are capable of generating decent returns. As we proceed further down the spectrum, we also consider the purchase of shares in companies with average businesses. The prices that we are willing to pay for average businesses will need to be bargain basement prices, and our expected return from a diversified portfolio of cheap but average businesses must be above the expected return of the higher of cash rate/risk-free rate/long term inflation rate.

As at 29 May 2015, CE's cash component is 9%. The composition of the share portfolio remains significantly unchanged and we continue to monitor the performance of our outstanding managers. Our managers continue to deliver on their promises in quite a few of our holdings, and we are hopeful for more to come.

June is usually a period for tax selling, and we are keeping a close eye on opportunities that may arise when sellers start selling shares for tax purposes without regard to value.

If any investor partner wishes to contact me to discuss this memorandum or any other matters related to CE, please do not hesitate to do so. Contact details can be found on CE's website.

Thank you for your trust and confidence in us.

Regards

Peter Phan

Director, Castlereagh Equity Pty Ltd