

**To: Investor Partners of Castlereagh Equity Pty Ltd**

**From: Peter Phan**

**Date: 31 March 2016**

**Re: Monthly Update**

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	Castlereagh Equity	ASX All Ordinaries	Relative Performance	CE Net Asset Value
1 November 2013 to 31 March 2016	29.5%	-4.9%	34.4%	129.5 cents
1 November 2013 to 31 January 2015	6.2%	2.4%	3.8%	106.2 cents
1 February 2015 to 29 January 2016	19.4%	-9.2%	28.6%	126.8 cents
1 February 2016 to 31 March 2016	2%	4.1%	-2.1%	129.5 cents

To aid in understanding the tables above:

1. CE commenced on 1 November 2013 with shares issued at \$1 per share, backed by \$1 of cash per share.
2. The first row of the table above provides a summary of CE's performance since its commencement on 1 November 2013 until the date of this memorandum. It also compares CE's performance with the benchmark All Ordinaries index over the same period.
3. The second row of the table provides a summary of CE's performance for its first reporting period (15 months period from 1 November 2013 to 31 January 2015).
4. The third row of the table provides a summary of CE's performance for its second reporting period (12 months period from 1 February 2015 to 29 January 2016).
5. The fourth row of the table provides a summary of CE's performance for its third and current reporting period (period commencing 1 February 2016 to the date of this memorandum).

The XAO started at 5420 on 1 November 2013 and ended at 5152 on 31 March 2016. In percentage terms, the XAO dropped 4.9% for the 29 months period since the start of the CE fund. CE's performance over the same 29 month period is 29.5%.

For the month of March 2016, the XAO gained 4.1%. The CE portfolio did not keep pace, gaining a more modest 2% for the month. During March 2016, we made a few add-on purchases to existing holdings, and sold two of our holdings. Despite our purchases, the cash component of the CE fund is still a relatively high 35%.

We continue to have a high degree of confidence in our portfolio of shares. In the February reporting season, our companies in aggregate reported an increase in intrinsic value, which has not been met with a corresponding increase in prices. In aggregate, steady and increasing streams of cash earnings by our holding companies has resulted in increasing cash at bank, even after payment of modest capital reinvestments and increased dividends.

We continue to engage in similar activities in the month of March 2016. Firstly, we conduct extensive research (including wide but relevant reading) to enable us to have a deeper understanding of various wonderful businesses, both in our watchlist and in our portfolio. Great businesses such as CSL, Cochlear, Sirtex, REA, Seek, Fisher & Paykel, etc. are seldom available for purchase at attractive prices.

Our high cash component enables us to act quickly should good prices become available, such as when we picked up Flight Centre shares below \$32 a year or so ago. A deeper or more nuanced understanding of these businesses allows us to have the conviction to continue buying or holding when prices continue to fall for reasons unrelated to the quality and performance of the business in question.

For the next two to three months, we will be on a constant vigilant lookout, as it is the traditional tax loss selling season, in an environment where investors appear to be jumping at every shadow of potential macroeconomic events.

I should also take this opportunity to remind investor partners of the existence of my personal investing blog ([peterphan.blogspot.com.au](http://peterphan.blogspot.com.au)). This blog can also be accessed via the website of Castlereagh Equity ([www.castlereaghequity.com.au](http://www.castlereaghequity.com.au)). I encourage you to visit this blog which may give you a better understanding of how CE funds are being managed.

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.

Thank you for your trust and confidence in us.

Regards

Peter Phan

Director, Castlereagh Equity Pty Ltd