

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

**From: Peter Phan**

**Date: 31 May 2016**

**Re: Monthly Update**

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	Castlereagh Equity	ASX All Ordinaries	Relative Performance	CE Net Asset Value
1 November 2013 to 31 May 2016	36.4%	0.5%	35.9%	136.4 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 May 2016	7.6%	8%	-0.4%	136.4 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 5447 on 31 May 2016. In percentage terms, the XAO increase 0.5% for the 31 months period since the start of the CE fund. CE's performance over the same 31 months period is 36.4%.

For the month of May 2016, the XAO gained 2.5%. The CE portfolio gained 4.7% for the month. During May 2016, we continue to make purchases, and sold one of our holdings. The cash component of the CE fund is currently 22%.

The months of May and June are always interesting. These two months are usually when market participants are selling shares for tax reasons, usually the sale of positions showing a loss to offset gains made elsewhere. Furthermore, when a position incurs losses, it usually shrinks as a proportion of total portfolio size. The presence of such selling increases the probability that value is being ignored for tax or other reasons. This is the reason why we are extra vigilant during this period. Whilst shoppers are watching out for stocktake sales in winter, we spend our time watching and waiting for similar bargains on the ASX.

The months of May and June are also known as confession season, where companies often disclose bad news prior to the release of their annual results. The nature of our portfolio holdings is such that they often perform better than expectations. Accordingly, in the case of the CE portfolio, we prefer to call the months of May and June the upgrade season. We will be keeping our eyes and ears peeled for such upgrades in the coming month of June.

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