

To: Investor Partners of Castlereagh Equity Pty Ltd

From: Peter Phan

Date: 30 June 2016

Re: Monthly Update

	Castlereagh Equity	ASX All Ordinaries	Relative Performance	CE Net Asset Value
1 November 2013 to 30 June 2016	30.5%	-2.0%	32.5%	130.5 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 30 June 2016	2.9%	5%	-2.1%	130.5 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 5310 on 30 June 2016. In percentage terms, the XAO dropped 2% for the 32 months period since the start of the CE fund. CE's performance over the same 32 months period is 30.5%.

For the month of June 2016, the XAO dropped 2.5%. The CE portfolio dropped 4.3% for the month. In a stroke of coincidence, the relative performance of CE and the XAO in June 2016 is the exact mirror image of their relative performance in May 2016.

During June 2016, we made several purchases to our existing holdings. The cash component of the CE fund is currently 15%.

In my memorandum last month, I stated that June is the traditional tax loss selling period plus earnings confession time and as such, attractive pricing opportunities may present themselves. As testament to the unpredictability of the market, we had the Brexit vote event instead to present us with attractive prices for some securities on our watchlist.

The main reason for CE's underperformance (despite a largish cash holding) in June 2016 is that we have two major positions in 2 companies that Mr Market fears will be impacted severely by Brexit. The first of this is Clydesdale Bank, which took a 30% drop in price. I happen to disagree with Mr Market in this instance (for reasons which I will flesh out at a later time). As I was not able to get a full position in CYB prior to Brexit, I took the opportunity to do so in the aftermath of the price crash. The second major position impacted by Brexit was Flight Centre (FLT). Curiously, the market was worried about FLT's GBP earnings, even though GBP earnings only made up less than 10% of FLT EBIT for 2015.

With the financial year end shenanigans now behind us, we now look forward to the impending full year earnings reporting season.

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