

To: Investor Partners of Castlereagh Equity Pty Ltd

From: Peter Phan

Date: 30 November 2016

Re: Monthly Update

	Castlereagh Equity	ASX All Ordinaries	Relative Performance	CE Net Asset Value
1 November 2013 to 31 October 2016	50.2%	1.5%	48.7%	150.2 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 October 2016	18.5%	9.1%	9.4%	150.2 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 5502 on 31 October 2016. In percentage terms, the XAO gained 1.5% for the 37 months period since the start of the CE fund. CE's performance over the same 37 months period is 50.2%.

For the month of November 2016, the XAO gained 1.85%. The CE portfolio dropped by 3.65% for the month. The underperformance of the fund by roughly 5.5% compared to the benchmark is quite likely one of the larger underperformance figure since the inception of the fund. However, in the overall long term picture, an underperformance of this magnitude is well within expectations. Our portfolio of companies continue to increase in value, and whilst price may zig zag over the short term relative, over long periods of 5 to 10 years, price will always converge with value.

The cash component of the CE fund is roughly 10%.

Franking and Tax Credits Within CE

In my last 2 memorandums, I invited feedback from all investor partners concerning a proposed policy on the fair treatment of tax/franking credits in the event of redemption.

I am pleased to report that we have figured out a way to resolve the issue. Our intention is to pay all company taxes due by end of calendar year. We will then declare a dividend in January of each calendar year to clear out all accumulated franking and tax credits. As per our IM, the dividend will be automatically reinvested at NAV (which would be lower after accounting for the dividend and tax credits paid). In February, all contributions or redemptions will be at NAV as at start of 1 February.

I know that all my investor partners will be very keen to discuss the finer details of accounting, tax and franking credits. I am available to discuss this in further excruciating detail via any communication method convenient to you eg telephone, SMS, email.

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