

To: Investor Partners of Castlereagh Equity Pty Ltd

From: Peter Phan

Date: 31 January 2018

Re: Monthly Update

	Castlereagh Equity	ASX All Ordinaries	Relative Performance	CE Net Asset Value
1 November 2013 to 31 Jan 2018	64%	13.4%	50.6%	146 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 January 2017	19.7%	12.5%	7.2%	151.8 cents
1 February 2017 to 31 Jan 2018	9%	8.3%	0.7%	146 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 reporting period (12 months period from 1 February 2016 to 31 January 2017).
6. The fifth row of the table provides a summary of CE's performance for its fourth and current reporting period (period commencing 1 February 2017 to the date of this memorandum).
7. *CE NAV is after payment of dividend and director fees in Feb 2017. These payments "reset" the NAV from 1.52 to 1.34.

The XAO started at 5420 on 1 November 2013 and ended at 6146 on 31 January 2018. In percentage terms, the XAO gained 13.4% for the 50 months period since the start of the CE fund. CE's performance over the same 50 months period is 64%.

For the month of January 2018, the XAO was up 0.2%. The CE portfolio was down 1.3% for the month.

The cash component of the CE fund is just above 12%.

As far as CE is concerned, the last 12 months were rather challenging. Whilst CE portfolio managed to keep pace with the market, returns were lower due to mistakes I have made, and also because I did not manage to deploy funds raised in February 2017 until late into June 2017. New positions initiated in 2017 will take a bit longer to work out and this is reflected in CE's performance figures.

As per our IM principles, we will be declaring a fully franked dividend to an extent sufficient to "stream" all current franking and tax credits back to investor partners. The dividend will be automatically reinvested at the prevailing NAV on 1 February 2018.

We will also be calculating directors fees payable and intend to pay these fees on or effective 31 January 2018.

February month is also the period where CE is open to receive contributions from both new investor partners and existing investor partners. Once again, we expect a modest intake of funds this February, which will place us well to take advantage of opportunities during the upcoming reporting and tax loss selling periods.

Portfolio characteristics for CE

For the last 12 months, CE's portfolio turnover (calculated as Total Value of Sells divided by Average of Portfolio Market Value) is a low 7%. This implies a holding period of over 14 years. This is consistent with our stated approach of investing in businesses for the long term.

Since inception of CE over 50 months ago, we closed out 20 positions with 12 winners and 8 losers, giving us a "strike rate" of 60%. The largest winning position is 5x the size of the largest losing position. The average winner is 2.4x the size of the average loser. As stated previously, we aim to achieve returns with the lowest risks, and this is reflected in our historical trading results.

Thank you for your trust and confidence in us.

Regards

Peter Phan

Director, Castlereagh Equity Pty Ltd