

To: Investor Partners of Castlereagh Equity Pty Ltd

From: Peter Phan

Date: 31 May 2018

Re: Monthly Update

	Castlereagh Equity	ASX All Ordinaries	Relative Performance	CE Net Asset Value
1 November 2013 to 31 May 2018	61.8%	13%	48.2%	136.8 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
1 February 2018 to 31 May 2018	-1.6%	-0.4%	-1.2%	136.8 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 and Feb 2018. These payments "reset" the NAV from 1.52 to 1.34 in Feb 2017 and from 1.46 to 1.39 in Feb 2018.

The XAO started at 5420 on 1 November 2013 and ended at 6123 on 31 May 2018. In percentage terms, the XAO gained 13% for the 54 months period since the start of the CE fund. CE's performance over the same 54 months period is 61.8%.

For the month of May 2018, the XAO was slightly up 0.8%. The CE portfolio was also similarly slightly up for the month.

The cash component of the CE fund is just under 32%.

There is nothing much to report other than the observation that prices remain elevated over a substantial portion of the market. This presents us with very few opportunities. Opportunities that exceed our threshold internal rate of return for investment are nil after we account for risks involved.

As I remarked to another fund manager today, it appears that PE 80 is the new normal. At these levels of valuation, risky investments are now perceived to be near riskless.

I refuse to play this game of momentum and greater fool, especially not with your precious funds entrusted to me. You never know when Thanksgiving Day might arrive.*

Thank you for your trust and confidence in us.

Regards

Peter Phan

Director, Castlereagh Equity Pty Ltd

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