

To: Investor Partners of Castlereagh Equity Pty Ltd

From: Peter Phan

Date: 31 July 2018

Re: Monthly Update

	Castlereagh Equity	ASX All Ordinaries	Relative Performance	CE Net Asset Value
1 November 2013 to 31 July 2018	62.2%	17.5%	44.7%	137.2 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 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 July 2018	-1.3%	3.6%	-4.9%	137.2 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 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 6366 on 31 July 2018. In percentage terms, the XAO gained 17.5% for the 56 months period since the start of the CE fund. CE's performance over the same 56 months period is 62.2%.

For the month of July 2018, the XAO was up by 1.2%. The CE portfolio was slight up by 0.2% for the month.

The cash component of the CE fund is just under 25%. We deployed further funds during July incrementally into our existing positions. We have recently uncovered an interesting situation where we are essentially paying AUD 50 cents for 1 USD dollar. However, volumes are scarce and the business is still at nascent stage, which precludes me from buying a big position for the fund.

The market continues to climb to new levels, bringing a heightened sense of concern. At this stage, there is nothing much I can do except to continue with my research and preparation for the upcoming reporting season in August. Most of our businesses should be reporting business as usual, and that would be more than ample for us to generate decent returns going forward. The portfolio is now wound like a loaded spring of value. We own businesses which are trading for less than the value of their inventory at costs, and on top of that, these businesses have spare cash and no debt, and continue to generate excess cash from their operations. Barring a catastrophe such as insolvency (which is remote given the healthy state of their balance sheets), they will continue to buffer the CE portfolio with reasonable returns at minimal risks.

Thank you for your trust and confidence in us.

Regards

Peter Phan

Director, Castlereagh Equity Pty Ltd