

To: Investor Partners of Castlereagh Equity Pty Ltd

From: Peter Phan

Date: 30 November 2018

Re: Monthly Update

	Castlereagh Equity	ASX All Ordinaries	Relative Performance	CE Net Asset Value
1 November 2013 to 30 Nov 2018	52%	6%	46%	127 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 30 Nov 2018	-8.6%	-6.5%	-1.9%	127 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 5749 on 30 November 2018. In percentage terms, the XAO gained 6% for the 60 months period since the start of the CE fund. CE's performance over the same 60 months period is 52%.

For the month of November 2018, the XAO dropped by 2.8%. The CE portfolio was down 6.4% for the month. This was one of the larger drops in monthly performance since the inception of CE and more commentary follows below.

The cash component of the CE fund is just over 18%.

During the last 4 trading days of the month, we experienced 4 consecutive downgrades, which included our largest position in the portfolio. Collectively, these 4 downgrades erased 8% from the value of the CE portfolio. In other words, the whole month's underperformance occurred during the last 4 trading days of the month.

Out of the 4 downgrades, 3 of them are small positions and whilst disappointing, was well within our range of expectations when we invested in them. 2 of the positions have resulted in permanent loss of capital of approximately 3% of total CE portfolio value. One of these two positions have been sold. As for the third small position, I am confident that the situation is temporary in nature. This particular stock is now trading at 3x EV/EBITDA with nearly half its market value in cash, no debt and the business continues to generate cashflow.

It is important to note that collectively, our small positions in total are still doing better than cash, which was their intended purpose.

The downgrade to our largest holding was a slightly different matter. This stock has been under constant selling pressure for some time now due to a change in the shareholder base following an unpopular merger. Market sentiment towards that particular industry sector has also been weak in the wake of bad news from 3 major industry participants. During the AGM, management told the market that guidance will be slightly lower in 2019 due to project delays. The share was promptly sold down. This is a very well positioned and well capitalised business aided by several major secular and cyclical tailwinds. Accordingly, I am confident that there has been no permanent impairment to our investment and we will more likely than not see some decent returns going forward.

Thank you for your trust and confidence in us.

Regards

Peter Phan

Director, Castlereagh Equity Pty Ltd