

To: Investor Partners of Castlereagh Equity Pty Ltd

From: Peter Phan

Date: 29 March 2019

Re: Monthly Update

	CE	CE ex-fees	XAOA	CE ex fees vs XAOA	XAO	CE vs XAO	CE Net Asset Value
1 November 2013 to 31 March 2019	71%	63.7%	46%	17.7%	15.5%	55.5%	146 cents*
1 November 2013 to 31 Jan 2015	6.2%	6.2%	7.7%	-1.5%	2.4%	3.8%	106.2 cents
1 February 2015 to 29 Jan 2016	19.4%	16.4%	-4.7%	21.1%	-9.2%	28.6%	126.8 cents
1 February 2016 to 31 Jan 2017	19.7%	16.3%	17%	-0.7%	12.5%	7.2%	151.8 cents
1 February 2017 to 31 Jan 2018	9%	8.3%	13%	-4.7%	8.3%	0.7%	146 cents
1 February 2018 to 31 March 2019	5.4%	5.4%	6.8%	-1.4%	5.4%	0%	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 (XAO) and the All Ordinaries Total Return Index (XAOA) 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 (and subsequent rows) provides a summary of CE's performance for its reporting period (12 months period from 1 February to 31 January).
5. The last row of the table provides a summary of CE's performance for its current reporting period (period commencing 1 February 2019 to the date of this memorandum).
6. *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, from 1.46 to 1.39 in Feb 2018, and from 1.39 to 1.39 in Feb 2019.

The XAO started at 5420 on 1 November 2013 and ended at 6261 on 29 March 2019. In percentage terms, the XAO gained 15.5% for the 65 months period since the start of the CE fund.

The XAOA started at 44054.2 on 1 November 2013 and ended at 64292 on 29 March 2019. In percentage terms, the XAOA gained 46% for the 65 months period since the start of the CE fund.

CE's performance over the same 65 months period is 71%.

For the month of March 2019, the XAO gained 0.1% and the XAOA gained 0.7%. The CE portfolio gained 5% for the month.

The cash component of the CE fund is 12%.

It is pretty much business as usual over the last month.

Firstly, the bad news. The portfolio is still affected by the mistakes I have made previously. The share price of these holdings continue to decline, albeit with lesser magnitude. On the business front, there were no further adverse business developments to these holdings. One of these mistakes is SRG (previously GCS). Last year, SRG prior to the merger with GCS has a market capitalisation higher than the market value of the current merged entity. In effect, Mr Market is saying that SRG prior to merger is worth more than what it is worth now after merging with GCS. This is clearly nonsensical, and given that SRG is now trading at some 4 to 5 times EV/EBITDA multiples, I am comfortable to continue to hold, even though I do expect the share price to be weak for the next 6 to 9 months whilst waiting for the company to gain traction in its major businesses. In particular, the dam JV in the USA is particularly compelling, together with work in infrastructure and cladding replacements.

Collectively, I estimated that my previous mistakes gave the portfolio roughly 1% decline in March. I was fortunately able to liquidate a substantial portion of another mistake with a profit when the shares were spruiked by a newsletter. This basically lessen our losses by roughly 1%

I took the opportunity to top up our holding in FLT when it briefly dipped below \$40. Given its quality, I would like to add more FLT to the CE portfolio. FLT is currently about 4% of the portfolio. The share price of FLT has always been volatile. I am very comfortable with this as we will inevitably be given the opportunity from time to time to buy very low and sell very high. Whilst Mr Market was preoccupied with FLT's flat leisure market in Australia and New Zealand, I am concentrating on its continued growth in overseas markets, particularly USA, Canada and UK, and over the longer term, the businesses in India and Asia. On current trajectory, I believe there is a near certain probability that FLT's profits from the USA, Canada and UK markets will exceed the ANZ market within the next 2 to 3 years. Even if that is achieved, there is still plenty of growth left. To put things into perspective, the USA corporate market alone is estimated to be over USD\$200b, and growing at 5% per annum for the foreseeable future. FLT's share of this market is about AUD\$3.2b=USD\$2.2b. Ignoring the fact that this figure includes leisure travel, this is just over 1% market penetration.

I also added a bit more shares to the new holding I mentioned in the last memorandum. Trading volumes for this company is very low. Our holding remains a rather insignificant part of our portfolio. I will need to continue to be patient to accumulate a meaningful stake.

Finally, to the good news. CE's biggest holding continues to occupy a major part of my time. In February and March, the company reported further positive developments in its operating environment which improved the upside probability of significant future revenue gains. I had the chance to meet the CEO and another director in person in Sydney for an update and discussion. At

the current size and stage of the business, management execution is crucial, and I have confidence that we are in good hands with the current management team. There are still some non-insignificant risks involved, but the nature of the business is such that our downside will be limited even in the most probable worst case scenario, whilst we can look forward to many multiples of our investment (even from current levels) should things pan out favourably.

Thank you for your trust and confidence in us.

Regards

Peter Phan

Director, Castlereagh Equity Pty Ltd