

**To: Investor Partners of Castlereagh Equity Pty Ltd**

**From: Peter Phan**

**Date: 30 November 2019**

**Re: Monthly Update**

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	CE	CE ex-fees	XAOA	CE ex fees vs XAOA	XAO	CE vs XAO	CE Net Asset Value
1/11/13 to 30/11/19	151%	131.4%	66%	65.4%	28%	123%	226 cents*
1/11/13 to 31/1/15	6.2%	6.2%	7.7%	-1.5%	2.4%	3.8%	106.2 cents
1/2/15 to 29/1/16	19.4%	16.4%	-4.7%	21.1%	-9.2%	28.6%	126.8 cents
1/2/16 to 31/1/17	19.7%	16.3%	17%	-0.7%	12.5%	7.2%	151.8 cents
1/2/17 to 31/1/18	9%	8.3%	13%	-4.7%	8.3%	0.7%	146 cents
1/2/18 to 31/1/19	0%	0%	0.6%	-0.6%	-3.4%	3.4%	139 cents
1/2/19 to 30/11/19	62%	49.5%	21.5%	28%	17%	45%	226 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 6948 on 29 November 2019. In percentage terms, the XAO gained 28% for the 73 months period since the start of the CE fund.

The XAOA started at 44054.2 on 1 November 2013 and ended at 73201 on 29 November 2019. In percentage terms, the XAOA gained 66% for the 73 months period since the start of the CE fund.

CE's performance over the same 73 months period is 151%.

For the month of November 2019, the XAO gained 2.6% and the XAOA gained 3.1%. CE gained 20% for the month.

The cash component of the CE fund is 25%.

As I have mentioned last month, our portfolio companies held their AGMs and provided trading updates in November. It was much better than expected, with positive outlooks and upgraded guidances for a majority of CE's major holdings. The CE portfolio performance in November was mainly dominated by movements in our large positions.

We initiated a 6% position in a new name in November. The idea was gifted to us by the legendary Tony Hansen of EGP. I shamelessly accepted with a thousand thanks. This company operates in the payments services space. We were very fortunate that less than 9 days after we bought our position, the company announced a sale of one of its business divisions for a very attractive price. Once settlement proceeds are received, the company will return a significant portion to shareholders, which will effectively leave our holding at a near zero cost base. The more exciting consideration is that the company now has the capital to execute its plans in the rapidly growing Australian market.

Despite buying a new position above, we were net sellers in November. Accordingly, in spite of a not-insignificant rise in CE portfolio value, our cash component as a percentage of portfolio has also gone up.

In relation to our quasi-cash positions, there were also some good news.

Salmat (SLM) announced the sale of one of its business divisions. Once settlement occurs in January 2020, the company will have \$80m of cash, and still retain a business which is profitable and still growing at a rapid clip. We are currently up by 30% on this holding, and we remain confident to achieve further gains on this position once the dust settles.

Silverchef (SIV) sold its hospitality business, and the remaining business is now in rundown mode. Once again, the company will be cashed up and we now wait patiently for the process to complete and money to be returned to us. Unfortunately, we do expect to record a modest loss with this position, unless our most optimistic scenario plays out to allow us to escape with a few points of gains.

Clydesdale Bank (code changed to VUK) announced its yearly results with PPI provisions being less than expected and NIM squeeze not as severe as expected going forward. The banking business is proving to be very resilient, showing modest growth in a challenging market. The cost cutting program continues to be on target. We bought our holding at prices which implied imminent demise. This is our second bite of the cherry with VUK, and our holding is currently up by 50%. We remain confident of quite a bit more upside to come from this position. The only regret at this stage is the error on my part in not buying more at prices below \$2. It is inexcusable to be right and not win big.

Thank you for your trust and confidence in us.

Regards

Peter Phan

Director, Castlereagh Equity Pty Ltd