

To: Investor Partners of Castlereagh Equity Pty Ltd

From: Peter Phan

Date: 30 September 2020

Re: Monthly Update

	CE	CE ex-fees	XAOA	CE ex fees vs XAOA	XAO	CE vs XAO	CE Net Asset Value
1/11/13 to 30/9/20	152%	131.6%	47.6%	84%	10.9%	141.1%	208 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 31/01/20	65%	51.7%	25%	26.7%	20.3%	44.7%	229 cents
1/2/20 to 30/9/20	-1%	-1%	-13.5%	12.5%	-15.8%	14.8%	208 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 calendar month February of each year. These payments "reset" the NAV as follows:
 - (a) 1.52 to 1.34 in Feb 2017,
 - (b) 1.46 to 1.39 in Feb 2018,
 - (c) 1.39 to 1.39 in Feb 2019.
 - (d) 2.29 to 2.10 in Feb 2020.

The XAO started at 5420 on 1 November 2013 and ended at 6009 on 30 September 2020. In percentage terms, the XAO gained 10.9% for the 83 months period since the start of the CE fund.

The XAOA started at 44054.2 on 1 November 2013 and ended at 65040 on 30 September 2020. In percentage terms, the XAOA gained 47.6% for the 83 months period since the start of the CE fund.

CE's performance over the same 83 months period is 152%.

For the month of September 2020, the XAO dropped 3.8% and the XAOA dropped 3.4%. CE dropped 1% for the month. The entirety of this 1% drop occurred on the last trading day of the month. This highlights the characteristics of short term price movements- random and meaningless.

The cash component of the CE fund is just over 16%.

Our outperformance over the market has entered meaningful territory this month. My research continues with several companies examined in further detail, and then discarded as not investment worthy due to a variety of usual reasons. I am also currently working on several overlapping concepts in regards to tail end events. Morgan Housel, a very good writer and thinker, has stated his opinion that in the world we live in, tail end events are all that matters. The data from the investment universe bears this out. Statistical studies of the US market show that over a long period of time, only 4% of the stock population is responsible for the entire outperformance of equities over bonds. One important implication of this finding is that a randomly selected portfolio has an overwhelming probability of underperforming an index fund. I will attempt to gather my thoughts and elaborate of this in due course.

We await further developments in October and November when companies hold their respective annual general meetings.

Thank you for your trust and confidence in us.

Regards
Peter Phan
Director, Castlereagh Equity Pty Ltd