

To: Investor Partners of Castlereagh Equity Pty Ltd

From: Peter Phan

Date: 31 January 2021

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 29/1/21	197%	173%	69%	104%	26.8%	170.2%	253 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 29/1/21	20%	16.5%	-0.7%	17.2%	-3.8%	23.8%	253 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 6871 on 29 January 2021. In percentage terms, the XAO gained 26.8% for the 87 months period since the start of the CE fund.

The XAOA started at 44054.2 on 1 November 2013 and ended at 74649 on 29 January 2021. In percentage terms, the XAOA gained 69.4% for the 87 months period since the start of the CE fund.

CE's performance over the same 86 months period is 197%.

For the month of January 2021, the XAO gained 0.2% and the XAOA gained 0.3%. CE dropped 4.9% for the month.

The cash component of the CE fund is just under 20%.

The Year In Review, Recap and Looking Forward

In a topsy turvy year, we managed somehow to eke out a satisfactory return. As I have said last year, pride often comes before the fall. This current market gives me no confidence whatsoever going forward. Apart from hopes of selling to a higher bidder, there is very little prospects that shareholders of companies will earn returns sufficient to compensate for the prices being paid.

To make matters worse, we are starting to see signs of price inflation everywhere. Purely from a conceptual perspective, it is highly improbable to escape price inflation when money is being printed faster than the rate at which we can increase the production of goods and services. This is not the time to be blissful and complacent.

We are heavily invested in areas of medical technology and payments. These businesses will not be immune from the impacts of runaway high inflation. However, they will certainly be better than many other alternatives over the long term, including cash, gold, bitcoins or property. We are also on a lookout for further opportunities in the area of intersection between information technology and biology/chemistry. The obvious established names are all trading at stratospheric levels, however, advances in this field provides for many good ongoing opportunities.

This is a long game we are playing at CE. To finish first, you first have to finish. Playing defensive and conserving our precious capital are both boring and unpopular when everyone else is partying. But we are not risking what we have and need for what we do not have and do not need.

Housekeeping

As per our IM principles, we will be declaring a fully franked dividend to an extent sufficient to "stream" all current franking and tax credits back to investor partners. The dividend will be automatically reinvested at the prevailing NAV on 1 February 2021.

We will also be calculating directors fees payable and intend to pay these fees on or effective 31 January 2021.

Thank you for your trust and confidence in us.

Regards
Peter Phan
Director, Castlereagh Equity Pty Ltd