Straight Talking. Curved Thinking

TANTALUM CAPITAL
COMPANY PROFILE

WHO WE ARE

Tantalum Capital was established as a boutique asset manager in June 2005 with the support of key clients. The core of the investment team worked together at Coronation Fund Managers for a number of years before leaving to start Tantalum Capital.

The initial focus of the business was on a single hedge fund product. As the business matured and in line with client demand, a broader product set was adopted across both hedge and long only products, all being centred around the same idea engine.

The business ethos of Tantalum Capital can be described by the following key principles:

- Small, owner-managed boutique structure with experienced partners and talented, committed staff;
- Strong team ethic with a shared investment philosophy developed over 18 years;
- Long-term real capital growth at the core of every fund objective;
- Significant proportion of shareholders capital and income invested in own funds;
- Investment process underpinned by a strong fundamental proprietary research edge;

INVESTMENT PHILOSOPHY

We are patient, long term investors with our key focus being on achieving our fund objectives. We are not index trackers and while we are happy for clients to judge us against an appropriate benchmark, we are benchmark agnostic when constructing portfolios.

We have conviction to back our strong views and generally have a longer holding period. We quite often find ourselves investing in contrarian or neglected ideas and we tend to have a high hit rate on those positions that make it into our portfolio. Strong portfolio construction is key to our success. We would rather have errors of omission than errors of commission.

We are patient, long term investors with a key focus on achieving our fund objectives.

We have a wider investment tool box at our disposal which includes yield enhancement instruments. We use credit, preference shares, hybrids and property stocks to enhance the yield on our cash holdings, as well as to assist in producing consistent, absolute returns through a full market cycle.

We have an excellent understanding of risk, honed through our hedge fund management process. We carefully assess risks individually and in a portfolio context. Good underlying value helps to mitigate downside risk, and we actively seek out ideas that carry positive optionality.
We focus on the liquidity of all of our underlying positions to ensure that there is not a mismatch between the liquidity of our portfolio and the liquidity we offer investors.

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INVESTMENT PROCESS

All our funds are based on the same fundamental research process and methodology and this forms the core of every decision we make. This is based on an investment process that has been applied consistently throughout our investment careers.

There are common themes and ideas across all of our funds depending on our views on companies and the market. These ideas are implemented depending on the specific mandate of the fund in question.

Equity Investment Process

Equity valuation is the underpin to all our investment decisions. We perform detailed research and modelling on every company that we invest into and ensure that this is a re-iterative process in which we are constantly re-evaluating assumptions made. We forecast an expected return based on normalised, through-the-cycle earnings, cashflows and dividends. We are cognizant of the macro environment and how this may influence our assumptions and inputs into our research approach. While it doesn't specifically dictate our positioning an awareness of global capital flows and macroeconomic trends is important in managing funds in the South African context.

The equity research process is characterised by:

- Fundamental company and industry research including company visits and competitor analysis
- Valuation of company shares using normalised earnings models, cashflow cycles, asset revaluations;
- Identification of behavioural pricing anomalies and sentiment swings reflected in the market.
- A framework of major macroeconomic themes and sectoral shifts is debated

Fixed Income Investment Process

We have a wide fixed income investment universe which covers a broad range of asset classes, unconstrained by a defined bond benchmark. We use 7 building blocks which cover the traditional fixed interest markets as well as incorporating instruments that exhibit both fixed interest and equity characteristics.

This allows us to look for opportunities across the yield curve and in sectors that make sense on a standalone investment basis relative to cash throughout the interest rate and inflation cycle. The duration of our funds is actively shifted based on the economic cycle and our return expectations. Our process offers the benefits of traditional fixed interest investment (related to capital preservation and liquidity) but with the additional benefits of greater diversification as well as the ability to mitigate the downside risk to a greater degree than with traditional approaches.

> The duration of our fixed income funds is actively shifted based on the economic cycle and our return expectations.

We use both a top down and bottom up approach to construct our fixed income portfolios.

On a top down basis we look at

- Our view on interest rates, inflation, fiscal risks, the global environment etc to determine our level of desired interest rate risk (duration)
  - Bullish on fixed interest markets = 3-5 years duration
  - Bearish on fixed interest markets = 0-3 years duration
- Our view on the shape of the yield curve and where best to position exposure across the curve

On a bottom up basis we

- Project expected returns across each counter within each building block
- Look for the "sweet spot" within each building block opportunity set
- Calibrate asset allocation with target duration by utilising risk reduction strategies if necessary

We can fully exclude a segment should the risk/reward trade-off be unfavourable.