



## UNAUDITED MONTHLY PORTFOLIO UPDATE & MARKET DISLOCATION BENEFIT<sup>1</sup>:

### January 2018

The East 72 Holdings Limited (**E72**) portfolio held a large net short equity exposure throughout January 2018 which increased further near month end through sales of selected long positions, notably the very successful investment in KKR. As a result of strong US markets in January, their deleterious impact on a small number of mega-cap short positions (Netflix, Amazon, Tesla) and thin trading/price declines in some of our Australian smaller cap/special situations securities, the E72 portfolio before costs declined by 9.1% in January 2018 (9.3% after costs). Unaudited pre tax NTA per share at 31 January 2018 reduced to 24.7c (post all tax liabilities: 26.9c). E72 exited January 2018 with a net equity exposure of -135% (i.e each dollar of shareholders funds provided \$1.35 of net negative exposure to equities).

### February 2018

The equity market dislocation events stemming from Friday 2<sup>nd</sup> February's US trading session, which saw S&P500 derivatives priced in Asian markets on 6 February at levels some 12% below the 26 January high of 2873, provided a number of complementary opportunities. This meaningful move saw E72 reduce its net short exposures through purchase of European index derivatives (the German market was trading at levels last seen in February 2017), reduction of our short Australian index position, some reduction in the US net short exposures and selective equity buying. This has reduced E72's net short position at 4.10pm AEDT on 7 February 2018 (**Date**) to approximately 8%. We have also benefitted from the ~25% collapse in bitcoin in the first week of February as new website access curtailments in China and financing restrictions in the US and UK have bitten hard. The unresolved question of the role of the "shadow currency" Tether remains a particularly murky area. These factors have resulted in an unaudited portfolio performance for February 2018 to Date before costs of +10.4% and unaudited NTA/share at Date is 27.3c – an improvement of 10.5% over the 31 January 2018 figure.

The rally of the past trading day has reduced the fall from the S&P500 peak to below 7% which leaves intact the vast bulk of our negative thesis, enunciated in the December 2017 Quarterly Report. Growth is not the issue; rather, it is the price asked to be paid for that growth, such as 36x firm value/pre tax OCF in the case of Amazon. The recent dislocation did enable us to build up our existing positions in Hansa Trust (35% discount to market value of two other sets of discounted securities), Wilhelmsen Holdings (a similar structure) and Icahn Enterprises (IEP), the investment vehicle of the octogenarian Carl Icahn where the operating earnings are valued at around 7.5x EV/EBITDA after applying market values to the listed subsidiaries. IEP also holds significant market hedges.

### Equity exposure as at 31 January 2018 (as % month end pre tax shareholders funds):

	AUSTRALIA		OVERSEAS		TOTAL	
	percent	exposures	percent	exposures	percent	exposures
<b>LONG</b>	93.6%	27	87.7%	30	181.3%	57
<b>SHORT</b>	(28.3%)	12	(35.7%)	8	(64.0%)	20
<b>INDEX/CRYPTO</b>	(109.0%)		(143.0%)		(252.0%)	
<b>TOTAL</b>	(43.7%)	39	(91.0%)	38	(134.7%)	77

### For further information:

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<sup>1</sup> East 72 Holdings Limited (**E72**) provides monthly **unaudited** updates on its company performance and exposure supplemented by a more substantial quarterly note. Readers are referred to footnotes 2-6 explaining the derivation of the numbers. All returns are pre-tax unless stated otherwise. At the current level of net assets, subsequent to the acquisition of Stiletto Investments Pty. Limited, cost imposition is estimated at 0.24% per month over the course of the full year (excluding charges for capital raisings and corporate events) and is fully accrued monthly according to the best estimates of management. Readers are explicitly referred to the disclaimer on page 2.



## Monthly performance, exposure and NAV

	Investment return <sup>2</sup>	Cost imposition <sup>3</sup>	Net Return <sup>4</sup>	FY Return	NAV/share pre tax (cents)	Gross Exposure <sup>5</sup>	Net Exposure <sup>6</sup>
31 Dec 16	9.0%	-0.8%	8.2%	37.4%	33.0	439%	74%
31 Jan 17	5.2%	-0.7%	4.5%	43.6%	34.4	473%	54%
28 Feb 17	0.2%	-0.4%	-0.2%	43.4%	34.4	503%	24%
31 Mar 17	1.6%	-0.2%	1.4%	45.3%	35.2	171%	1%
30 Apr 17	-2.3%	-0.2%	-2.5%	41.7%	34.3	227%	-18.5%
31 May 17	2.6%	-0.3%	2.3%	45.1%	35.1	251%	-19%
30 June 17	1.3%	-0.2%	1.0%	46.6%	35.5	276%	-6%
			<b>R12 return</b>				
31 July 17	1.3%	-0.6%	0.7%	35.8%	35.8	283%	-22%
31 Aug 17	-5.0%	-0.4%	-5.4%	23.7%	33.8	320%	-28%
30 Sep 17	2.8%	-0.3%	2.5%	29.2%	35.2	359%	-31%
31 Oct 17	-7.3%	-0.2%	-7.5%	14.1%	32.9	412%	-42%
30 Nov 17	-8.9%	-0.3%	-9.2%	-0.9%	29.6	437%	-73%
31 Dec 17	-7.7%	-0.2%	-7.9%	-16.1%	27.4	434%	-99%
31 Jan 18	-9.1%	-0.2%	-9.3%	-27.4%	24.7	497%	-135%

## Disclaimer

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The information contained in this update is current as at 31 January 2018 or such other dates which are stipulated herein. All statements are based on E72's best information as at 31 January 2018. This presentation may include forward-looking statements regarding future events. All forward-looking statements are based on the beliefs of E72 management, and reflect their current views with respect to future events. These views are subject to various risks, uncertainties and assumptions which may or may not eventuate. E72 makes no representation nor gives any assurance that these statements will prove to be accurate as future circumstances or events may differ from those which have been anticipated by the Company.

<sup>2</sup> Change in market value of all investments – cash and derivatives – after interest charges, dividends receivable, dividends and fees paid away divided by opening period net asset value and time weighted for equity raisings

<sup>3</sup> All accrued expenses for company administration (eg. listing fees, audit, registry) divided by opening period net asset value and time weighted for equity raisings

<sup>4</sup> Calculated as 2 (above) minus 3 (above)

<sup>5</sup> Calculated as total gross exposures being nominal exposure of all long and short positions (cash and derivative) divided by end month pre tax net asset value – assumes index  $\partial$  of 1

<sup>6</sup> Calculated as total net exposures being nominal exposure of all long minus short positions (cash and derivative) divided by end month pre tax net asset value – assumes index  $\partial$  of 1