



## UNAUDITED MONTHLY PORTFOLIO UPDATE<sup>1</sup>: MAY 2018

In May 2018, the East 72 Holdings Limited (**E72**) portfolio declined by 0.75% before costs and 1.00% before tax but after expenses. Unaudited pre-tax NTA per share at 31 May 2018 is 29.5c (30.6c after tax). E72 also has significant franking credits equating to 2.2c per share at 31 May 2018.

The monthly return was mainly impacted by two factors. Firstly, the 5.5% gain in the NASDAQ100 (itself driven by >10% increases in Apple and Netflix), which in turn drove a 2.1% move in the S&P500. Other global markets were generally lower, whilst Australia returned 0.3% before substantial monthly dividends. Secondly, a number of our larger positions fell back after recent outperformance, notably Virtu Financial, despite strong results, but after a stock sell-down by management.

We derived some benefit from closed out short positions in European indices, Metcash Limited and Pandora, the Danish costume jewelry manufacturer and distributor. Our Australian gold exposures all rose >12% in the month, whilst the benefits of buying aggressively discounted media plays (which their cash flow benefits) were seen in Seven West Media which rose a startling 48% during the month.

We have instituted some new selective and smaller short positions in the US where the business models of the underlying companies are out of kilter with the high valuations placed upon them. More positively, we were able to initiate a new position in the Australian financial services franchise Yellow Brick Road at over a 30% discount to NTA. The business has now been profitable for 18 months having spent 7 years trying to get there, and now has a tight share register with catalysts for further oversight of management. We acknowledge the slowing market for the company's core product but believe the entry price – which ascribes no value for the funds management business either – is strong compensation.

We have also acquired shares in the family controlled Canadian life insurance holding company E-L Financial, which at prices ~C\$800, trades at a 45% discount to a more reasonable assessment of value. This is at the high end of recent ranges, acknowledging that the company does not retire equity.

The EGM on 31 May 2018 passed all six resolutions which will enable appropriate capital to be raised and has put in place a dividend reinvestment process for the future.

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

	AUSTRALIA		OVERSEAS		TOTAL	
	percent	exposures	percent	exposures	percent	exposures
<b>LONG</b>	93.3%	28	86.5%	35	179.8%	63
<b>SHORT</b>	(8.3%)	4	(24.4%)	11	(32.7%)	15
<b>INDEX</b>	-		(59.6%)		(59.6%)	
<b>TOTAL</b>	85.0%	32	2.5%	46	87.5%	78

### 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, cost imposition is estimated at 0.23% 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 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%	-5.6%	29.6	437%	-73%
31 Dec 17	-7.7%	-0.2%	-7.9%	-18.4%	27.4	434%	-99%
31 Jan 18	-9.1%	-0.2%	-9.3%	-30.1%	24.7	497%	-135%
28 Feb 18	15.6%	-0.3%	15.3%	-19.2%	28.0	346%	48%
31 Mar 18	2.4%	-0.3%	2.1%	-18.6%	29.2	310%	95%
30 Apr 18	4.1%	-0.3%	3.8%	-15.3%	29.9	262%	91%
31 May 18	-0.7%	-0.3%	-1.0%	-16.0%	29.5	272%	87%

## Disclaimer

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The information contained in this update is current as at 31 May 2018 or such other dates which are stipulated herein. All statements are based on E72's best information as at 31 May 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  $\theta$  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  $\theta$  of 1