



UNAUDITED MONTHLY PORTFOLIO UPDATE¹: OCTOBER 2018

In October 2018, against the backdrop of very weak global equity markets, the East 72 Holdings Limited (**E72**) portfolio held its ground and declined by only 0.8% before costs and 1.03% before tax but after expenses. Unaudited pre-tax NTA per share at 31 October 2018 is 26.2c (28.2c after tax). E72 also has significant franking credits equating to 2.0c per share at 31 October 2018. As a guide, the Australian S&P/ASX All Ordinaries Accumulation index, declined 6.5%.

The ructions in US markets, initially caused by rising US long bond yields, spread globally transported by further trade war fears; after a brief period of calm, the latter part of October saw an extremely volatile roller-coaster ride with the monthly lows traversed on 29th October, before a powerful two-day rally. The MSCI World Index fell 7.4% during the month, with Asian markets typically 200+ basis points weaker, and European markets 150+ basis points better off. In the US, the latter part of the month saw aggressive selling of the well known technology names (apart from Apple) and has left the so-called FAANG stocks with quite disparate performances over the past year – and quite divergent valuation multiples. Somewhat stunningly, we have been able to acquire Alphabet at ~ 20x forward multiple excluding earnings from cash and securities gains and including all the losses from other bets; we acquired the shares at roughly their price twelve months ago.

Our major winners – and loser – were our short positions. Whilst we traded around the Q3 Tesla result, being aware that our view of a profit was not consensus, we trimmed our position and then reinstated most of as the shares rose up afterwards – 27% over the month. We don't view the Q3 result as changing much about the medium term outlook for the company at all, and there are real signs when faced with head on competition, as in Norway, from Jaguar and Audi, Tesla struggle. We bought back a significant portion of our index shorts at levels well below the monthly close (except Australia), and took excellent profits on our short basket of egregiously priced Australian mid-cap stocks, including Corporate Travel Management.

We obviously suffered some reverses in our long portfolio, most notably AMP and Seven West Media in Australia; core holdings Exor and AerCap also declined more than market indices.

Our increased equity exposure is predominantly a function of the market shakeout providing new opportunities in stocks which fell 20-25% over the period. **We will discuss the new additions to the portfolio at our AGM in Sydney on Thursday 8th November commencing at 10.30am.**

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

	AUSTRALIA		OVERSEAS		TOTAL	
	percent	exposures	percent	exposures	percent	exposures
LONG	78.8%	24	91.3%	32	170.1%	56
SHORT	(4.6%)	2	(20.7%)	8	(25.3%)	10
INDEX	1.7		(2.6%)		(0.9%)	
TOTAL	75.9%	26	68.0%	40	143.9%	66

For further information:

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¹ 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 ²	Cost imposition ³	Net Return ⁴	R12 Return	NAV/share pre tax (cents)	Gross Exposure ⁵	Net Exposure ⁶
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%
30 June 18	-1.9%	-0.1%	-2.0%	-18.7%	29.0	278%	81%
31 July 18	-3.8%	-0.3%	-4.1%	-22.5%	27.8	276%	63%
31 Aug 18	-6.4%	-0.3%	-6.7%	-23.7%	26.2	285%	49%
30 Sept 18	0.9%	-0.2%	0.7%	-25.0%	26.4	287%	42%
31 Oct 18	-0.8%	-0.2%	-1.0%	-19.8%	26.2	217%	144%

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

² 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

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

⁴ Calculated as 2 (above) minus 3 (above)

⁵ 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 ∂ of 1

⁶ 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 ∂ of 1