



## UNAUDITED MONTHLY PORTFOLIO UPDATE #20: NOVEMBER 2018<sup>1</sup>

The East 72 Holdings Limited (**E72**) portfolio declined by 0.23% before costs and 0.44% before tax but after expenses during the month of November 2018. Unaudited pre-tax NTA per share at 30 November 2018 is 26.0c (28.9c after tax). E72 also has significant franking credits equating to 2.0c per share at 30 November 2018. As a guide, the Australian S&P/ASX All Ordinaries Accumulation index, declined 2.2%.

The month was rather more volatile than recent periods; the commencing few days which saw the S&P500 rise by 3.8% was rapidly reversed by the third week, which saw the index some 2.9% below its October close. A significant final week rally saw the benchmark US index close the month with a +1.7% return. The NASDAQ100 experienced a near 10% range over the course of the month. These moves can be attributed to a significant range in the US 10year bond yield, driven both by economic announcements and Federal Reserve Board pronouncements, allied to changing views on trade tensions.

The unravelling of the FAANG momentum trade has certainly taken hold in the past month; we derived significant benefit from our short position in Apple (down 18%), but less so from Amazon (+5.8%). We were net beneficiaries from the precipitous decline in the oil price (Brent crude -21%) via our shipping exposure (Moller Maersk +12.1%) and aircraft lessor AerCap (+5.6%); we do now have a small direct long position in Brent at the present time. Our most noteworthy large cap acquisition was Goldman Sachs whose share price fell to levels 30% below those prevailing in March, and now trades at a discount to NTA of \$202. Having read the book "Billion Dollar Whale" we fully know why, but believe the legal fears now priced into the shares are exaggerated.

Australian equities were very weak over the month reflecting the deteriorating political and housing situations as well as sharp falls in resources pricing in oil and iron ore; the large cap resources index fell 6.5% over the month. Furthermore, there was limited solace from the AGM season with a number of downgrades to future guidance. As is usual in these situations, markets tend to react to a far greater extreme than is warranted. We acquired shares in two blue chip Australian stocks – Lend Lease Corp and Perpetual Limited – both of which have fallen some 40% from their 2018 highs. We made some changes to our smaller companies exposure, exiting Prime Financial, but making small additions to our positions in McGrath and Dreamscape Networks.

### Equity exposure as at 30 November 2018 (as % month end pre tax shareholders funds):

	AUSTRALIA		OVERSEAS		TOTAL	
	percent	exposures	percent	exposures	percent	exposures
<b>LONG</b>	84.4%	26	91.6%	34	176.0%	60
<b>SHORT</b>	(4.5%)	2	(21.8%)	9	(26.3%)	11
<b>INDEX</b>	6.8%		(5.0%)		1.8%	
<b>TOTAL</b>	86.7%	28	64.8%	43	151.5%	71

### 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>	R12 Return	NAV/share pre tax (cents)	Gross Exposure <sup>5</sup>	Net Exposure <sup>6</sup>
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%
30 Nov 18	-0.2%	-0.2%	-0.4%	-12.1%	26.0	233%	151%

## Disclaimer

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The information contained in this update is current as at 30 November 2018 or such other dates which are stipulated herein. All statements are based on E72's best information as at 30 November 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