

## UNAUDITED MONTHLY PORTFOLIO UPDATE #23: APRIL 2019<sup>1</sup>

The East 72 Holdings Limited (**E72**) portfolio increased by 1.7% before costs and 1.1% before tax but after expenses during the month of April 2019. Unaudited pre-tax NTA per share at 30 April 2019 is 24.0c (26.9c after tax). E72 also has significant franking credits equating to 2.1c per share at 30 April 2019.

We are strongly of the view that this is a risky period in global equities. Investors have pushed index valuation metrics to hefty levels on the back of easy central bank liquidity in most major markets, against a backdrop of insipid growth outlooks. “Less bad” seems to be the new “good” alongside the “bad news is good news” narrative maintaining risk free money at virtually no cost. The most remarkable area of this divergence appears to be in semi-conductor manufacturers where the relevant index ETF is up 36% in 2019 against a backdrop of disappointing current earnings and vastly reduced future guidance. We have accordingly taken out a small short position.

The smarter brains around appear to be taking advantage of this ebullient environment to unload large scale, branded but hefty loss-making private equity investments onto public markets – never a good sign. It might have been twenty years ago, but we have seen this play before, and it’s usually not a happy ending.

We derived benefit from an eclectic group of positions – short Tesla, long Disney, Westgold Resources and Treasure ASA; we were disadvantaged by a group of short positions which over recent times have become heavily correlated, notably mid-cap Australian “growth” companies. This correlation – derived using categorised Russell 3000 index designations - is following a pattern established only over the past two years or so, of “growth” stocks dramatically outperforming their “value” counterparts when realised volatility declines to very low levels – as it has done over March and April this year. It’s almost as if when volatility goes away, the “growth stocks” come out to play. This seems now to be a baked in schematic, but prior to late 2016 hasn’t previously been as apparent as in recent times.

We have continued to add to selected short names as well as further hedging via index sales. However, we do continue to see cheap opportunities, noted through the “divergent” strategy outlined in the March quarterly report. As a guide, in April, we acquired new positions in Fitbit, Beazer Homes and Alliance Data Systems.

### Equity exposure as at 30 April 2019 (as % month end pre tax shareholders funds)

	AUSTRALIA		OVERSEAS		TOTAL	
	percent	exposures	percent	exposures	percent	exposures
<b>LONG</b>	83.9%	21	130.4%	44	214.3%	65
<b>SHORT</b>	(24.3%)	14	(29.4%)	13	(53.7%)	27
<b>INDEX</b>	(40.0%)		(77.6%)		(117.6%)	
<b>TOTAL</b>	19.6%	35	23.4%	57	43.0%	92

### 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 0.40% 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>
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%
31 Dec 18	-10.3%	-0.2%	-10.5%	-14.5%	23.2	243%	185%
31 Jan 19	9.1%	-0.3%	8.8%	2.6%	25.2	256%	138%
28 Feb 19	-1.7%	-0.4%	-2.1%	-15.4%	24.7	313%	90%
31 Mar 19	-3.3%	-0.6%	-3.9%	-18.0%	23.7	359%	48%
30 Apr 19	1.7%	-0.6%	1.1%	-20.2%	24.0	386%	43%

## Disclaimer

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The information contained in this update is current as at 30 April 2019 or such other dates which are stipulated herein. All statements are based on E72's best information as at 30 April 2019. 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