



UNAUDITED MONTHLY PORTFOLIO UPDATE #24: MAY 2019¹

The East 72 Holdings Limited (**E72**) portfolio increased by 0.4% before costs and was down marginally by 0.1% before tax but after expenses during the month of May 2019. Unaudited pre-tax NTA per share at 31 May 2019 is 24.0c (27.3c after tax). E72 also has franking credits equating to 2.1c per share at 31 May 2019.

The feared risks residing underneath the waves of ebullient equity markets over the first four months of 2019 rose aggressively to the surface during May. US S&P500 fell by 6.5% in local currency terms, with the NASDAQ 100 down over 8%, declines matched in Hong Kong (-9.8%) Japan and China. Developed markets have reacted badly to the potentially mendacious commentary regarding proximity of a resolution of the US initiated tariff war against China, and are now starting to discount starker outcomes. Such changes in sentiment are being fueled by a loss of US control of the rhetoric, with strident, nationalistic Chinese commentary citing past history (Long March) as well as pointed notes towards strategic materials supply. The decision by the US to double down on tariff wars against major trading partner Mexico has further scared equity investors.

The sheer quantum of outstanding global debt does not leave the planet in a strong position to withstand a significant growth slowdown; that most earnings estimates for 2019 are heavily back-ended to H2 – and that 2020 estimates appear way too high – is now starting to hit home.

In May, Australia stood out as a beacon of light – returning 1.7% including dividends - fueled by a compromised media celebrating the status quo in relation to franking credit retention and property negative gearing – the two major residential property portals are controlled by the country's two main media groups. Australian 10 year bonds are 100bps below their US counterparts showing the domestic economy is not in good shape, debt is crushing consumer spending, earnings growth outside of major resources is very slow, and where it does exist, is extortionately priced. We now have our lowest weighting to Australian equities since inception of East 72, and our lowest overall weighting since February 2018.

The portfolio reflects a series of short positions in extravagantly priced growth stocks, index hedges, and long positions in securities we believe are very underpriced. In the short run – as was the case in December 2018 – these long positions can suffer as well. This partly offset the benefits of short positions in Tesla and semiconductor ETFs in particular. More pronounced weakness in growth equities would be of assistance.

Equity exposure as at 31 May 2019 (as % month end pre tax shareholders funds; numbers may not add due to rounding)

	AUSTRALIA		OVERSEAS		TOTAL	
	percent	exposures	percent	exposures	percent	exposures
LONG	79.7%	21	123.4%	41	203.1%	62
SHORT	(21.8%)	13	(27.5%)	14	(49.3%)	27
INDEX	(50.3%)		(79.1%)		(129.4%)	
TOTAL	7.5%	34	16.8%	55	24.3%	89

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 0.40% 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 ²	Cost imposition ³	Net Return ⁴	R12 Return	NAV/share pre tax (cents)	Gross Exposure ⁵	Net Exposure ⁶
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%
31 May 19	0.4%	-0.5%	-0.1%	-19.4%	24.0	382%	24%

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The information contained in this update is current as at 31 May 2019 or such other dates which are stipulated herein. All statements are based on E72's best information as at 31 May 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.

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