



## UNAUDITED MONTHLY PORTFOLIO UPDATE #25: JULY 2019<sup>1</sup>

The East 72 Holdings Limited (**E72**) portfolio declined by 1.8% before costs and was down 2.6% before tax but after expenses during the month of July 2019. Unaudited pre-tax NTA per share at 31 July 2019 is 21.0c (25.0c after tax). E72 also has franking credits equating to 2.1c per share at 31 July 2019.

Whilst we have index short positions in European indices and Hong Kong – all of which declined during the month – our larger short index hedges in US and Australia all advanced between 1% - 2.5% over the month of July. Additionally, despite disappointing earnings announced late in the month our largest stock position, a short in Tesla, advanced over 8% in July.

We are finding it difficult to reconcile the pricing of “risk-free” ten year Government bond yields, especially in Australia, but also in USA, with stock prices. The former is effectively pointing towards either recessionary or very slow economic conditions; the latter assuredly are not, even taking proper account of lower discount rates.

In Australia our short basket of mid-cap growth stocks once again increased in price. It is now clear that a number of large superannuation funds have moved to further index Australian equity positions; this has necessitated selling securities priced at below 10x forward earnings in exchange for others trading at over 120x forward earnings. This lack of logic will unwind at some stage and presents an outstanding short opportunity which many are afraid to take on board.

We have also recently created a small short basket of US SaaS and similar stocks which have no free cash flow, questionable business models and which trade at egregious multiples.

Over the past two months we have trimmed our stock holdings; this reflects certain long positions which have reached our price targets, divestment of other shares where we feel the business model has been compromised and more a focused group of short positions.

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

	AUSTRALIA		OVERSEAS		TOTAL	
	percent	exposures	percent	exposures	percent	exposures
<b>LONG</b>	72.1%	16	127.9%	32	200.0%	48
<b>SHORT</b>	(14.0%)	5	(30.1%)	7	(44.1%)	12
<b>INDEX</b>	(66.2%)		(102.6%)		(168.8%)	
<b>TOTAL</b>	(8.2%)	21	(4.8%)	39	(13.0)	60

### For further information:

**Andrew Brown** - Executive Director  
(02) 9380 9001 / 0418 215 255

<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>
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%
30 Jun 19	(9.4%)	-0.4%	-9.8%	-22.7%	21.6	395%	0%
31 Jul 19	(1.8%)	-0.7%	-2.6%	-21.0%	21.1	413%	-13%

## Disclaimer

While East 72 Holdings Limited (**E72, Company**) believes the information contained in this communication is based on reliable information, no warranty is given as to its accuracy and persons relying on this information do so at their own risk. E72 and its related companies, their officers, employees, representatives and agents expressly advise that they shall not be liable in any way whatsoever for loss or damage, whether direct, indirect, consequential or otherwise arising out of or in connection with the contents of an/or any omissions from this report except where a liability is made non-excludable by legislation. Any projections contained in this communication are estimates only. Such projections are subject to market influences and contingent upon matters outside the control of E72 and therefore may not be realised in the future.

This update is for general information purposes, it does not purport to provide recommendations or advice or opinions in relation to specific investments or securities. It has been prepared without taking account of any person's objectives, financial situation or needs and because of that, any person should take relevant advice before acting on the commentary. The update is being supplied for information purposes only and not for any other purpose. The update and information contained in it do not constitute a prospectus and do not form part of any offer of, or invitation to apply for securities in any jurisdiction.

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