

UNAUDITED MONTHLY PORTFOLIO UPDATE #26: AUGUST 2019¹

The East 72 Holdings Limited (**E72**) portfolio declined by 7.9% before costs and was down 8.5% before tax but after expenses during the month of August 2019. Unaudited pre-tax NTA per share at 31 August 2019 is 19.3c (24.0c after tax). E72 also has franking credits equating to 2.1c per share at 31 August 2019.

August was a highly volatile month with S&P500 down close to 5% at one stage from its July close before concluding August down 1.9%; similarly Australia's ASX200 fell 6% at one stage before roughly halving its decline. Our short index positions added significant benefit over the period; however, our short stock positions did not with a number of high priced momentum stock shorts adding 15-20% in price over the month, despite results which did little more than confirm existing growth trajectories.

Hence, August's negative outcome was fully attributable to our long portfolio of extremely low-priced securities. As a guide to equity markets' desire for growth over cash flow, the five largest detractors – amounting to a 4% decrement to the portfolio - were:

- Alliance Data Systems (-22%) which bought back 10% of its shares in a Dutch auction at a P/E <7x but where arbitrageurs were caught out by the advantageous low price and dumped shares thereafter;
- Prime Media (-18%) which trades on a prospective FY2020 EV/EBITDA multiple of ~2.6x and where all the "enterprise value" will be equity by financial year end;
- Virtu Financial (-13%) where Q2 results reflected a tough three month low volatility environment but showed more rapid integration of ITG than planned;
- A2B Limited (-15%) which has net cash, is free cash flow positive and trades at a prospective EV/EBITDA multiple below 4.5x; and
- PM Global Opportunities Fund where the discount to NTA blew out to 19% by end month

We continue to assess all positions and see numerous catalysts for our long portfolio holdings to close the gaps between market price and assessed value. The announcement by Monash Absolute Investment Company of an effective unitisation scheme during the month is a pertinent example.

Equity exposure as at 31 August 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	74.2%	16	126.2%	34	200.4%	50
SHORT	(12.3%)	4	(31.0%)	13	(43.3%)	17
INDEX	(73.0%)		(98.9%)		(171.9%)	
TOTAL	(11.2%)	20	(3.8%)	47	(15.0%)	67

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 0.50% 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 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%	-25.8%	21.6	395%	0%
31 Jul 19	-1.8%	-0.7%	-2.6%	-24.7%	21.1	413%	-13%
31 Aug 19	-7.9%	-0.6%	-8.5%	-26.0%	19.3	416%	-15%

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