



"a portfolio of quality businesses under the aegis of controlling shareholders "



MONTE•CARLO
SOCIÉTÉ DES BAINS DE MER



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REACH MARKETS 13/10/23

- Who are we & our fund?
- Significant empirical research & why?
- Research and evaluation
- What our portfolio tells you about the world

"a portfolio of quality businesses under the aegis of controlling shareholders"

- A wholesale long-only trust
- Investing in high quality global businesses
- Alongside controlling shareholders
- At discounts to intrinsic value

- Defensive and counter-cyclical: **cash**
- Case study: EXOR
- Case study: Vivendi
- Case study: Virtu Financial
- Conclusion

WHO ARE WE?

@east72holdings on “X” east72.com.au/dynasty-trust

- Subsidiary of unlisted public company
- 40+ years experience across buy-side, sell-side, corporate, 14 listed boards, consultation
- Prudential, County NatWest, AMP, Rothschild
- Deep value, sum-of-the-parts stems from insurance and financials analytical background
- Big stress on capital management and deployment



<u>Bolloré/Compagnie de L'Odet</u>	Quarterly Report #2	30 June 23
E-L Financial Corp	Trust Presentation	20 July 23
EXOR	Trust Presentation	27 February 23
HAL Trust	Trust Presentation	20 July 23
Laurent Perrier	Trust Presentation	20 Jul 23
News Corporation	Trust Presentation	27 February 23
Porsche <u>Automobil Holding</u>	Quarterly Report #1	31 March 23
<u>Robertet</u>	Trust Presentation	27 February 23
Société des Bains de Mer	Quarterly Report #1	31 March 23
Virtu Financial	Quarterly Report #3	30 September 23
Vivendi	Quarterly Report #2	30 June 23
Volkswagen AG	Quarterly Report #1	31 March 23

- “Why Andrew Brown’s latest fund is following Monaco’s royals” AFR 17/7/2023
- “French Hidden Champions” substack interview 4/9/2023



FUND CHARACTERISTICS

- Long only; 20-35 exposures
- Currency UNHEDGED
- No derivatives

- Intended low turnover
- long-term holding period
- Index unaware

Pricing, entry, exit	Month end (monthly)
Restriction	Wholesale only; s708 accreditation required; \$50,000 minimum investment
Entry/exit fee	0% / 0.25%; ongoing investment minimum \$25,000
Management fee	1.00% (+GST/RITC)
Performance fee	8% (+GST/RITC) of post fee return and subject to high water mark
Trustee	Westferry Operations Pty Limited (ABN 48 103 724 072) (AFSL 302802)
Manager	East 72 Management Pty Limited (ACN 663 980 541) [Corporate Authorised Representative COR001300340]
Custody	Interactive Brokers Australia Pty Limited
Bankers	Macquarie Bank

PHILOSOPHY UNDERPINNED BY GLOBAL EMPIRICAL RESEARCH

- Credit Suisse: “Family Business: Premium Performance” (September 2018 + updates)
- Credit Suisse: “Swiss Family Business Model” (September 2017)
- UBS: “Why do Family controlled public companies Outperform” (April 2015)
- Harvard Business School: “What you can learn from Family Business” (November 2012)
- National Bank of Canada: “The Family Advantage” (commenced October 2015, latest June 2022)

“Disciplined Governance is King and Queen” (UBS – report above)

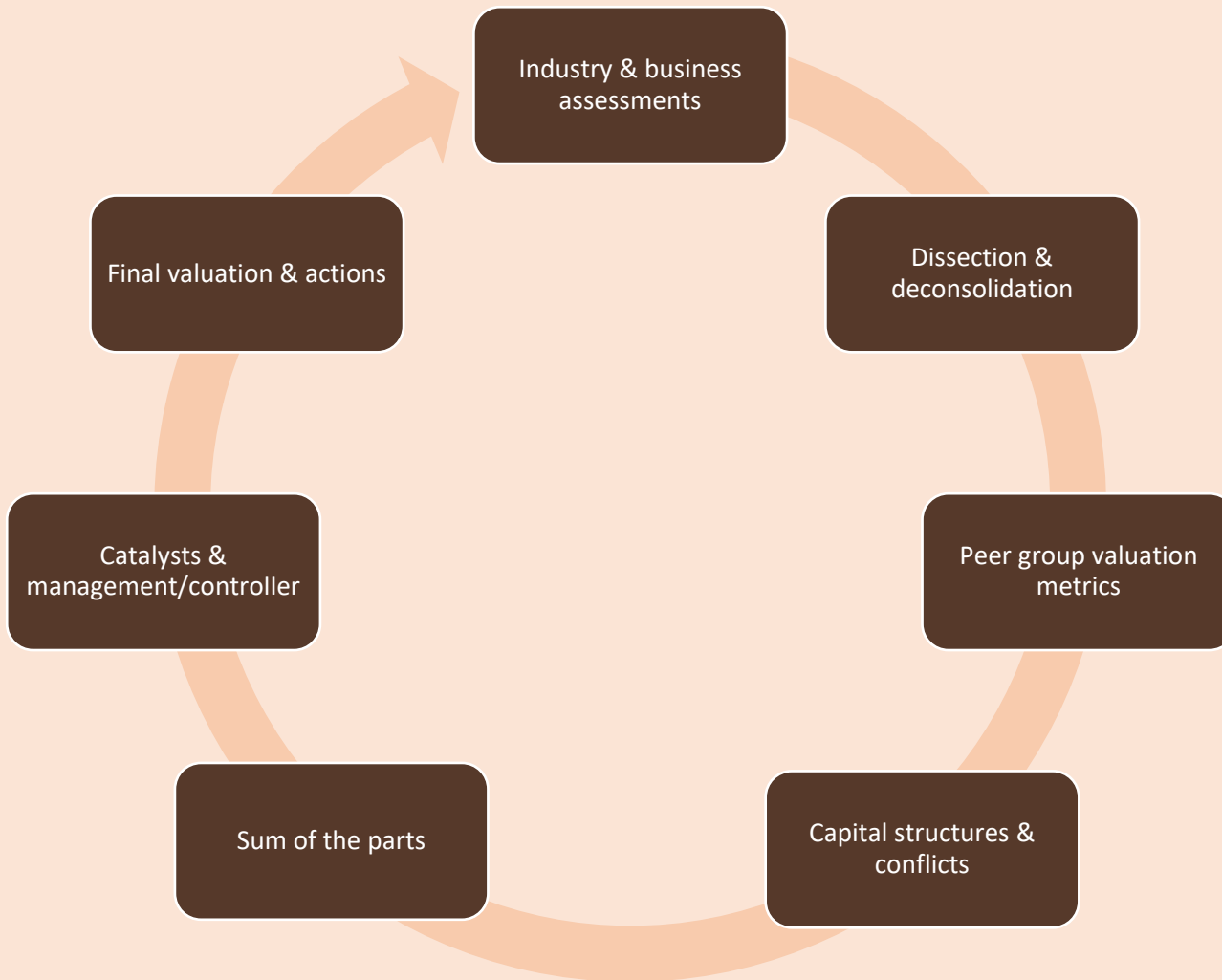
“Floated family-owned businesses have, by and large, passed the perils of the initial founding phase. Evidence shows that companies at this point in their life-cycle usually **combine the benefits of funding via capital markets with a focus on core business, less value-destructive M&A**, and more effective general governance. The **positives of family 'skin in the game' have historically outweighed any potential negatives**, and this outperformance window tends to stay open as long as the family ownership persists.”

WHY SHOULD THERE BE OUTPERFORMANCE?

(WITH A BIT OF HELP FROM HARVARD BUSINESS REVIEW & SOME BROAD EXAMPLES)

RESILIANCE VERSUS PERFORMANCE	Not losing the inheritance
DECADE + LONG TIME HORIZONS	HAL Trust built European optical retail business via acquisition & absorption D'leteren grown Belron – world leader in vehicle glass replacement
HIGH RETURN NICHE BUSINESS	Robertet fragrances require long term nurturing FRP quarry royalty
COUNTER CYCLICAL	EXOR selling reinsurance business to yield cash for higher returns EXOR, Bolloré & HAL (and others) have €billions of cash to deploy into a weakening environment FRP sold warehouses to recycle into higher yields
ACT DECISIVELY TO BUY/SELL/SPIN	Madison Square Garden companies structure changes
DIVERSIFICATION	Many of our companies are businesses pinned to asset holdings
FEWER & CLOSER ACQUISITIONS	HAL makes more than most but in adjacencies
TALENT RETENTION	Executives are adjacent to the controlling holders – Charter/Liberty
GLOBAL PLAYERS	Networks, niche businesses – CK Hutchison
COMPLEX, NOT COVERED	Sell-side coverage spartan, too difficult, no money in it.
THEIR NAME IS OFTEN ON THE DOOR	Reputational maintenance is vital – these are not “brand names”

RESEARCHING AND EVALUATING:VW (March 2023 quarterly)



- Automobile industry
- VW brands and price points
- EV exposures and capital spend
- Lamborghini ?
- Bentley?
- Traton (trucks - 89%); P911 (75%)
- VWFS finance company subsidiary
- China JVs
- Preference vs Ordinary
- Net cash but high capital spend
- Porsche & Piech family influence
- VOW/VOW3/PAH3/P911 ???

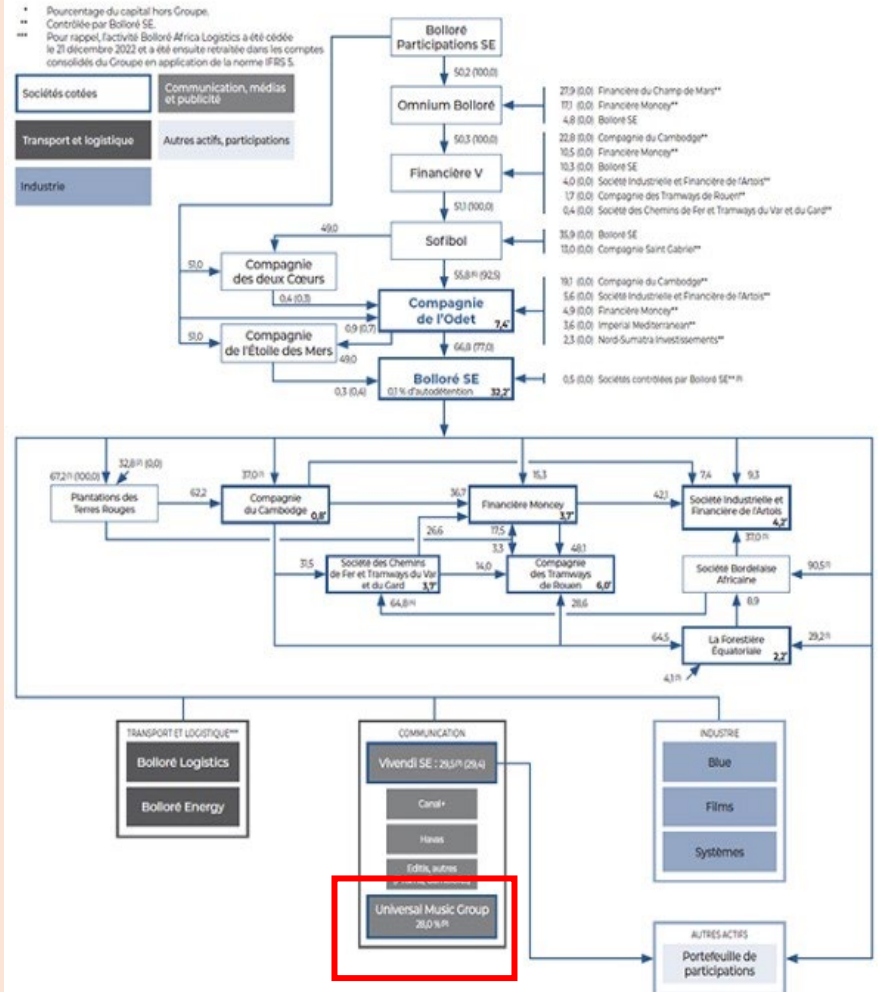
RESEARCHING AND EVALUATING: Bolloré: (June 2023 quarterly)

- Self control loop (owns itself)
- Partially completed deals: €1 billion of asset sales
- Partially completed deals: Arnault at the table
- Cross border media
- X-industry media (film, FTA & streaming, royalty)
- Corporate strategy, potential new deals
- Ongoing capital management



Organigramme : actionnariat détaillé des sociétés cotées du Groupe

Au 31 décembre 2022, en pourcentage du capital (et en droit de vote).
% (%) % du capital (% des voix en Assemblée générale si différent).



Par convention, les participations inférieures à 1 % ne sont pas mentionnées.

- (1) Directement et indirectement par des filiales à 100 %.
- (2) Dont moins de 10,0 % par Compagnie du Cambodge et 22,8 % par Société Industrielle et Financière de l'Artois.
- (3) 4,1 % par SFA, filiale à 98,4 % de Plantations des Terres Rouges.
- (4) 64,8 % par sa filiale directe à 53,6 %, Sofifrance.
- (5) 30,2 % par Société Bordelaise Africaine et 6,8 % par sa filiale directe à 53,6 %, Sofifrance.
- (6) Dont 5,4 % par sa filiale directe à 99,5 %, Compagnie de Guérolle.
- (7) 28,9 % par Compagnie de Cornouaille, filiale à 100 % de Bolloré SE, et 0,5 % par Compagnie de l'Odet (% du total des voix brutes).
- (8) Impenal Mediterranean, Société Bordelaise Africaine et Nord-Sumatra Investments.
- (9) 17,7 % par Compagnie de Cornouaille, filiale à 100 % de Bolloré SE, 0,3 % par Compagnie de l'Odet et 10,0 % par Vivendi SE.

Les principaux intérêts minoritaires se trouvent dans les divisions Communication et Transport et logistique. En 2022, la part des résultats nets attribuables aux minoritaires s'est élevée à - 767 millions d'euros pour la Communication et à 85 millions d'euros pour le Transport et logistique pour un résultat net total de l'ensemble du Groupe de - 676 millions d'euros (voir chapitre 5. 5. États financiers consolidés - note 10.3 du document d'enregistrement universel). L'essentiel des intérêts minoritaires du Groupe concerne la participation du Groupe dans Vivendi. Les pourcentages d'intérêt sont fournis pour chaque entité dans le chapitre 5. 5. États financiers consolidés - note 18 du document d'enregistrement universel.

WE ARE NOT ECONOMISTS.....BUT.....

- Global debt bubble now more expensive to service
- Inflationary forces not yet dead – demographics/service costs
- Would rather be long than short VOLATILITY
- Second, third & fourth “derivative” forces yet to play out
- Index level US equities expensive: ~20x at ~4.75% 10-year bond? 12% EPS Δ CY2024??
- We don't rule out a market “accident”
- Pricing power preferable
- Conglomerate structures work in this environment – as does multi generational experience
- Partial to well managed, motivated discounted investment companies
- VERY keen on companies who sold expensively and have CASH to buy at distressed prices

PORTFOLIO EXPOSURES: 30 SEP 2023 (% NET ASSETS)
 (36 SECURITIES - 89% INVESTED)

Compagnie de L'Odet	4.33%	EXOR NV	2.64%
Vivendi	4.18%	Yellow Brick Road	2.58%
Société des Bains de Mer	4.04%	FRP Holdings	2.57%
D'leteren Group	3.53%	Robertet SA	2.54%
Virtu Financial	3.47%	E-L Financial Corp	2.35%
HAL Trust	3.16%	Canadian General Investments	2.35%
Catapult International	3.08%	Magellan Financial	2.30%
Flow Traders	2.91%	Sphere Entertainment	2.21%
MFF Capital Investments	2.84%	Economic Investment Trust	2.19%
Manchester United PLC	2.74%	Cie Financière Richemont	2.19%

WHAT DO YOU WANT IN THIS ENVIRONMENT? CASH!

- Numerous operating companies have significant cash holdings
- Most have additional listed securities exposures which act as a buffer (excluded)
- Others have scope for further cash accumulation (eg. Bolloré)
- Few positions with high debt exposures (eg Aviation PLC, Manchester Utd)
- EXOR reinvested re-insurance proceeds (Philips/funds)

Company (local currency in millions)	Net Cash	Mkt Cap	Cash/mkt cap	Notes
Volkswagen	€33,627	€59,262	56.7%	(Porsche – P911 spin) 30/6/23
HAL Trust	€2,533	€10,067	25.1%	(Grand Vision) 30/6/23
Bolloré (adj treasury loop)	€1,831	€7,009	26.1%	African logistics (parent)
Magellan Financial	A\$246	A\$1,669	14.7%	30/6/23 adjusted
Cie. Fin Richemont	CHF6,330	CHF 64,310	9.8%	30/6/23
D'leteren (parent)	€691	€8,683	8.0%	Subsidiaries have debt (Belron)
Société des Bains de Mer	€120	€2,819	4.3%	(FL Entertainment) 31/12/22

EXCEPTIONAL CAPITAL MANAGEMENT: EXOR (EXO.AS)

Spin-offs to resolve capital conflict & focus business

Don't issue own shares

Long term retention and support but strategic purchase and sale

FIAT BECOMES FIVE COMPANIES

Stellantis: 18 Jan 2021
 CNH Industrial: 3 Jan 2011
 Ferrari: 20 Oct 2015
 Faurecia: 28 April 2021
 Iveco: 3 Jan 2022

Less shares on issue than 1 March 2009 EXOR formation (227m vs 245m)

EXOR holds 3.9% of 227m shares in Treasury

PARTNER RE

Acquired 18 Mar 16 €6,025mn
 Dividends € 886mn
 Sold 12 July 2022 €8,311mn

**IRR on Partner Re over 6 years
 ~7.4% pa pre-tax**

FIAT SHARES VALUED

at €1.34bn on 1/3/2009

Extra investment: € 757mn
 Dividends: € 4,086mn
 30 Sep 2023 value: €25,551mn
 NOMINAL RETURN €28.9BILLION

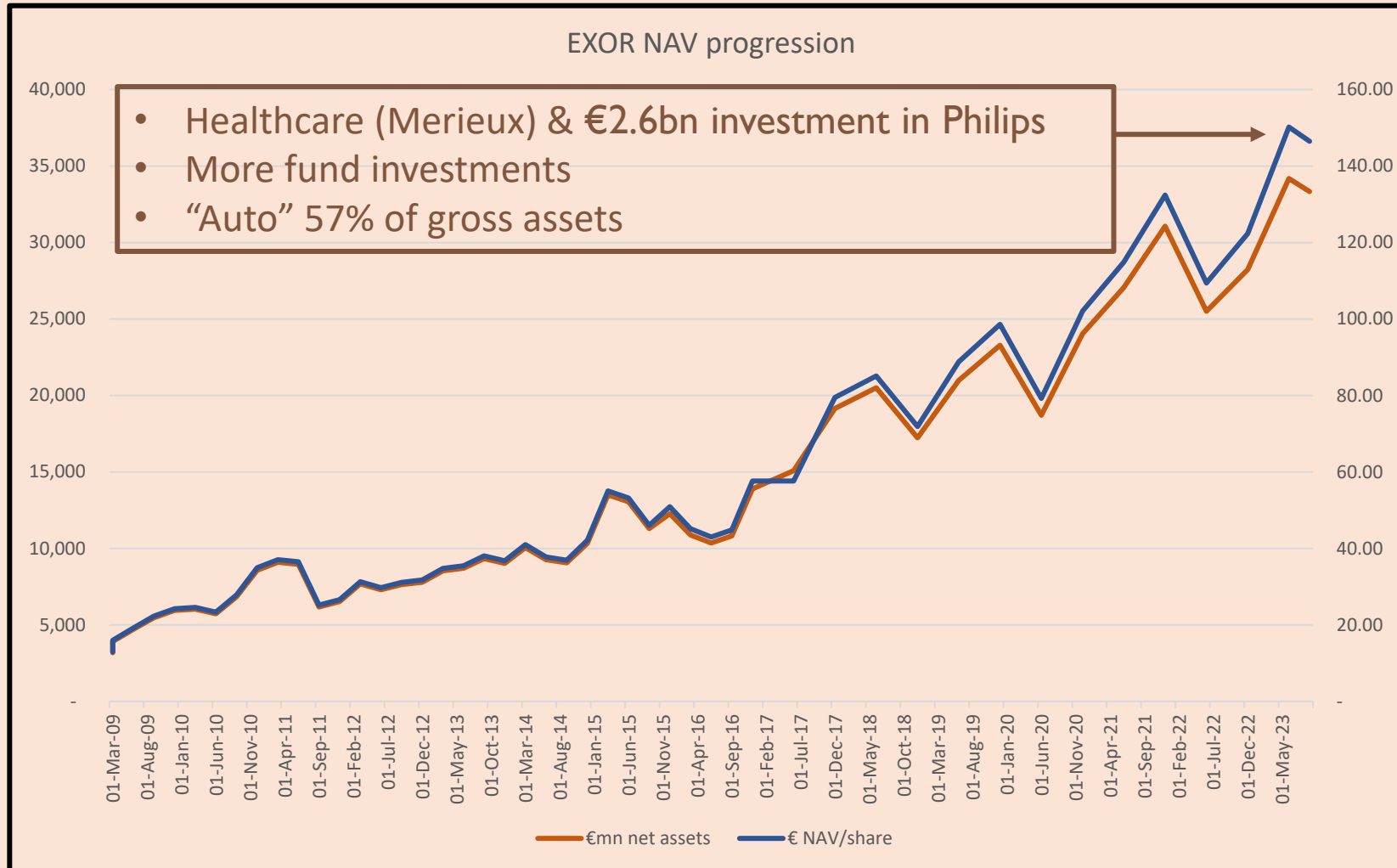
**IRR on FIAT from 1/3/2009
 23.8% pa pre-tax**

Stellantis	€ 8,131mn
Ferrari	€12,421mn
CNH Industrial	€ 4,199mn
Iveco	€ 650mn
Faurecia	€ 150mn
TOTAL	€25,551mn

PARTNER RE did:

- Invest with EXOR in property
- Invest in EXOR managed funds including EXOR seeds
- Did provide EXOR with investments in reinsurance SOV's with COVEA (acquiror)

EXOR DISCOUNT STILL >40%: MORE BENEFITS TO SHAREHOLDERS



- EXOR NAV risen from €12.95 on 1 March 2009
- E72 estimates 30/9/23 NAV of €146.45
- NAV gain of 18.1% compound per annum
- €5.47 of pre-tax dividends since inception
- IRR on net assets of 19.3% since inception

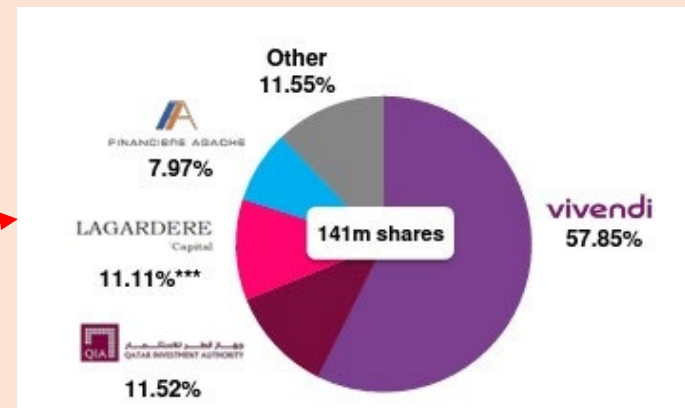
Shareholder IRR = 23.6% as P/NAV discount closed from 58% to (E) 43%

EXOR has announced a €1bn buyback o/w €750m tender offer

VIVENDI: VERY CHEAP OLD-WORLD MEDIA + OPTIONS (VIV.PA)

- €8.5billion market cap; €10.4billion EV
- 28% owned by Bolloré
- Bolloré will have ~ €6.8billion cash after logistics sale
- Spun off Universal Music Group – September 2021 – delivered 18% direct to Bolloré
- Long running deal to acquire control of Lagardère
- >€680m profit businesses strapped to >€9.5BILLION investments
- Multiple options to create value: Lagardère bid expires December 2023

COMPANY	STAKE	VALUE €MM
Universal Music Group	10.2%	4,536
Lagardère	57.8%	1,527
MultiChoice	32.6%	492

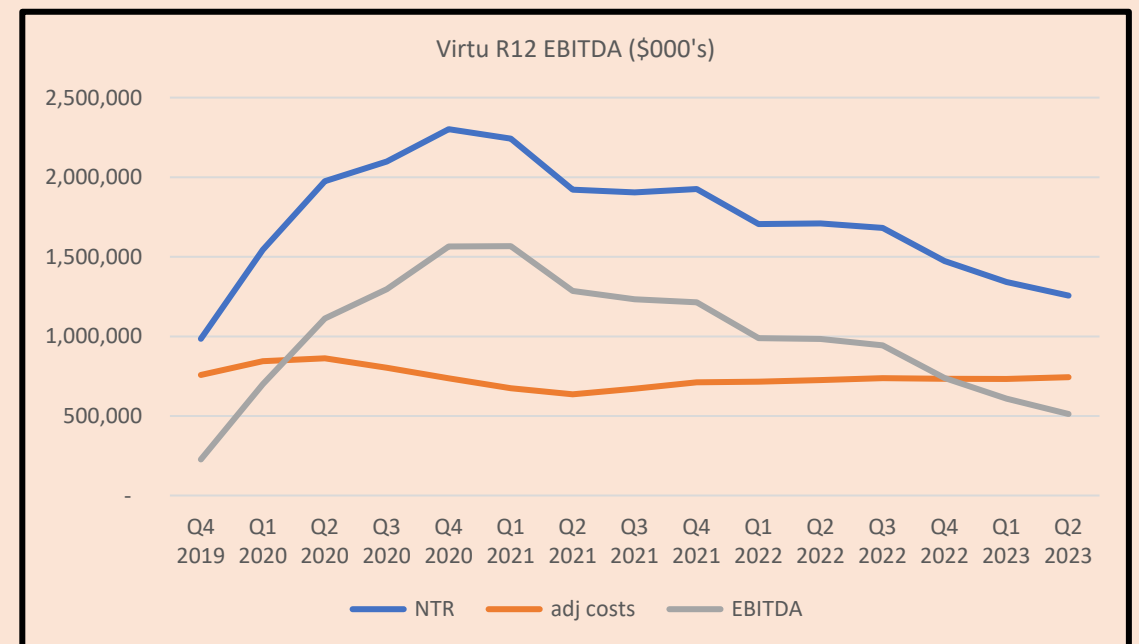
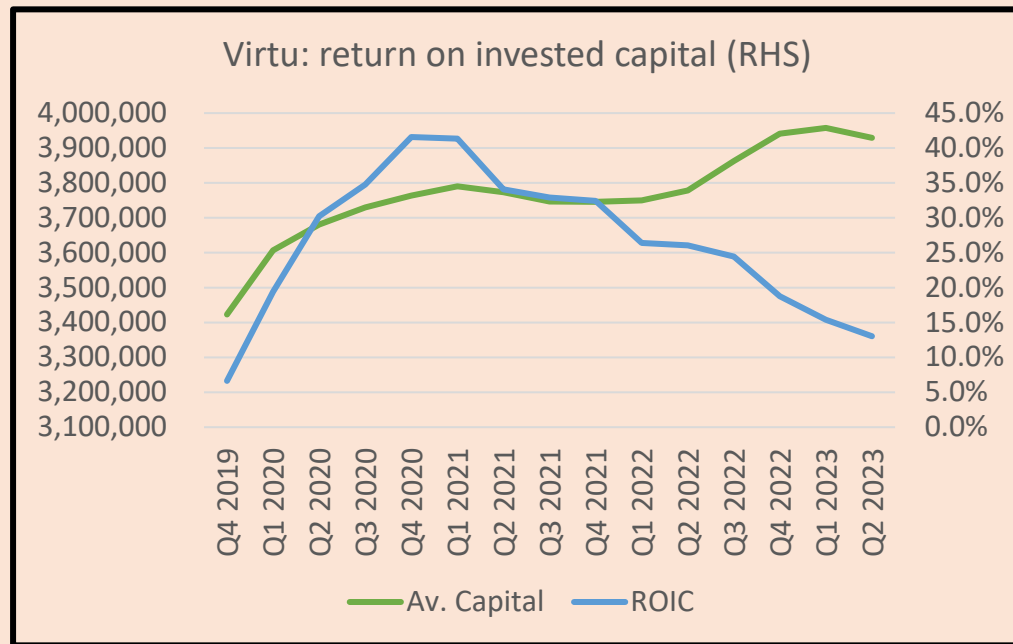


~€700M OF INCOME VALUED AT €800M

ASSET (€mn)	NTA BASIS	COMMENTS
EQUITY CAPN	8,533	1,023m shares at €8.34
Net debt	1,945	
ENTERPRISE VALUE	10,478	
LISTED associates	(6,555)	UMG, Lagardere, Multichoice
Other LISTED investments	(2,200)	Telecom Italia, FLE, Media for Europe, Telefonica, Prisa
Unlisted	(291)	Viu (HK based streaming)
Editis (held for sale)	(628)	Regulatory forced sale
VALUE OF INVESTMENTS	(9,674)	
IMPLIED VALUE BUSINESS	804	
Forecast EBITA CY23	683	Canal+ , Havas, Village, etc less corporate costs
EV/EBITA	1.2x	

VIRTU FINANCIAL: UNIQUE US INVESTMENT (VIRT)

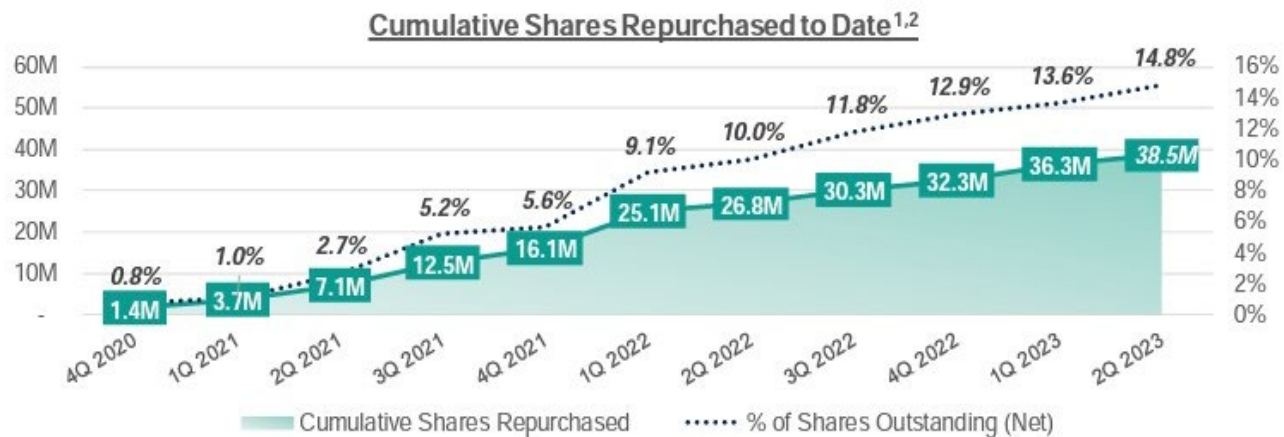
- Only listed liquidity provider (US\$2.8bn equity cap + US\$1.8bn of fixed debt)
- Long term benefits from secular moves to off exchange, new products, retail participation
- ~9% share of US stock trading
- Regulatory changes + recent weak operating environment



OPTIONALITY + CAPITAL MANAGEMENT AT P/E <9x

- VIRT market making profit benefits from wider spreads and higher (retail) volumes
- Average ANTI/day from 2019 is \$6million; Q1 2021 (memes) \$11.7million
- Last week of March 2020: >\$33million/day; Q2 2023: \$4.5mn
- 163m total shares; only 94million publicly traded
- LTM adjusted pre interest profit \$512m – below one-third of peak (YT Q1 2021) of \$1.57bn
- Shareholder rewards from 5.6% dividend yield + share buy backs

- SEC enquiry into “Equity Market Structure” (Pfof, tick size, retail stock execution)
- VIRT sued SEC; SEC have sued VIRT – sentiment hit in recent months
- Some SEC reforms likely; more radical ones (retail auction) unlikely (industry opposed)



Debt Structure at June 30, 2023

Debt Description (\$M)	Maturity	Effective Rate	Balance
First Lien Debt - Floating ³	Jan 2029	S + 3.00%	\$257
First Lien Debt - Fixed with 4.560% swap ^{3,4}	Jan 2029	4.560%	\$1,000
First Lien Debt - Fixed with 4.460% swap ^{3,5}	Jan 2029	4.460%	\$525
Japannext ⁶	Jan 2026	5.00%	\$24
Total⁷		5.04%	\$1,806
LTM Adjusted EBITDA¹			\$636
Debt / LTM Adjusted EBITDA¹			2.8x

THANK YOU FOR WATCHING & LISTENING

- As debt costs more, and gradually unwinds, it won't be an easy environment
- We won't go back to QE in a hurry – many are begging for it
- Major diversification from Australian assets desirable
- Myriad of opportunities outside mega-cap technology
- Will reward longer term thinking – families & others who have done it before
- We don't want debt – no gearing/hedging in E72DT
- Where we go looking rewards analysis – many mispriced securities (TL;DR)

QUESTIONS?