



# East 72 Dynasty Trust

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

ISIN AU0000368219

ABN 43 935 022 778

## QUARTERLY REPORT #13: PERIOD TO 31 MARCH 2026<sup>©</sup>

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### Performance and net asset value

Quarterly return <sup>†</sup> : -4.62%	NET ASSET VALUE PER UNIT AT 31 MARCH 2026 <sup>†</sup> :	\$1.2428
Rolling 12 months <sup>†</sup> : 2.63%	Two years pa <sup>†</sup> : 6.74%	Three years pa <sup>†</sup> : 8.71%
Inception <sup>†</sup> : 30.42%		

<sup>†</sup> after all ongoing management and performance fees.

### Be first. Be smarter. Or Cheat (now I don't cheat)<sup>1</sup>

It's not the role of this quarterly to write about equity markets, global economies or monetary policy. Claude or thousands of independent scribes will do that for you. However, the three months to end March 2026 felt sufficiently different to warrant a small comment, with frenetic and violent activity underneath the performance of mainstream indices. As noted in our last quarterly (QR#12) there was increased evidence of a widening of US equity market performance away from the largest weighted securities in S&P500; that certainly eventuated over the quarter, especially in the month of February when the S&P500 equally weighted index outstripped its conventional counterpart by ~2.8%. Over the quarter, S&P500 equal weight returned a small positive 0.2% against -4.6% for the weighted version.

The manner of these outcomes invokes the brilliantly portrayed (if mythical) John Tuld's quote: almost as if roaming gangs of bandits were marauding through specific market sectors with aggressive theories, shooting first and not asking questions later. Software and SaaS related stocks in January with a benchmark<sup>2</sup> down 14.6% in the month of previously perceived (and extravagantly priced) quality and annuity companies. In February, as a derivative of this, fears over the exposure of private equity/private credit to software stocks, and a more direct attempt to compare with 2008; a benchmark<sup>3</sup> of alternative asset management firms (Blackstone, KKR et al) fell 20.9% in a single month. KKR is down 46% from its January 2025 peak and the more private credit exposed Blue Owl 67% over the same period – close to 40% in the March quarter alone. In March, the military action against Iran with its derivative consequences on Brent crude oil prices (up 44% for the month and 73% for the quarter) and US Treasury yields (+40bp) left few places outside the energy complex to hide. Gold stocks, measured by GDX<sup>4</sup> rose 35% across January and February (with some volatility) but collapsed 21% in March 2026.

For Dynasty Trust, denominated in Australian dollars, we had an extra influential factor – currency. The A\$ appreciated sharply during January and February (+ 7% on a trade weighted basis to its 11 March peak) before giving back half of this rise in two weeks, as the world realised higher Australian rates to cope with lack of Government reform and embedded inflation – going back to decisions made in early 2021 – don't make for an attractive currency.

In A\$ we returned -4.6% for the quarter (-1.7% in US\$); prior to fees, our actual **local currency** return from the portfolio was -0.8%. Once again, we demonstrated far lower absolute volatility, despite no hedging, than global equity indices because of the nature of securities in which we invest.

This preamble is relevant to portfolio changes we made during the quarter, to ensure that the "tail" of the portfolio – securities with a below median weighting – were not likely to act as a drag to performance.

<sup>1</sup> "John Tuld" (brilliantly played by Jeremy Irons) CEO, in the "sell it all" meeting of 2011 movie "Margin Call"

<sup>2</sup> iShares Expanded Tech-Software Sector ETF (ticker IGV)

<sup>3</sup> vanEck Alternative Asset Manager ETF (ticker GPZ)

<sup>4</sup> VanEck Gold Miners ETF



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We did adjust the portfolio to ensure greater focus on companies where we felt capital management (or change) was accentuating the benefits of the business and not holding it back. We also divested where less certain over medium-term business prospects and/or valuation in an increasingly difficult environment. Consequently, in February, Carlyle Group, Vivendi, Nelnet, Tetragon Financial, Douglas Group and First Pacific were amongst stocks divested. In turn, we have stretched the weightings of our favoured stocks – see below.

We also exited Hong Kong and Shanghai Hotels after a singularly disappointing “strategic review” announced in mid-March with minimal detail and actions we believe require significant capital spend. Initiatives such as new residences and resorts to leverage the (Peninsula) brand suggest real returns to investors may be some years away, despite vague “asset light” suggestions and the discount to NAV is unlikely to close significantly. The whole review looked to us to be hurried, half-baked and above all lacking in real detail and accentuates our fears of a value trap being realised.

The major positive and negative contributors to the portfolio over the quarter were as follows:

	bp contrib	% Δ†	Comment
AKER-BP	154	41%	Oil price gains
Virtu Financial	106	32%	Strong Q425 results + market conditions
HAL Trust	61	23%	Gain in investment portfolio/peer ratings
Société des Bains	36	26%	Strong results across hotels and property

† stock price local currency gain over quarter or acquisition/period to final sale date

Five securities stripped away over 0.40% from our return over the March quarter, as follows:

	bp contrib	% Δ†	Comment
Carlyle Group	-70	-14%	Private credit/private equity exposure
Aviation PLC	-54	-8%	Indigestion from sale of major stake
Robertet	-48	-8%	No specific news – results strong
Fairfax Financial	-48	-9%	Profit taking after strong results
Lagardère	-42	-5%	Perceived airline disruptions despite excellent results

† stock price local currency decline over quarter or acquisition/period to final sale date

Dynasty Trust’s top ten positions as at 31 March 2026 - with description - as a percentage of net asset value are:

Virtu Financial	6.49%	Significant US liquidity provider in equities
HAL Trust	6.37%	Rotterdam based marine focused conglomerate
Avolta	6.11%	World's largest travel retail business
AKER-BP ASA	6.06%	Norwegian based oil company
Compagnie de L’Odet	5.53%	Holding company for Bolloré group
Viel et Cie	5.12%	Holding company for Patrick Combes/CF Tradition
Lagardère	5.07%	World's #3 in travel retail and book publishing
Fairfax Financial Holdings	5.03%	Canadian based reinsurer and investor
E-L Financial Corp	4.53%	Toronto based life holding company/investor
CK Hutchison	4.49%	Telecoms, retail, ports and infrastructure holdco

At quarter end, we held a reduced number of 22 exposures and retained 3.5% net cash weighting after all accruals. Five of the top ten represent companies where gaining relevant global industry exposure is difficult; half have retired equity in the last year.



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Two companies in the top ten holdings are worthy of brief comment: HAL Trust and Odet/Bolloré.

## HAL Trust

At 31 December 2025, HAL's disclosed NAV per share at the market value of its listed holdings (Vopak, SBM Offshore, Technip Energies, Siltronic, Safilo and its liquids portfolio) of €181.84 per share (90.3 million shares). Between calendar year end and 31 March 2026, the market price of these holdings rose by 21.4% being €1,029 million or €11.39/share.

In addition, the share price of DEME, a Belgian listed direct competitor of HAL's 100% owned Boskalis unit rose by 31.9%. If we apply the average of five pricing metrics investors are ascribing to DEME at 31 March 2026 (EV/EBITDA, EV/EBITA, EV/adjusted operating cash flow, P/E ratio and price/equity free cash flow) this would ascribe a price to Boskalis equity of €9,471 million. HAL's book value of Boskalis<sup>5</sup> is €5,409 million suggesting a potential uplift of over €4 billion (€45/HAL share) if the unit was "marked to market".

Applying both of these adjustments to a deconsolidated balance sheet of HAL Trust **suggests a full value** per share at 31 March 2026, allowing for a divestment of Atlas (a staffing business), **to be close to €23 billion (€255/HAL share)** – suggesting the end quarter price (€173.60) to still be trading at a 32% discount. That's without making further (upward) adjustments to HAL's other unlisted business values where we await subsidiary annual reports.

Deducting the notional 31 March 2026 value of the quoted interests suggests we are buying the unlisted businesses of HAL, including Boskalis, at an EV/EBITA multiple of ~7x, where profit grew 11% last year. In our view, that still suggests a wide margin of safety despite the 50% total return of HAL Trust shares (including dividend) from a year ago.

## Odet/Bolloré

Bolloré's two major assets are symmetrical: cash (€5.6 billion at 31 December 2025) and an 18% direct shareholding in Universal Music Group, also valued at market price at end March at €5.6 billion (338.7 million shares at €16.64). Both these key assets (alone worth €4.03/Bolloré share with no self-control loop adjustment) are now subject to change. Bolloré intends paying a €1.50/share special dividend absorbing €4.2 billion, but the self-control loop ensures it receives back about €2.3 billion, once its 71% shareholder, Compagnie de L'Odet has paid out a promised two-thirds of said dividend. With numerous Bolloré entities owned 5% within the group, the application of France's *mère fille* (mother-daughter) tax rule limiting tax on the dividend to 5% means the level of tax friction on the intra-group distributions is minimised. So the group's ability to manoeuvre is barely impaired.

Since quarter end, Bill Ackman's Pershing Square, which holds 4.7% of UMG, has pitched a proposal<sup>6</sup> to use its controlled Pershing Square SPARC, inject €2.5 billion of funds, gear up UMG, sell off its €2.7 billion holding in Spotify and effectively cancel 17% of UMG's shares by offering €5.05 per UMG share in up-front cash consideration, swapping out the residue for SPARC securities to be listed on NYSE.

Pershing Square would effectively become the controller of UMG with two board seats and their appointed Chair, but with only 11% of the "NewCo". In our view, the financial engineering underpinning the deal actually has appeal – we suspect to Bolloré as well – but not the governance aspects nor the childish arithmetic used to publicise the mooted transaction suggesting total value of over €30/UMG share. However, **as a start point for negotiation**, it's not completely silly.

<sup>5</sup> Page 12, 2025 HAL Trust annual report

<sup>6</sup> Available at <https://x-shared.s3.us-east-1.amazonaws.com/New+UMG.pdf>



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We suspect Bolloré may engage. The implied "buyback" price of €22/UMG share – which would give Bolloré a cash injection of €1.7billion – is low but may be a case of sell a little to make a lot. Odet sold 6million UMG shares last year at €27.50 – having purchased at below €19 – so we have an idea of its buy-sell range, into which Ackman has postulated the virtual mid-point!

If Bolloré can negotiate away the more absurd (in our view) parts of the deal and retain a sensible level of control via its marginally diluted stake of 17.2% (+Vivendi's of 9.2%), **then it returns the Bolloré balance sheet back close to where it was prior to the special dividend**, and repays the debt of its questionable 30% owned media investment company, Vivendi<sup>7</sup>.

Investors continue to be cynical about Bolloré (and hence Odet) pricing the shares at egregious discounts to liquidation value. With the court case relating to control of Vivendi brought by CIAM being heard by the Paris Court of Appeal on 22 May 2026, we are hopeful that by end-June there is a more transparent path forward for the company. In the meantime, the group continues to cannibalise its own shares, with notable purchases by Odet of Bolloré stock. We remain happy with our mid-teens effective value of Bolloré shares.

## Pershing Square versus Roaring Kitty

Whatever one's view of Pershing Square's principal – ours have fluctuated with the vicissitudes of his moods – the letters of his London listed closed end fund, Pershing Square Holdings (PSH), are always an interesting read. So are the timings of his attempts to enhance Pershing Square Management's assets under management which awkwardly tend to pre-date a market dislocation!

The 2025 PSH annual report reiterates a piece – the 2024 half year letter – where Ackman opines on short term equity market volatility and "casino-like" markets. Bemoaning the increased ownership of passive funds ("permanent owners"), Ackman focuses on the impact of marginal traders<sup>8</sup>:

*"(from 2024 half yearly) We believe that the growing index ownership as a percentage of stock market float has increased the impact that short-term, highly leveraged investors can have on price discovery as they now comprise a growing percentage of the market cap and daily trading of companies, and are important marginal buyers and sellers of a security. These shorter-term investors– which include so-called market-neutral and quantitative funds– use large amounts of margin, derivative, and total return swap leverage in their strategies. As highly leveraged market participants, these investors' tolerance for mark-to-market losses is small, which contributes to stock price volatility as they can become effectively forced sellers when companies disappoint, even in the short term. (ends 2024 half yearly)*

*This phenomenon of massive short-term volatility in even the largest, most well-capitalized and most closely followed companies has only increased over the last two years. As a result, the stock market at times feels 'broken;' that is, stocks can trade in, what appears to us, a completely irrational fashion in the short term when a company fails to meet and/or exceed analysts' or investors' expectations. While short-term disappointments can be a harbinger of future underperformance, the degree of downward volatility in many cases appears irrational– well in excess of reasonably anticipated potential intrinsic value risk or impairment due to the potential disappointment. In many cases, the market has responded in a negative way to news that we viewed favorably, and with the passage of time, the initial negative market reaction has often proven to be an overreaction.*

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<sup>7</sup> Vivendi is also receiving €105million in dividends from Banijay (BNJ.AS) if the latter's mooted transaction with All3 Media proceeds

<sup>8</sup> Pershing Square Holdings Annual Report 2025 pages 7-8



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*We believe that current market dynamics are due to the ever-growing percentage of capital controlled by highly-leveraged market participants who have extremely short-term objectives, and are incentivized or required to exit when certain stop loss triggers are hit due to margin and/or total-return swap leverage and/or risk limits, amplified by the reduction in float due to growing index ownership.*

*The market increasingly appears like a casino where money is wagered over the course of a day, hours, minutes or even seconds. This mismatch between stocks, which represent perpetuity interests in businesses that are inherently long-term assets, and their temporary 'owners,' creates growing opportunities for the patient investor with stable capital. Because of our permanent capital structure, the increasingly volatile market dynamics will likely continue to offer us occasionally extraordinary opportunities to buy the highest quality durable growth companies in the world at bargain prices."*

We have quoted the piece verbatim as there are significant nuances therein which would be lost by our clumsy editing. Virtually all valuation driven investors have empathy with such thoughts – but your correspondent, in the context of the stock analysis within this letter, ponders whether they represent a degree of “institutional snobbery”. So what if financial market participants wish to speculate in extremely short-term instruments? They will soon ascertain that expert pricing of such instruments and derivatives be biased against their profit motive.

Such “snobbery” tends to arise when the small guy looks like winning against the Goliaths, as in Q1 2021 in the meme-stock boom; it can be argued that the maintainers of US equity market “plumbing” acted to unclog the pipes and shut down the opportunity, whilst earning “emergency charge out rate” type returns in doing so.

Ackman’s concerns reflect two phenomenon: the resurgence of democratised access to financial markets and the increased “financialisation of everything” seen via the development of prediction markets.

Maybe Ackman is fearful that the liberalised “low-touch” regulation of (his favoured) 47<sup>th</sup> US President is driving events out of the authorities’ control? Or is it part of a longer-term trend which has just accelerated in the past year or so, and which will have its excesses from time to time, but is here to stay?

We are cognisant of both sides of the argument. **However, our largest exposure, Virtu Financial – which captures the optimistic side of the argument – is in our view, certainly priced for the pessimistic view.** Moreover, in light of the marginally increased concentration of our portfolio, much of which was focused around views on individual company capital management, part of the argument in Virtu’s favour revolves around a company now looking as though it is going AGAINST the Wall Street buyback obsession, for good reason.

**The piece which follows discusses how democratised markets continue to burgeon, examine the role of Virtu and its cohort, before assessing Virtu’s own amended strategy from mid-2025.** We believe sell-side analysts are, in general, excessively cynical, with near term earnings forecasts which make little sense. How do you earn EPS of \$1.85/share in Q4 2025 and have a better environment in Q1 2026 to yield a consensus EPS forecast of \$1.25?? The analysis suggests Virtu is under-followed perhaps due to sell side research being produced by their competitors in parts of the business (notably ATS – see later), a phenomenon observed around the globe.

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## Virtu Financial: Growth pivot not reflected in forward estimates or stock price

*The following piece draws on a presentation given to "Value Spain" on 19 March 2026 in Madrid, but with additional detail. The shares traded at \$39.88 on the day before the presentation but readers should be aware the stock advanced to \$43.98 by 31 March 2026 and to \$50.89 (+28%) by the date of release of this quarterly. The charts and other illustrations in this piece are taken directly from that presentation with minor updates.*

Virtu Financial is one of a small number of US based technology-driven market makers with a significant execution services business. It is the **only** publicly listed **pure** liquidity provider domiciled in the US, with the only other such global public company being the Amsterdam based, Netherland listed Flow Traders. We last wrote in detail about Virtu in September 2023<sup>9</sup>, when the shares were \$17.27 and utterly out of favour, with volatilities in US equities having fallen away to their lowest realised<sup>10</sup> level in two years and equities volumes tracking at some 10.4billion shares per day in that quarter. Since then, realised volatility – whilst variable – has improved significantly, but US equities volumes have recently been averaging over 20billion shares per day in March 2026. Consequently, the shares have advanced 155% to \$43.98 and paid \$2.40 in dividends for a total return of 169% in two and a half years. Before turning to the specifics of why we are still own Virtu as a significant position and a beneficial pivoting at the company, it's necessary to assess what has changed about market environments in the past thirty months and understand the "plumbing" underpinning US equities markets. **We accept that some of this is (beneficially) cyclical but much is also structural**, perhaps driven by the permissive nature of financial markets under the present US administration. **However, we argue that the evolving nature of Virtu's business and capital allocation importantly provides a counter-balance to a cycle-peak argument.**

Virtu's publicly traded market capitalisation of \$3.8billion at end March, and fully diluted capitalisation of \$6.8billion, is well below other beneficiaries of the structural trends we outline below. Our analysis is framed exclusively on US equities markets, whilst acknowledging Virtu's role in crypto and other non-US equity market making. We do so since US equities represent Virtu's most transparent marketplace, with extensive data, and show the way forward for selected trends to be replicated elsewhere.

### *The financialisation of everything*

Amongst the detritus which masquerade as "annual letters" at the turn of the 2026 (or any) calendar year, a diamond stood out: "Dopamine Markets: 2025 Annual Letter" by Shreyas Hariharan<sup>11</sup>. The piece deals with volumes and usage across a variety of "markets" from crypto, stocks to sports betting and the rocket-like rise of prediction markets.

The first **many** had heard of prediction markets was 2024 with the July change in US Presidential Democratic candidate from Joe Biden to Kamala Harris and general interest in how such a change was impacting on the electoral outcome. From early October onwards, one of the two major players – Polymarket – started to clearly show the odds swinging towards a Trump presidency, whilst not being so clearly reflected in conventional opinion polls. Given that total stakes via Polymarket on the US election are generally believed to be between US\$3-3.5billion, this represented a tangible – and ultimately credible – sign of acceptancy.

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<sup>9</sup> QR#3 30 September 2023 available online at <https://east72.com.au/wp-content/uploads/2023/10/E72DT-Quarterly-Report-Sep-2023.pdf>

<sup>10</sup> Not the predicted levels embedded in the VIX contracts, calculated from implied volatilities of near term, near strike index options

<sup>11</sup> Mr Hariharan runs a blog "dopaminemarkets.com" and operates in the blockchain and smart contract area



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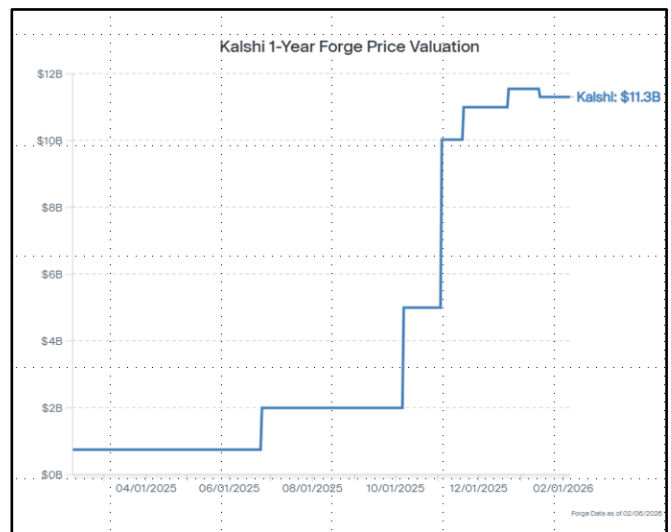
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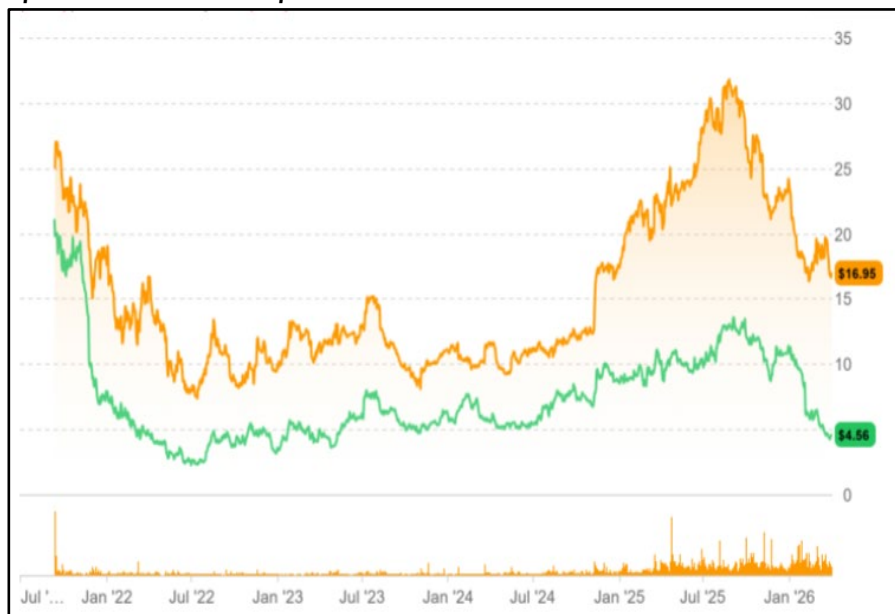
The events of 2024 sowed the seed for a stratospheric rise in the private equity value of the two main prediction market platforms: Kalshi (founded in 2018 by two ex-MIT graduates born in Brazil and Lebanon) and Polymarket (founded in 2020 but with a blockchain basis and with settlements and wagers in cryptocurrency stablecoins).

Both have attracted significant third-party capital in 2025 with Kalshi valued at \$5billion – up from \$1billion a few months earlier – through an investment by Sequoia (Series D) in October 2025, increasing to an implied \$11billion through a Series E round in December 2025, and a further \$1billion raise in March 2026 at a \$22billion valuation. In October 2025, the owners of NYSE – Intercontinental Exchange (NYSE: ICE) acquired 20% of Polymarket at a valuation of \$9billion.

Both platforms – not surprisingly – have been subject to significant US regulatory hurdles, with Kalshi now regulated by Commodity Futures Trading Commission with Polymarket, having operated outside the US, moving inshore also under CFTC regulation. The main “victims” of the platforms have been sports betting companies with their stricter state-by-state legislative requirements together with the suppliers of data and services to such betting providers, with significant share price dislocation (shown below – Sportradar (SRAD in orange) and Genius Sports (GENI in green)



Sportradar and Genius Sports stocks since IPO



In late March 2026, a bi-partisan bill was introduced to the US Senate to ban the two platforms from offering sporting wagers, which have been the major source of revenue for the two. In addition, state based judiciaries – notably Nevada – have issued temporary restraining orders relating to sports contracts.



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There is significant scrutiny around the interplay with financial markets, due to the ability to bet on political and economic events which have financial market consequences (eg Federal Reserve announcements) as well as up/down contracts on stock indices.

Increased speculation persists regarding the existence of significant insider dealing on these platforms from individuals proximate to the US Government who may have advanced access to speeches and pronouncements with material impacts on financial markets. That the 47<sup>th</sup> Presidency has been marked by extreme policy volatility in the areas of tariffs and foreign relations has merely heightened such suspicion.

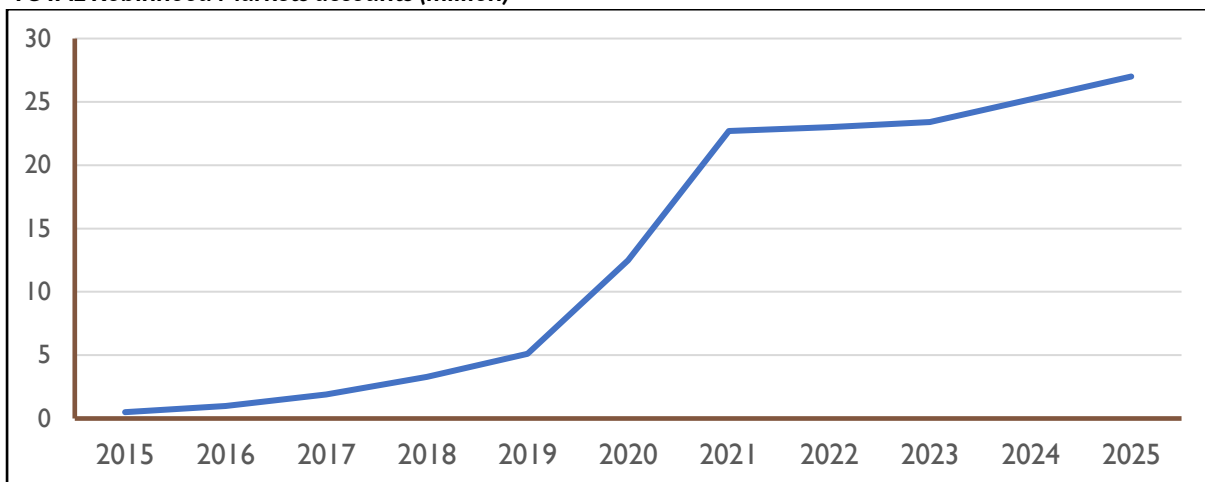
The cynic would reasonably suggest that this will lead to a far more restrictive regime for these providers in due course, most likely after a change of US Government, However, with both founded on technology and mathematics, and an obvious demand for the service, aside from the information content contained therein, in our view, putting the genie back in the bottle may not be so easy.

### *The new financial democracy*

The evolution and private equity support for prediction markets has coincided with a material uptick in retail investor participation in financial markets from early 2025, which judging from volume statistics, has persisted into early 2026.

Whilst the evolution of access to equities markets away from requiring introductions to pin-striped-clad gentlemen with expensive ties has been underway since the late 1970's, and grew sharply with privatisations, the onset of COVID in 2020 accelerated the process dramatically. Further, the meme-stock boom of Q1 2021 accentuated the trend, notably with the US based Robinhood Markets, which introduced the concept of payment for order flow to a wider audience.

**TOTAL Robinhood Markets accounts (million)**



Source: Robinhood Markets Inc public filings compiled by East 72 Management P/L

The trend is not exclusively US based, with the London based multi-national IG Markets, showing significant new account momentum over the same period; this is noteworthy as IG does not operate its normal 'contracts for difference' derivatives business in the USA:

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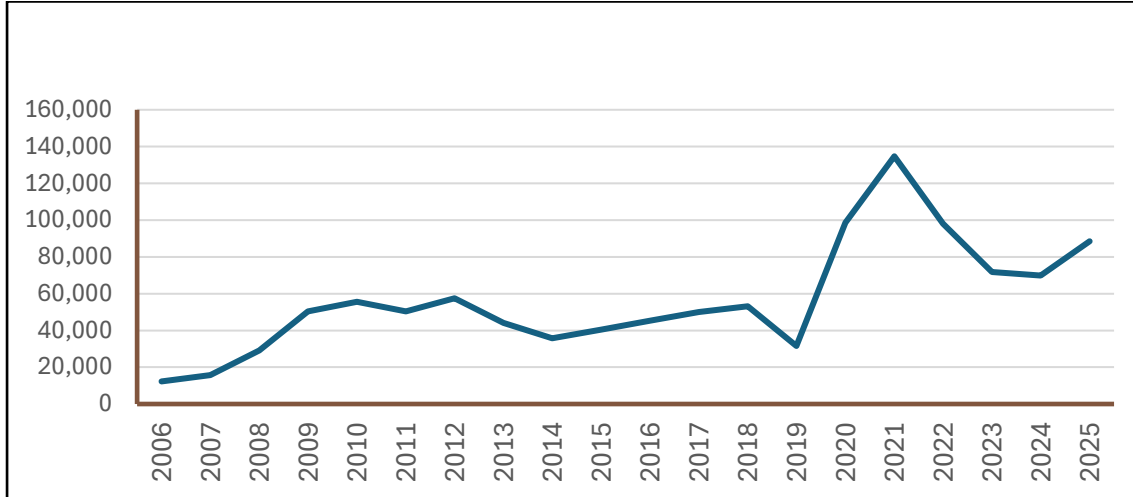
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## NEW IG Markets accounts USED

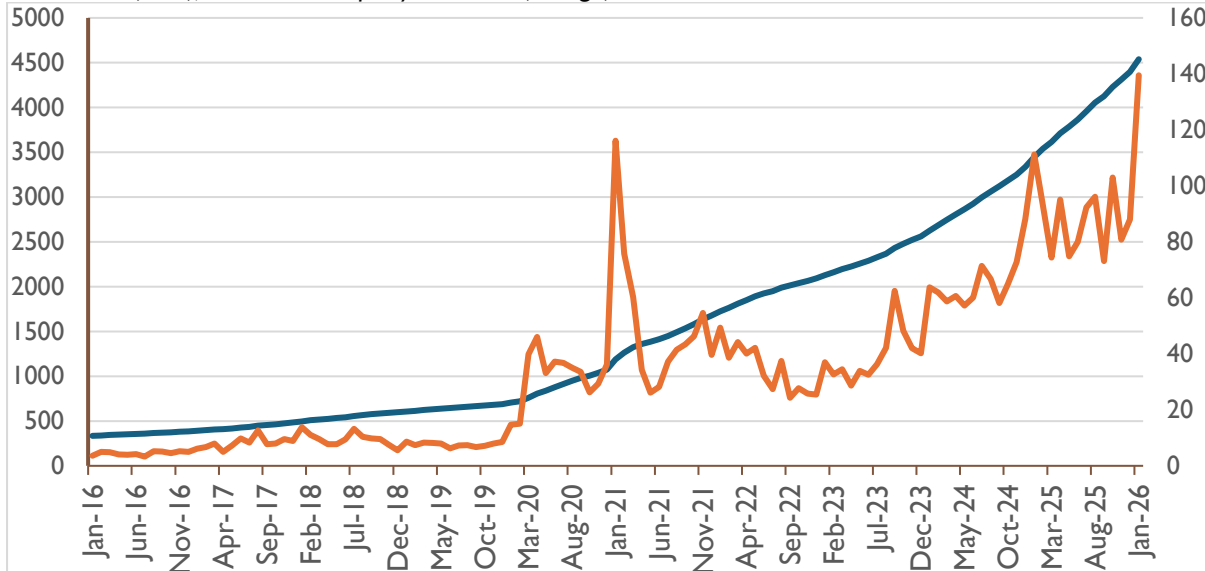


Source: IG Group PLC public filings compiled by East 72 Management P/L

Whilst there was little doubt that account openings at Robinhood and IG were propelled to a degree by speculative fervour and an enhanced COVID atmosphere of using stimulus payments to try and make short term profits, this should not mask the **real** beneficiary of long term democratisation – Interactive Brokers - which has grown account numbers since 2016 (10 years) at a compound growth rate of 29.9% per annum. This has been assisted by the internationalisation of the business providing desired access to US equities to global clients, as well as technology and competitive offerings which have made it simple to run sophisticated portfolios and even hedge funds on the platform:

## Interactive Brokers account numbers (000's)

Total – LHS (blue); new accounts per year – RHS (orange)



Source: Interactive Brokers public filings compiled by East 72 Management P/L



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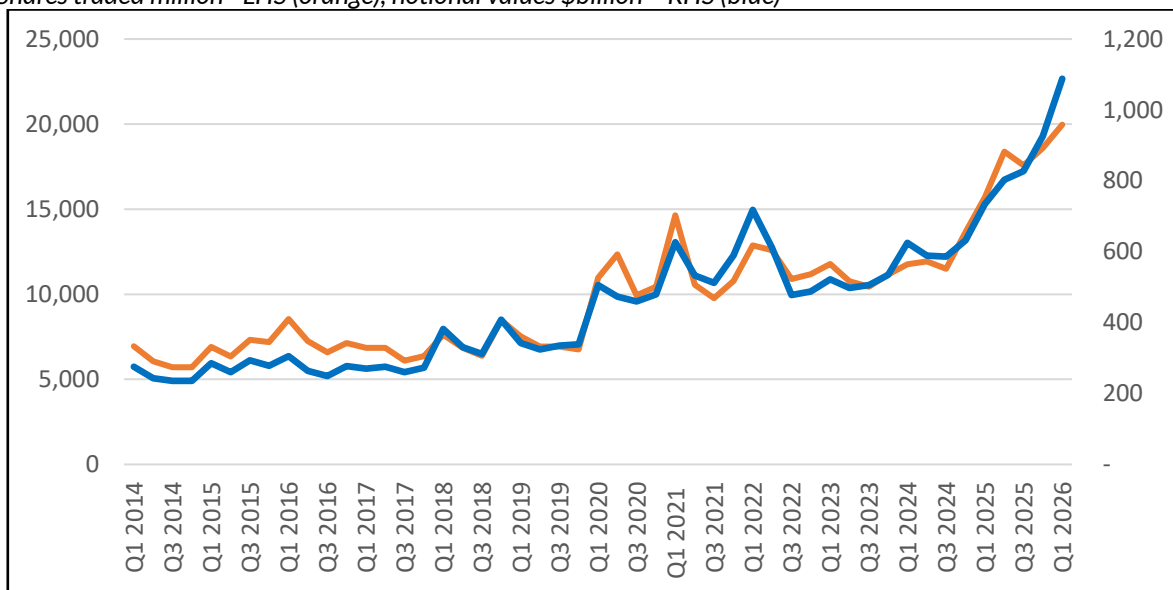
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Democratisation, retail participation, a significant increase in options activity as well as a bull market in US equities through much of the last twelve years<sup>12</sup> have – over time – fuelled US equity volumes from rough levels of around 7billion shares a day (notionally worth \$240billion) to the prevailing level in March 2026 of close to 20.5billion shares per day with a **notional daily value of \$1.1trillion**. In our opinion, this remarkable increase over the past twelve months, and YTD in 2026 is only partially being captured in investor thinking.

### US equity consolidated DAILY volumes and notional DAILY values

Shares traded million– LHS (orange); notional values \$billion – RHS (blue)



We fully acknowledge that recent volumes suggest some type of “cyclical” peak, predicated on a potpourri of AI beneficiaries, perceived AI “victims”, general economic and political volatility, ETF issuance (below) enhanced access to algorithmic trading from new AI tools, together with increased retail participation. We understand retail involvement can wax and wane (2021-2023 is an excellent example) and that volumes may not remain at these levels but view the structural changes as a reasonable override. Especially so given Virtu’s own mid-2025 pivot in respect of capital management and allocation.

### Increasing off-exchange proportion benefits liquidity providers

The strong secular trend in US equity markets over the past 15 years plus has seen the reshaping of transaction venues, with the growth of dark pools<sup>13</sup> (matching markets) and other forms of off-exchange and high frequency trading. Made possible by technological advances and speed (latency) the trend has seen the emergence of five sets of “venues” in US equities<sup>14</sup>:

- 12 “lit” equity exchanges<sup>15</sup> (on-exchange) where participants placing orders into the visible order book (“maker”) are rewarded – potentially with zero fees – versus a participant matching up against an existing order (“taker”) who pays a fee. This traditional so-called maker-taker exchange (such as NYSE or Nasdaq) operates in this fashion to encourage deep, transparent order books;

<sup>12</sup> S&P500 compounded at 12.3% & NASDAQ100 at 18.1% both in capital terms over ten years to 31 March 2026

<sup>13</sup> A dark pool is a (non-lit) market which allows users to submit orders with no public display of size of price -

<sup>14</sup> This description draws on a paper by CBOE from 10 August 2023 (“US Equity Trading Venues: A Closer Look”)

<sup>15</sup> There are a further 13 venues which operate as options exchanges



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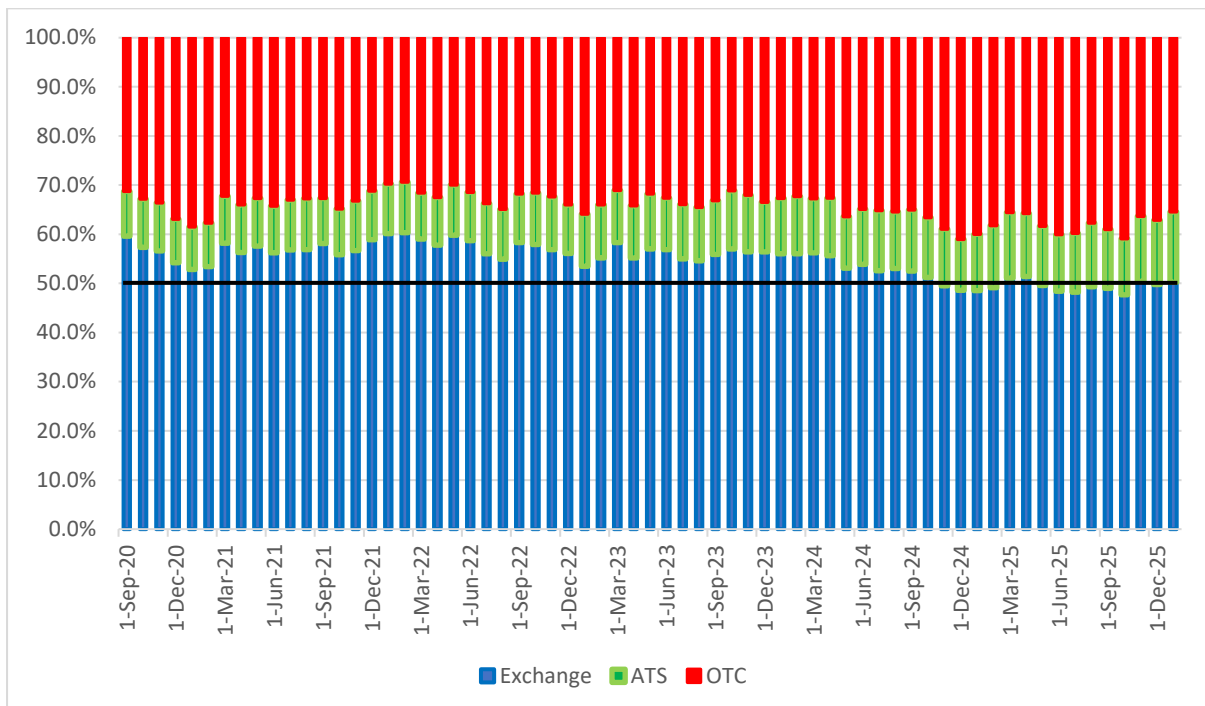
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- 4 lit equity exchanges where the traditional model is inverted to taker-maker where the maker is charged and taker rebated to encourage aggressive order flow – two are subsidiaries of CBOE, one of NASDAQ and one of NYSE;
- Alternative trading systems (dark pools and matching markets) which originated in the late 1990's but really took off after the institution of Reg NMS<sup>16</sup> in 2005 by the SEC of which there are now roughly 45 such registered arenas; ATS are designed to facilitate high volume crossing transactions without disturbing the underlying marketplace – around 10 ATS are operated by “name-brand” broker dealers (UBS – the largest with 15% share over the past two years - Morgan Stanley, JP Morgan, Citi, Nomura) but there are numerous independent operators notably Liquidnet (owned by TP-ICAP), IntelligentCross (the equal largest with UBS), BIDS as well as market maker operated venues by Citadel Securities and Virtu (who also own ITG POSIT); Virtu hold a ~5% share of ATS volume, around one-third of the leaders;
- Single Dealer Platforms with a broker dealer being the sole counterparty; and
- Principal Dealer/central risk platforms, being those operated by the liquidity providers such as Citadel, Virtu, Jane Street and others – usually known as the “wholesale” market aiming to transact inside the National Best Bid Offer spread.

The watershed moment for this market structure was November 2024 when for the first time, average daily volumes in the off-exchange markets (the last three above, known as **trade reporting facility**) first exceeded 50% over a monthly period<sup>17</sup>. The composition of how the three sets of platforms (exchange, ATS, single dealer/central risk – known as “over the counter”) have proportionally evolved since 2020 is illustrated below

US equity venue share of average daily trading volume by month



<sup>16</sup> National Market System

<sup>17</sup> An excellent background to how TRF arenas operate can be found at “Dark Pools and Alternative Trading Systems” by Sydwell Rammala of Acacia Investment Research (11 November 2025) available online



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Each month, Virtu – via FINRA – publish a graphic of the largest OTC non ATS market shares (the red bars in the chart above). Since mid-2020, Citadel Securities and Virtu have consistently been the two largest participants, with increasing competition from Jane Street – the major market maker in options – and G1 Execution Services, a unit of Susquehanna International since 2013. The four largest over the counter participants over the past two years to January 2026, on average by **volume of shares traded** is:

firm	share	comments
Citadel Securities	28.8%	Steady, small recent rise
Virtu Financial	18.5%	Steady to mid 2025; recently fallen to ~15-16%
Jane Street	12.0%	Steady through period
Susquehanna	9.5%	Steady to late 2025 - recently fallen

Source: Virtu Financial, FINRA collated by East 72 Management Pp/L

How do liquidity providers make money? Vol-squared and ETF's

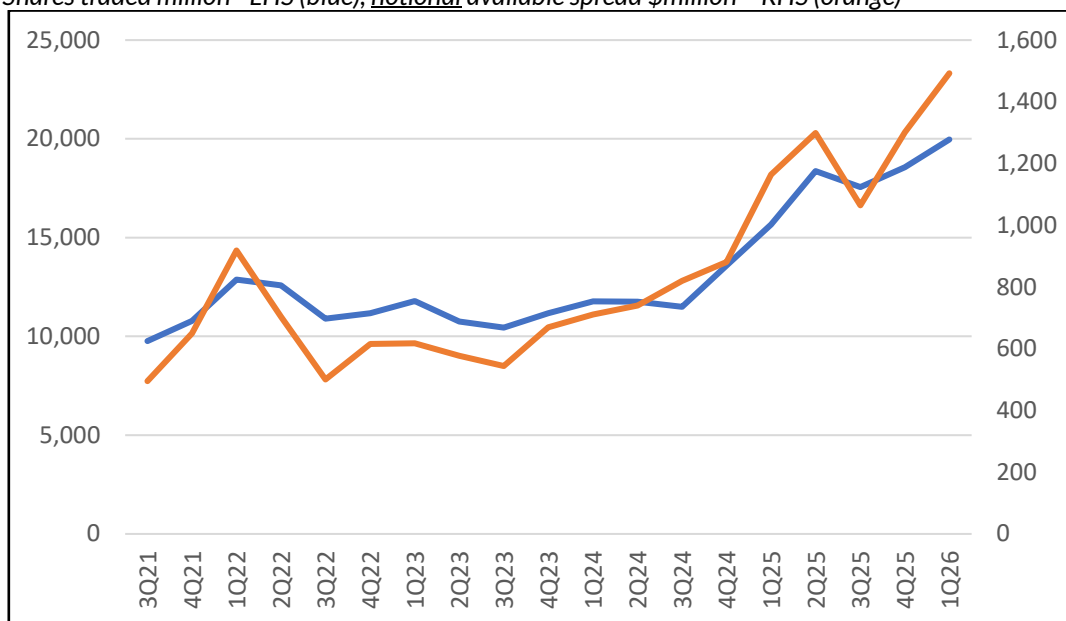
As with any exchange or exchange participant, volume is a key driver of potential profitability. In the case of liquidity providers, wider bid-offer spreads facilitate a greater take whilst still providing an advantage to the underlying client. Such spreads tend to widen at time of market distress or extreme volatility, which is often also accompanied by increased two-way volume. Hence volume x "volatility" or vol-squared.

Based on merging figures from FINRA, CBOE, SIFMA and Virtu, the market opportunity for spread capture reached an outsized record level in the first quarter of 2026, as average daily volume across US venues exceeded 20billion shares per day in March 2026 for the first time ever and over \$1trillion notional value per day average over the quarter.

Our estimates of "available spread capture" are clearly highly notional. They are estimated from volume and notional value data multiplied out by the average spread per day in basis points. They are an estimate of the potential capture if EVERY transaction on EVERY venue was available to a market maker. They do, however, give a sensible reflection of market conditions for liquidity providers. **Bluntly, thanks to US political volatility they have never been better, estimated at three times the nadir of mid-late 2023.**

## Average daily volume and NOTIONAL available spread

Shares traded million- LHS (blue); notional available spread \$million - RHS (orange)





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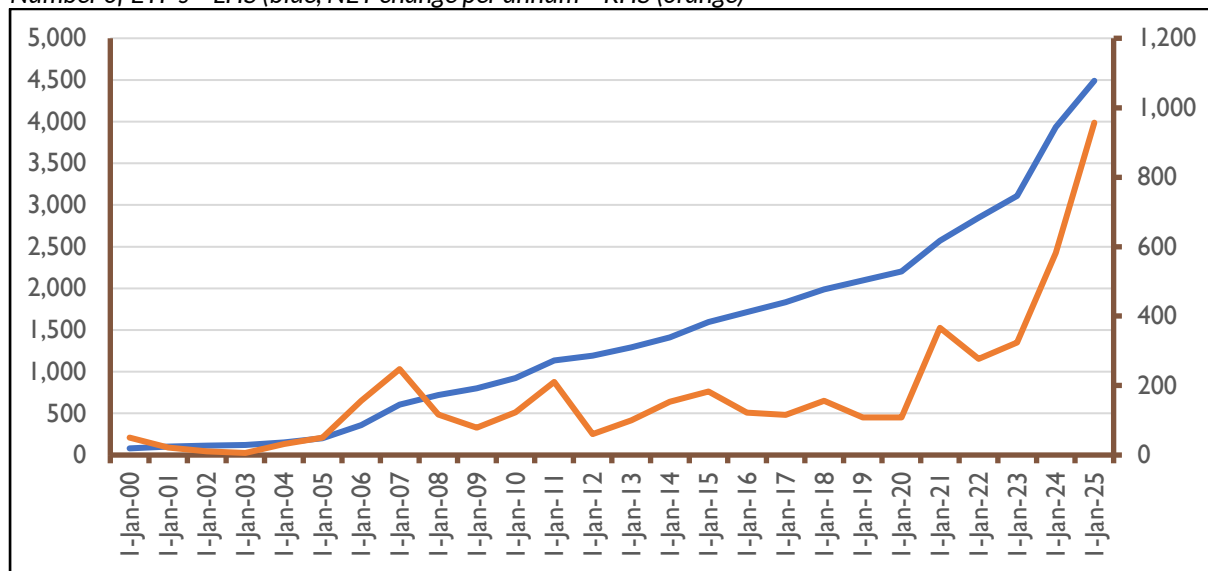
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A further critical area of business for the three main liquidity providers has been the astonishing growth in exchange traded (equity) products, replacing traditional closed end funds and other unlisted unitised vehicles. The need for an explicit liquidity provider and arbitrageur to ensure the traded ETF price trades at or around NAV is an essential part of the growth in ETF structures.

Reflecting the desire for retail investors to be exposed to equities, and explicitly to equity thematics ETF's have grown explosively since 2021 as actively managed ETF's have grown sharply in number adding to the original conceptual passively benchmarked creations. US markets are now spawning the best part of 1,000 net new ETF's a year (net being net of ETF's which close down) meaning that at end 2025 there were effectively as many ETF's listed on US exchanges – roughly 4,500 – as actual companies which provide goods or services to customers, in turn reflecting the reduced numbers of publicly traded corporations.

## US ETF Issuance

Number of ETF's – LHS (blue; NET change per annum – RHS (orange)



Based on various sources, we estimate the “Big 3” hold over a 50% market share of ETF market making, with Jane Street being the largest player with a near one-quarter share; Citadel’s 16% (estimated) ranks ahead of Virtu at 13% and Susquehanna at ~10%. To perform this service requires significant hedging as well as liquidity provision and access making a strong capital base especially important; that Jane Street and Citadel use significant amounts of outside debt capital (see later) is especially relevant.

We hold the view that 2025 may well be the nadir for publicly traded company numbers in the USA. We acknowledge that the increased cost of compliance has deterred companies from being publicly listed, and many have opted for infusions of private equity capital to facilitate their growth. However, with private equity businesses seeming full up with exposures, ructions in the private credit markets – and hence in private equity markets especially in the software space – public market raisings appear to be the obvious antidote to facilitate ongoing growth in the asset class<sup>18</sup>.

<sup>18</sup> See (for example) Wall St Journal 28 December 2025 “Private equity has more housecleaning to do in 2026”

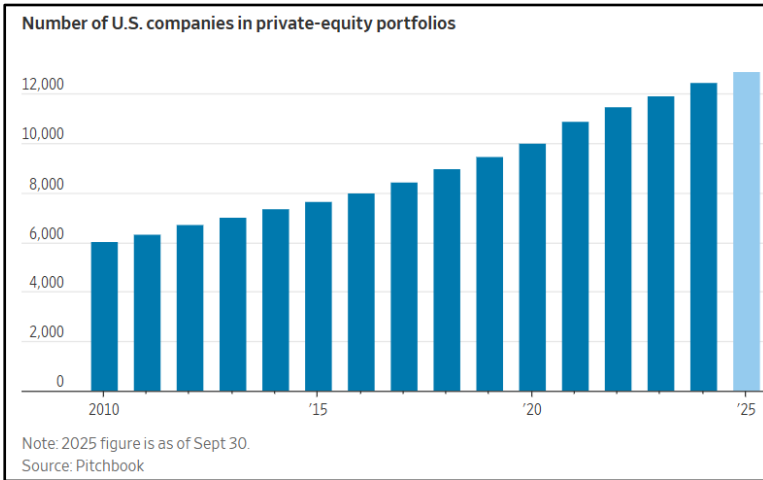


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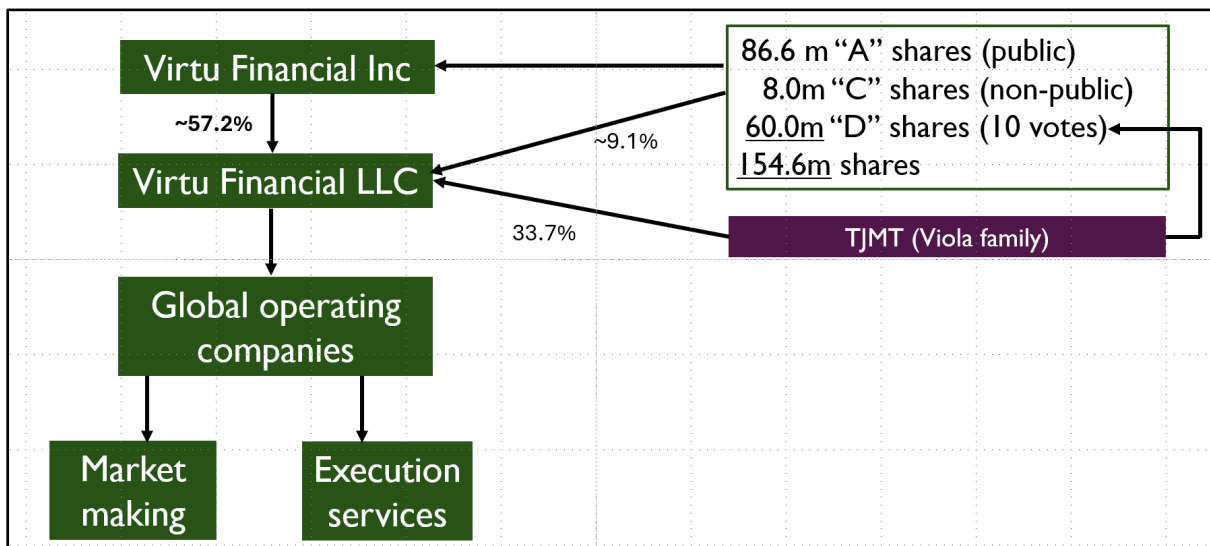
Source: Wall St Journal 28 December 2025

We accept that bond market volatility arising from taciturn political decision making in Washington may well delay the expected 2026 IPO boom, although ongoing AI/technology enthusiasm and likely "big-splash" IPO's such as Space-X potentially provides a more productive environment than expected - if the pricing greed factor (and subsequent let down) does not intrude. Even if 2026 does not prove to be the "bonanza" expected early in the year, it seems inevitable to us that there will be medium term benefits from this necessity

## How we assess Virtu: a hybrid public/private business (with commodity producer overtones)

We usually detail the relevant history of a company but in this case, we would simply be repeating pages 6-9 of our piece on Virtu published in September 2023<sup>19</sup> detailing:

- the merger of Madison Tyler with Virtu in July 2011 with funding from Silver Lake;
- the aborted public float of 2014 and eventual IPO at \$19/share in April 2015;
- acquisition of "Knight Capital" (KCG Holdings) the market maker in April 2017 over five years after its implosion and subsequent merger with Getco; and
- takeover of ITG in November 2018 to build out execution services and own the POSIT crossing network ATS



<sup>19</sup> QR#3 30 September 2023 available online at <https://east72.com.au/wp-content/uploads/2023/10/E72DT-Quarterly-Report-Sep-2023.pdf>



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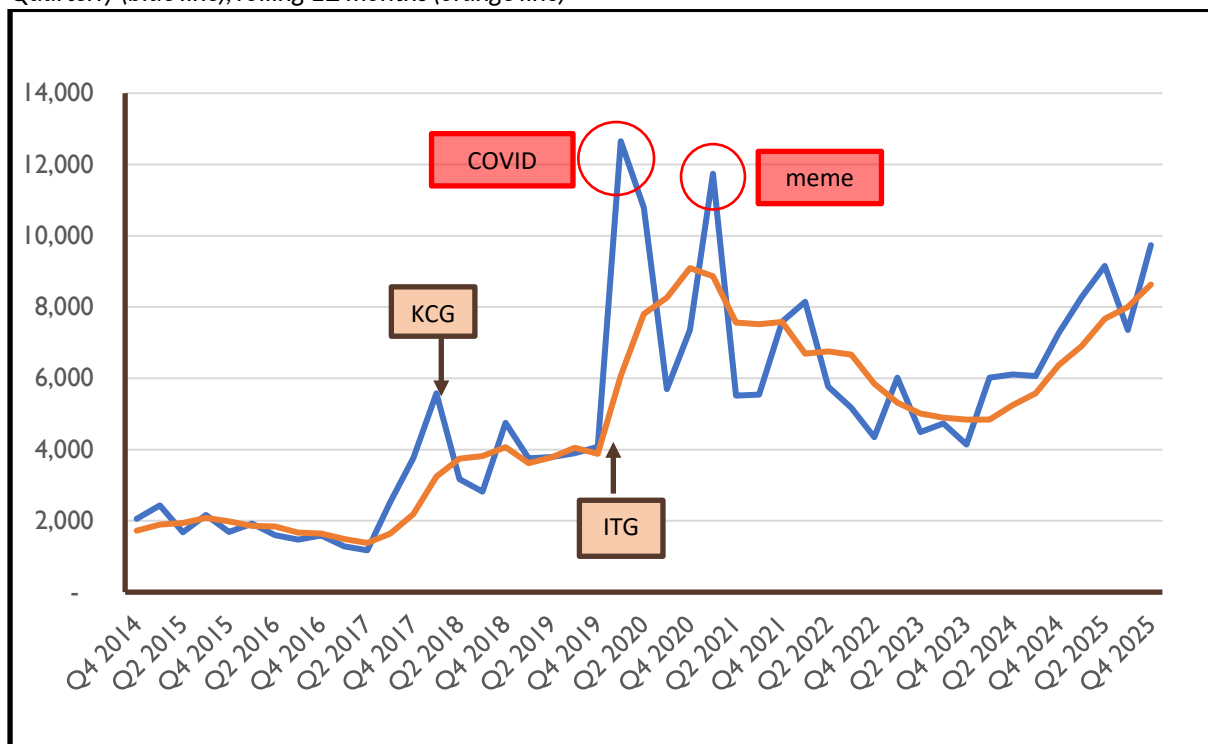
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The 2015 IPO was effected as a hybrid public/private structure with the founding Viola family of Vincent Viola, ex-Chair of NYMEX, being the ultimate controlling shareholder. The "C" shares (held by past and present executives) and "D" shares (held by Viola family) do NOT participate in the public company dividends since they have a direct shareholding in the operating company, but do have votes in the listed entity, ensuring its control. That is highly relevant in Virtu's world of competing with private entities in the OTC "wholesaling" space. Hence, Virtu's structure is analogous to a number of listed alternative equity managers. Our assessment of Virtu is **always** based on the fully diluted capital of the business since the "C" and "D" shares are convertible into "A" shares of Virtu; **this is potentially relevant in evaluating a change of control transaction** - not that we expect any such eventuality - **and the total profitability and capital base of the entity rather than dealing with minority interests, though cognisant of the pay-away of dividends from the operating entity.**

Despite its large returns on invested capital (see below), Virtu is not a security which will attract a premium rating, unless our thesis plays out over a number of years. The apparent complexity cannot mask that it is another company with a **variable revenue** stream and essentially **fixed cost** base, making the bottom line highly susceptible to changes in operating conditions. At present, very beneficially so<sup>20</sup>. So like a commodity mining company, is it an entity that you theoretically sell on a P/E of (say) 6x when it looks cheap and buy on a multiple of ∞ when there are no earnings?

**Virtu Financial: Quarterly adjusted net trading income ("ANTI") per day from IPO (\$000's)**  
Quarterly (blue line); rolling 12 months (orange line)



ANTI is comprised of trading income (spread) plus interest, dividends, commissions (from agency business) and workflow technologies **less** brokerage, exchange and data fees, dividends paid away on shirt sales, interest and payment for order flow. Since IPO, ANTI has averaged an 87% return on trading capital (see later, as defined by Virtu) and over 43% of total capital including debt.

<sup>20</sup> Just how beneficial will be disclosed in Q1 2026 results are due out on 29 April 2026.



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Since the current structure was established (Q2 2019 on completion of ITG acquisition), ANTI has averaged \$6.6million per day, with gross trading income only ("spread" around \$7.2million. As a guide to the cyclicity within Virtu, ANTI averaged \$12.7mn per day in Q1 2020 (COVID) and \$11.7mn per day in Q1 2021 ("meme stocks"). At its extreme, ANTI averaged \$33.8million per day in the 20 - 31 March 2020 period when COVID fear reached its zenith. **Our thesis (below) postulates that with changes in capital deployment and market structure, Virtu should be capable of averaging \$10million ANTI/day into the next few years.**

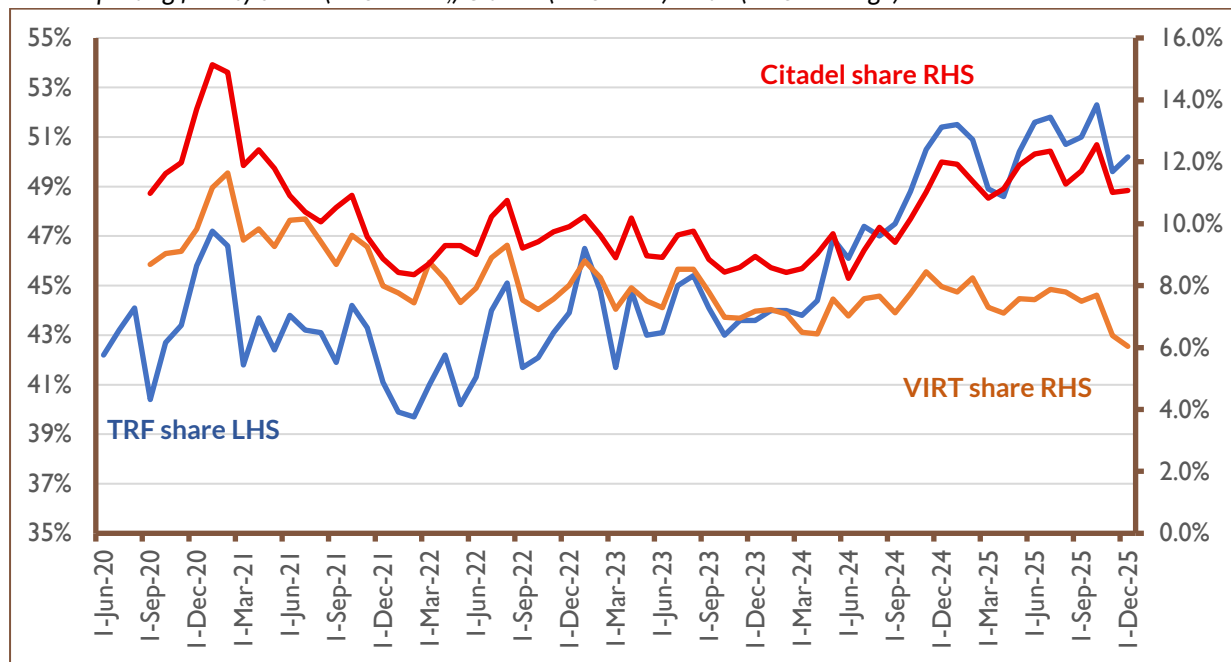
### Strategic improvements from changes in capital management practices

Without disputing that buying the shares at cyclical low points should be advantageous, as has been the case with global mining companies in recent years, there is scope for a re-rating based around strategic changes to make the business more profitable. In Virtu's case, the strategic change potentially revolves around the commitment of more capital to the business, **rather than the typical Wall Street obsession of consistently returning capital to shareholders.**

As greater competition has entered the liquidity provider market, Virtu's share of US equities traded has fallen away. To a degree, that hasn't mattered, since trade reporting facility shares of US equities transactions have risen from c.40% to 50% share over the past six years, and total volumes have expanded dramatically. The chart below compares Virtu's share of trading volumes, including its ATS volumes with that of Citadel Securities over the past six years:

### Virtu Financial: Quarterly market share of US equity trading versus Citadel Securities

Trade reporting facility share (LHS - blue;) Citadel (RHS - red) Virtu (RHS - orange)



Part of the reason for this decline is the growth in capital at Citadel (and especially at Jane Street) as well as the interplay between option and physical markets where Virtu is not as well represented together with the higher shares of ETF creation/arbitrage/pricing by Jane Street.

Despite being (intensely) private businesses, both Citadel and Jane Street have grown their capital bases at a significantly higher rate than Virtu over the past few years. In January 2022, Citadel Securities (not the hedge fund) sold 5% of its business to Sequia/Paradigm for \$1.15billion (effective valuation \$23billion THEN).



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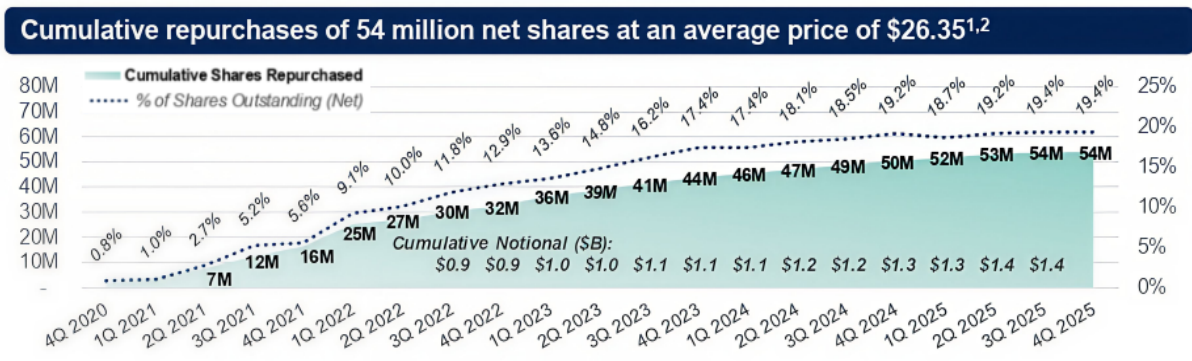
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We are aware that Citadel has trading capital of some \$16billion – far outstripping Virtu – having raised bonds of \$1.2billion in June 2025 and a further \$1.25billion - roughly half of which was a refinancing in February 2026.

With extreme profitability, and capital retention, media reports suggest Jane Street grew its equity base from \$3.8billion to \$29.9billion in the six years between 2019 – 2025 implying retention of over \$4billion per annum. In addition, the business has been able to supplement this with \$10.7billion of debt; the same media sources suggest "trading revenue" (undefined) was \$21billion globally for Jane Street in 2025.

This has been a real issue for Virtu, because at the same time as **its competitors have been raising and retaining capital, Virtu has been handing its capital back.**



Source: Virtu Financial Q4 2025 results supplement

With \$1.4billion of buybacks since 2020 and an estimated \$2.63billion in dividends (set at \$0.24/quarter) plus minority interest payments because of the hybrid structure. Virtu has paid away over \$4billion since 2017 which it has had to supplement with debt. **In our opinion, whatever the laudable reason behind that capital strategy when it was originated, circumstances have now changed.** Competition is more intense and has massive capital resources. Additionally, as was noted on the earnings conference call for Q42025 by COO Joe Molluso<sup>21</sup>:

"If you look at historical returns on capital, I don't expect them to be 100%. But if they're in the, you know, 50%, 60%, 70% range, you, you can do the math and figure out that we would expect to be able to deploy more capital than we have today. And we will achieve that through organic growth, and we'll achieve it through, you know, incremental borrowings to the extent they make sense and, and they're prudent, right?"

### Virtu Financial: Capital deployment and returns (annual)

\$million	2020	2021	2022	2023	2024	2025	Y/END
av. trading capital	1,990	2,115	2,164	2,029	1,939	2,427	3,025
av. long term debt	1,774	1,631	1,778	1,781	1,758	1,881	2,067
av. TC + LTD	3,763	3,746	3,941	3,810	3,698	4,307	5,092
ANTI/total capital	60.4%	51.0%	37.2%	31.8%	43.2%	49.8%	
ANTI/trading capital	114.3%	90.3%	67.8%	59.7%	82.4%	88.4%	
EBITDA/total capital	41.7%	32.9%	19.6%	12.8%	22.4%	29.5%	
net/trading capital	57.0%	40.7%	21.8%	11.6%	26.4%	34.9%	

Source: company reports compiled by East 72 Management P/L

<sup>21</sup> Source: Quartr Virtu Financial Q42025 conference call transcript 29 January 2026



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Allying these comments with the virtual absence of buybacks in the Q3 and Q4 periods (admittedly the share price was higher) strongly suggests that Virtu are moving towards a strategy of husbanding more capital to compete, since their returns on that capital are extremely high. Having utilised trading capita and debt combined averaging around \$3.7-\$3.9billion in the four years between 2020-2024, this rose sharply from Q2 2025 – perhaps related to the new CEO Aaron Simons – and had achieved ~\$5.1billion by year end 2025.

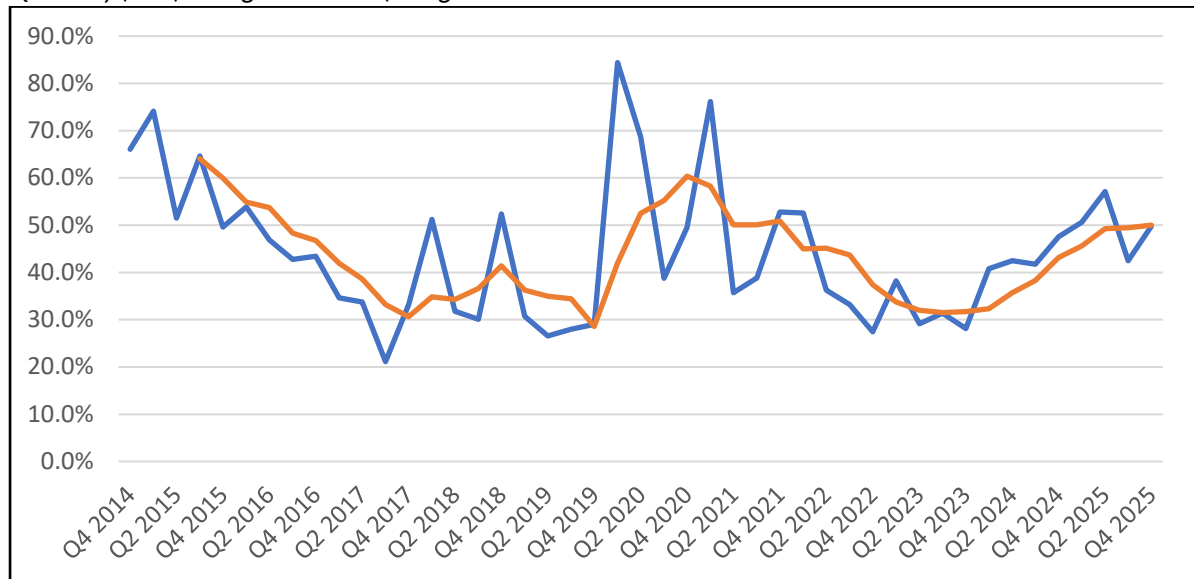
When the beneficial environment of Q1 2026 is considered, this has been an excellent move and should enable Virtu to have further supplemented capital in the past three months (so will every other liquidity provider).

*A simple equation for the near term which analyst estimates are not solving*

In its life as a public company, Virtu has earned an average annual ANTI/total capital return of some 43.5%; because of the differing nature of financing the two major acquisitions of KCG and ITG, the composition of total capital between trading capital<sup>22</sup> and debt has fluctuated through time but debt/total capital has averaged in the low to mid 40's percent. In our view that can be pushed harder, which with the increase in trading capital – see prior table from earnings retention at high rates – will act to boost available capital significantly.

### Virtu Financial: annualised return on total capital since IPO

Quarterly (blue) rolling 12 months (orange)



There are roughly 252 trading days in a year; let's call it 250 to simplify the arithmetic. If Virtu deploys \$5.1billion of total capital on which it earns a 50% annualised return, that equates to just over \$10million per trading day of adjusted net trading income – significantly above historic levels (\$6.6million), but only just above the Q42025 level of \$9.7billion. Virtu has noted a medium-term aspiration of ANTI/day of \$10million (reiterated in its Q3 2025 earnings call, which represented the disclosure of the “pivot” to greater growth).

<sup>22</sup> Virtu define trading capital as [Cash and cash equivalents + securities borrowed + Securities purchased under agreements to resell + receivables from broker-dealers & clearing organizations + receivables from customers + trading assets, at fair value] LESS [short-term borrowings + securities loaned + securities sold under agreements to repurchase + payables to broker-dealers & clearing organizations + payables to customers + trading liabilities, at fair value]



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## Virtu Financial: historical adjusted financials (consolidated basis)

adjusted by East 72 for capitalised software, excludes abnormals, US GAAP basis not VIRT adjusted basis

\$million	2020	2021	2022	2023	2024	2025
ANTI	2,273	1,910	1,468	1,211	1,598	2,145
cash overhead	(705)	(676)	(697)	(724)	(768)	(875)
EBITDA	1,568	1,234	771	487	829	1,270
debt interest	(88)	(80)	(92)	(99)	(98)	(133)
cash earnings	1,480	1,154	679	388	732	1,137
depreciation	(67)	(68)	(66)	(63)	(66)	(64)
capitalised software	(31)	(36)	(38)	(38)	(42)	(41)
Pre tax	1,382	1,050	575	286	624	1,032
notional tax	(249)	(189)	(104)	(51)	(112)	(186)
NET PROFIT	1,133	861	472	234	512	846
average full capital	197	192	178	168	162	159
EPS	\$5.76	\$4.49	\$2.65	\$1.40	\$3.16	\$5.31

In our view, sustained \$10million per days ANTI may only be the start if additional capital continues to be deployed, and if the opportunity set exists, including in new arenas. At \$10million per day, or 50% return on end 2025 capital, ANTI should equate to some \$2.55billion per annum. Allowing for increased cash overhead – employees will garner a greater dollar compensation – suggests EBITDA (on our basis) would be around \$1.55bn - \$1.6billion. Allowing for a full year of higher debt, at around 7.1% blended interest, we view adjusted pre-tax income would be in the order of \$1.275bn - \$1.3billion, or a notional net profit of (mid-point) \$1.05billion. On the existing fully diluted capital base pf ~155million shares, EPS would be in the vicinity of \$6.75/share.

At the 31 March 2026 level of \$43.98, **the shares would be priced at an adjusted P/E of 6.5x**. That multiple is suggesting investors believe this to be a cyclical peak in profitability and that the initiatives unveiled in Q32025 and underscored at the end of last quarter as unlikely to bear lasting fruit.

### We fundamentally disagree.

We clearly acknowledge the Q12026 environment has been especially favourable. But what is bizarre, is that with one exception (Piper Sandler) sell-side brokerages have been very slow to recalibrate their earnings forecasts, even for known events.

Whilst optimistic, we don't believe it is unrealistic to assume that Virtu has made upwards of \$2/share in net earnings in Q12026; the current mid-point consensus estimate is \$1.25. For CY2026, the consensus analyst expects a flat EPS outturn on CY2025 of around \$5.30/share. At the very least, that suggest the average analyst believes the higher level of capital deployment will NOT result in any incremental earnings. Neither does this cohort believe the CY2027 year will improve.

Therein lies the opportunity for what we believe is a chronically under-covered security, beset by cynicism from analysts employed by competitor firms.

### For further information:

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