



QUARTERLY REPORT TO 31 DECEMBER 2017¹

Performance and net asset value²

Quarterly portfolio return: (21.6%)

The East 72 Holdings Limited (**E72, Company**) portfolio declined 21.1% during the three months to 31 December 2017, prior to costs; after cost imposts equating to 0.68%, the net return within the Company over the period was (21.6%)

E72's pre-tax net asset value ended the 31 December 2017 period at **27.4c**; after all accrued and deferred taxes, post-tax NTA is 28.7c.

Over the past twelve months, the E72 portfolio has declined by 18.4% all of which took place in the last quarter.

In our June 2017 quarterly report, we did warn that we would "lag indices significantly in the event of a major rip upwards in equity prices". However, as a guide, around 13.4% of the 21.6% quarterly decline arose from short positions in bitcoin, which more than trebled over the period from just above \$4,000 to over \$13,000. Additionally, a further 7.6% emanated from our short index positions – split roughly 50/50 between Australia and overseas (all US as Europe actually fell). US and Australian markets rose just over 6% in the quarter, with the NASDAQ 100 gaining over 11%. When the bitcoin and short index positions are aggregated, the exposure to individual securities (long and short) produced a roughly breakeven return, which was marginally disappointing.

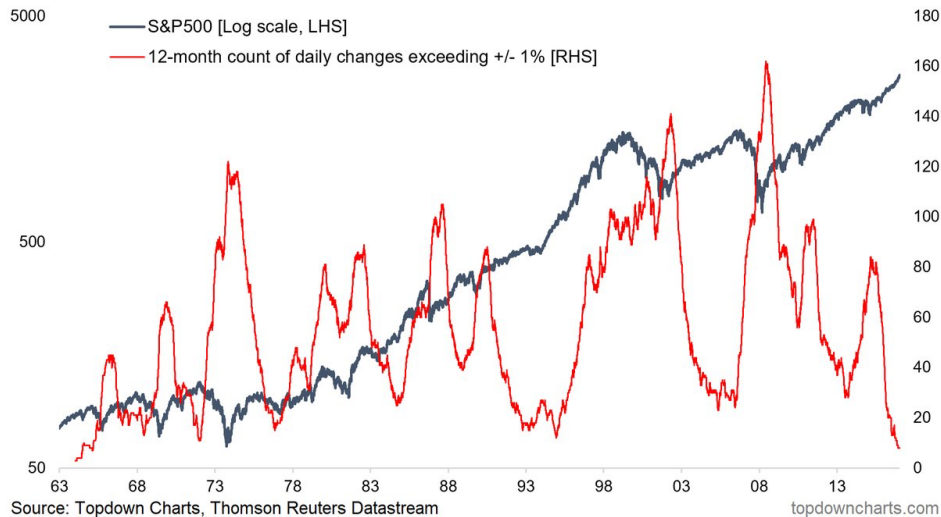
A discussion of recent portfolio changes and positioning is given towards the end of this report, A full list of all stock and derivative positions as at 31 December 2017 will be given in our audited Interim Financial Statements which, subject to the usual caveats, we expect to release by early February 2018. Please note the financial data in this report is neither audited nor audit reviewed.

Time arbitrage (the reward for patience)³

2017 was nearly unprecedented. Were it not for the most minor of declines in March 2017 (0.04%), the S&P500 index would have risen in every single month for the first time in history. At the end of 2017, it has risen in 20 of the past 24 months, and 20 of the last 22 since the correction seen in early 2016 (of which more later). This has provided a simple lure of easy money: "the trend is your friend", "buy the (intra-month) dip" and the emergence of an overtly bullish consensus for the future. The S&P500 fell 1% in a day only five times in 2017. That's a trend.

This type of market environment has produced numerous casualties within a swathe of hedge funds run by respected practitioners, who have seen fit to close down, returning their capital. For whatever reason, the principals of these funds no longer felt the desire to do what we know works best over the longer term: accept a position out of line with the consensus view.

Alternative view of volatility - as low as 1966



This is easiest to explain and understand in a conventional “long only” environment i.e. we only hold equities or cash.

Consider a position we owned in the past six months such as Kogan Limited. The company was IPO'd in July 2016 at \$1.80 per share. The float was extremely difficult to price given the company's requirement for working capital but with significant potential. Kogan had a series of profit upgrades through to July 2017 – but the shares remained steadfastly below the IPO price, with a total lack of understanding of its product offering and the underpinning technology. Buyers of the IPO looked completely foolish, with the shares trading down to lows of \$1.30 in January 2017. In a delicious irony, it was virtually one year to the day after the IPO that the shares finally traded above that price. More recent recognition of their strategy, growth in mobile offerings (et al) have seen the shares lurch from \$1.65 in July to a December high of \$7.04. We have sold as we view the undervaluation which previously existed as no longer apparent.

By being patient and accepting a negative mark-to-market return of 11% over a year (which was 27% at one stage) the patient investor then had the chance to obtain a near 300% return in less than a further six months.

In circumstances where buying opportunities appear few and far between, the conventional fund may choose to retreat to cash, or buy less highly priced “low risk” type securities. E72, of course, has other opportunities. If there are few attractive buying options, by definition, there must be many attractive selling ones, either at the individual or composite market level.

But the same issues of patience (or “time arbitrage” as it is called in investment jargon) still arise when short selling securities and markets. We won't get the timing absolutely right, and we run the risk of looking very silly for a period. In fact, the emotional side of doing so is rather worse; it is inherently easier to explain to you why the shares which I feel are worth \$1.00, but which we bought at \$0.50, are now trading at \$0.40 and that we are buying a few more. It is more difficult, because of the raw enthusiasm of everyone, to explain why the shares which we sold at \$3.00 believing them to be only worth \$1.00 are now trading at \$4.00. In the current market, everyone has a justification for the pricing of shares which at other times would be derided.

Risk Lust

What makes financial markets so fascinating is that something, somewhere is always “out of whack” and provides an arbitrage or low risk opportunity such as fungible assets at a discount. What makes financial markets so frightening (and exciting) is when seemingly everything is “out of whack”. See if you think we might be close to this environment.

I would posit that the last time something like this occurred was in late 2008 (in the US) and early 2009 (in Australia). Equities were as cheap as they had been on most metrics – especially versus fixed interest securities – since 1980. That was a mere year after Australian shares had reached their all time high (6830), and they wouldn’t stop falling until March 2009’s low of 3120. Investors were ludicrously frightened, had limited liquidity to buy cheaply, and were worried about “the system” despite the bargains on offer.

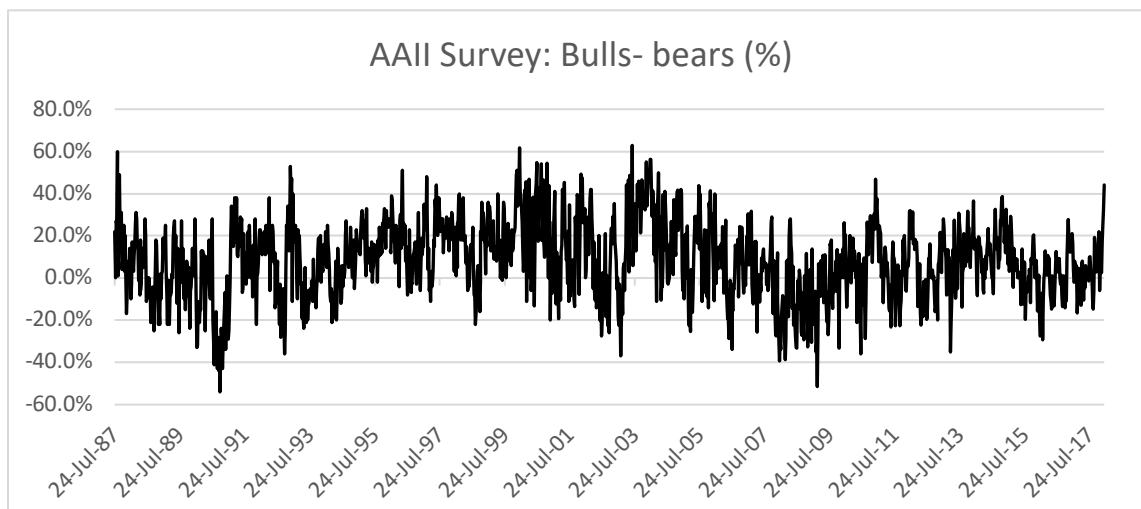
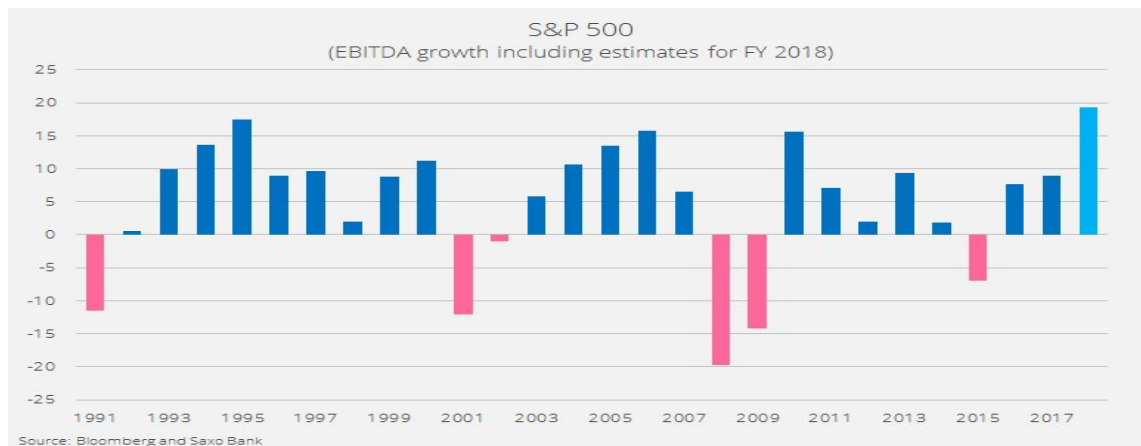
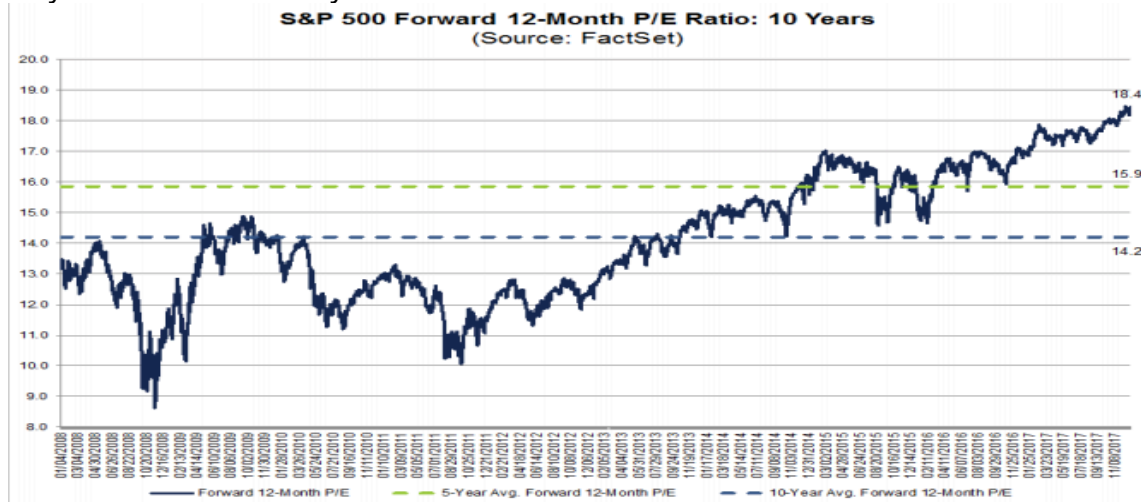
After nine years of extreme monetary policy across the globe – ranging from negative interest rates (Switzerland, Sweden), central bank purchases of Government bonds (US, Europe), ETF’s (Japan), equities (Japan, Switzerland), it is reasonable to postulate that we have reached a point where far too many things are “out of whack”.

Consider these statements, and see if you are comfortable with them:

- You will earn a lesser return lending to Greece for two years than lending to the US Government;
- You will earn less than one third of the return lending to Ireland for 10 years and 30-40% less lending to Spain and Portugal than you will lending to the US Government;
- Argentina has sold US\$13.4bn of bonds in 2017 including issues with 100 year and 30 year maturities⁴;
- Fiat Chrysler will ship ~4.3million cars in 2017, earn revenues of ~US\$140billion, EBIT of \$8.3billion has a JV with BMW in self driving cars and a slew of lower and upper market brands. It has an enterprise value of \$42bn. Tesla produces around 100,000 cars a year, burns through over \$4bn of cash a year at current rates and has an enterprise value of US\$62billion;
- The Japanese central bank owns ~75% of all exchange traded fund securities listed on the Tokyo Stock Exchange;
- The US Federal Reserve is trying to unwind (sell) its bond portfolio at rates per month between one-eighth and one-quarter of the rate at which it purchased the bonds;
- The CEO of a fledgling payments system based in San Francisco which uses blockchain technology to create tokens – which are not intrinsic to third parties using the technology – recently (and briefly) became the world’s 5th richest person (on paper); and
- There are still more residential building cranes in Sydney in Q4 2017 than all cranes in LA, NYC, Washington DC, Chicago, San Francisco, Portland, Denver, Boston and Honolulu combined⁵.

If you are not comfortable with the statements, that’s a problem. Because they are all factually correct. Even more of a problem, your discomfort is not shared by too many people. Of course, they have all effectively been brought about by this exceptional monetary policy across the globe. There is reason to suggest the direction of monetary policy is changing, but the bond (and equity) market outcome of this change is totally unknown, and may well be underestimated.

Illustrative risk lust in equities⁶: They are expensive....expectations of profit growth – on a measure excluding tax cut impacts - are high and individual investors are more optimistic than they have been for seven years.



One of our holdings is Greenlight Capital Re, a Bermudan reinsurance company trading at a 12% discount to book value⁷, and where the investment portfolio is managed by David Einhorn, the well known hedge fund manager and author⁸. Greenlight's Q3 2017 quarterly⁹ brilliantly postulates whether "the market has adopted an alternative paradigm for calculating equity value" suggesting "value..is derived from a company's ability to be disruptive....even when doing so results in current and future economic loss".

The creation of excess liquidity, aided in many countries by advantageous tax policies (think Australian investor owned housing) has led to massive distortions in the pricing of risk between financial assets, in a world where many financial assets already appear very expensive in nominal terms.

I attended the Sohn Investment Conference in November at the Sydney Opera House and was astonished to find how many presenters – all highly credentialed and respected – seemed to be at least sipping (maybe not skulling) the Kool-Aid. The "BezosJesus" phenomenon was out in force, and I was being inveigled to buy securities which were allegedly worth 15x EV/EBITDA on the presenters estimation (the market multiple in Australia on this metric is about 9.3x). There was a debate on the best and worst of the FAANG stocks, which managed to go 45 minutes without the word "valuation" being mentioned. Here's what they missed (with one addition)¹⁰:

US\$m	Equity Value	Enterprise value (A) ¹¹	TTM ¹² adjusted OCF (B)	EV/OCF (A/B)	TTM SBP ¹³	TTM capex ¹⁴
APPL	893,497	728,315	60,853	12.0x	4,840	12,734
AMZN	592,196	573,909	17,552	32.7x	3,923	9,027
FB	544,825	506,535	21,194	23.9x	3,740	5,730
GOOG	765,752	669,573	35,766	18.7x	7,678	11,955
NFLX	90,208	93,351	(1,736)	-	177	274
TSLA	56,062	62,426	(643)	-	420	3,856
TOTAL	2,942,540	2,634,109	132,986	19.8x	20,778	43,585

Across these six companies – which have aggregate equity value of just under \$3 **trillion** – operating cash flow less capex equates to around \$90billion a year, of which nearly a quarter is produced by share based payments. Whilst the numbers appear mind boggling and impressive, the combined valuations are remarkably hefty, in their different ways. At these prices, aggregated free cash flow yield, excluding SBP, is around 2.6% - and that's for businesses which have amazing use of other people's money with negative working capital (eg APPL 21.6% of sales) as they grow.

Most intriguing, markets appear happy to ignore the gradually encroaching signs of regulation of these companies, and the potential roles they may have played in nefarious activities. A fantastic analysis of this is provided by respected technology investor (and insider) Roger McNamee in the latest "Washington Monthly". ¹⁵ The increasing suspicion regarding on-line advertising and the use of "bots" perpetuating "ad-fraud" – estimated cost over US\$8bn in the US alone - provides a partial counter to the undoubted benefits of data mining and targeting.

New world thinking is most obviously seen in the 1300+ strong empire of crypto-currencies. These bizarre creations, which largely offer limited utility (some offer more than others) other than a perceived "store of wealth" and a warm feeling for libertarians, are now firmly in the purview of regulators – tax, Government and financial. A bit late maybe?

If I said I would offer you an investment in a market where all participants could LEGALLY insider trade, spoof¹⁶, be subject to whales buying and selling, and on exchanges where price differences are virtually impossible to arbitrage, you might think twice. If I further explained that these unregulated exchanges effectively have to act as your clearer but that your funds may not be cleared in fiat currency, if at all, I suspect you would run a mile.

Yet speculators have run a mile TO indulge in acts which seem to be surpassed in danger only by foreigners dealing drugs in Brazilian favelas. In this correspondent's view, the most recent rise of low priced alt-coins – because they are low priced – represents the end of the speculative road for this cycle. At least a penny exploration stock gives you a drilling rig....

Calming the ardour: expensive bonds may retrace (and add some more credit risk?)

We should reiterate as a starting point, that we are not “perma-bears”, those analysts, commentators or investors who seem to foresee a crash around the corner in any environment¹⁷. As noted, I have been rather shocked by the number of hedge fund closures in 2017 as a result of modest performance over long stretches of time from highly credentialed individuals. Most went wrong in early 2016, foreseeing some type of catastrophe, when equity valuations were modest, and selected sectoral valuations – notably banks – were downright giveaways. Bank America is up over 150% since the February 2016 low; similarly JP Morgan has doubled and Citigroup has risen over 114%.

It is worth stressing that the private company (Stiletto Investments) had a geared positive exposure at that time and that East 72 also did later in 2016 around the time of Brexit. However, to put it in perspective, **the S&P500 has risen over 50% in less than two years** from the intra-day low of 11 February 2016. This has occurred from a “modest” (rather than ludicrously cheap) starting point in respect of index valuation, with (apart from the tax cut changes) no improvement in forecast earnings – discussed in detail below. Not surprisingly, with a price change of such magnitude (which we rode out very well in 2016/fiscal 2017) we have changed our views on the pricing of equities. That's aside from the worrisome “new paradigm” thinking in respect of AI, big data and the loss making “gig” economy, which your correspondent has seen before, albeit in different guises. Only the numbers are different. The loss of perspective about the ability of some of these new enterprises to make money in a sensible timeframe (if ever) is no different to a multitude of bull-manias of the past.

We always find a sensible starting point for assessing financial asset pricing is to adopt a three pronged approach to the question, namely:

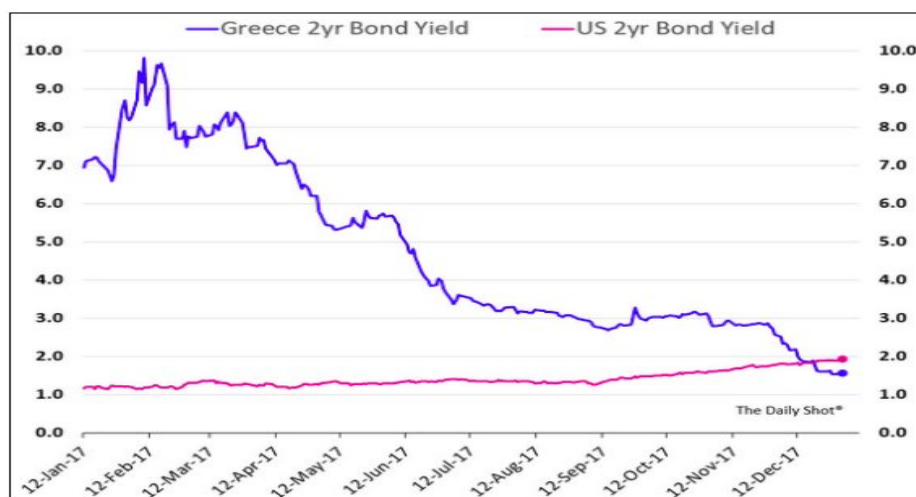
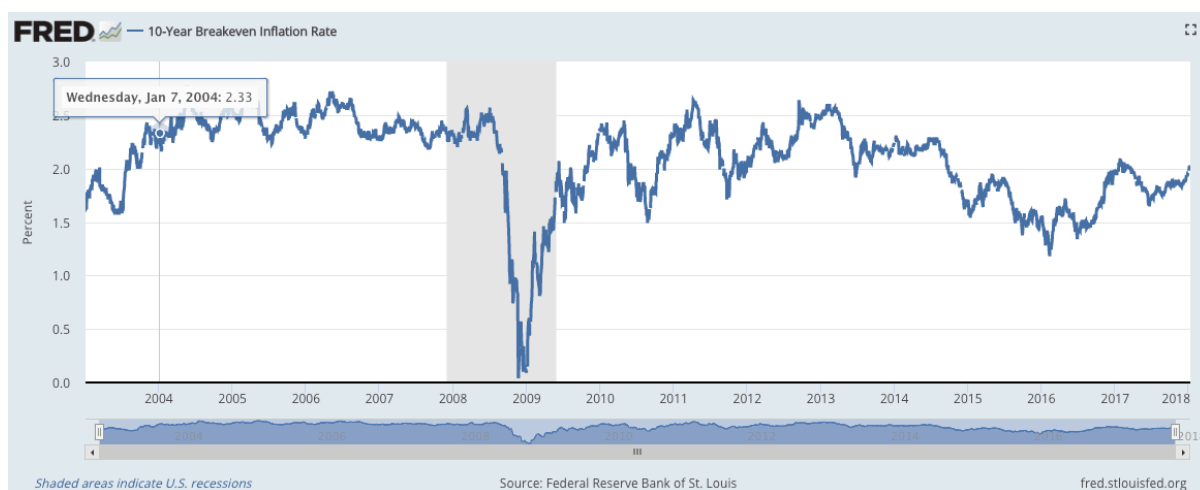
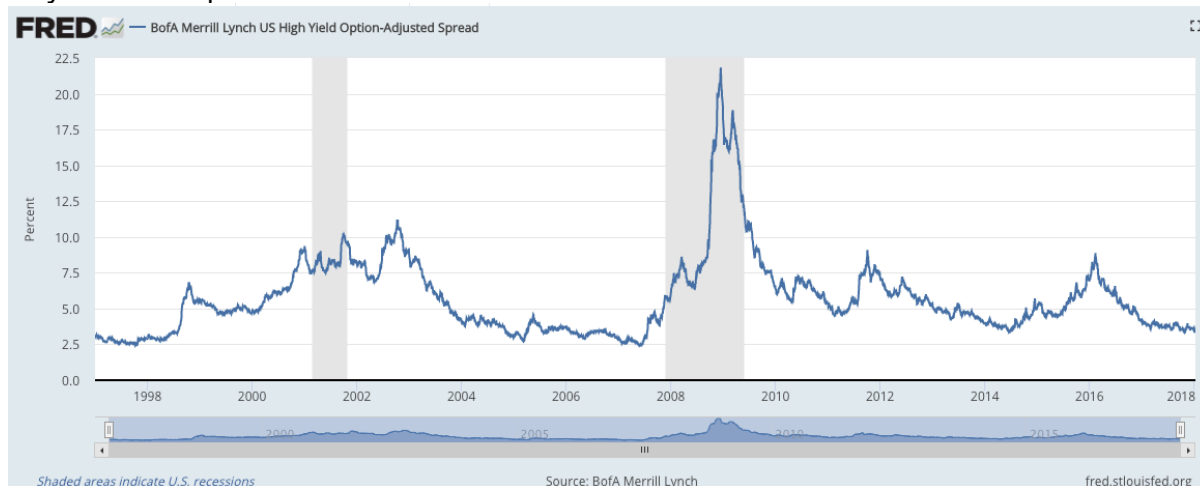
- Is the price of a risk free instrument (long term stable government bond) reasonably appropriate, given the likely inflation, debt supply/demand and sovereign risk outlook;
- Is the price of additional credit risk in the fixed interest sector appropriate; and
- How do these factors interplay with riskier assets such as equities; are equities subject to similar levels of fear or excesses?

Predicting a sharp rise in US (10 year) bond yields has been a fools game over much of the past four years, notably since the sharp rise from 2.17% to 2.55% in the so-called “taper tantrum” of 19-21 June 2013. The ongoing supply of liquidity by the US Federal Reserve Board (Fed) and continued expansion of their balance sheet, until recent months, along with dulled inflation expectations, has rendered erroneous the consensus view of rising yields over 3% in each of the past three years. However, the introduction of significant fiscal stimulus, in the form of corporate tax cuts may suggest “betting on red” to have more credence this time around. Five reasons stand out:

- The consensus view of the Trump benefits to business increase the US Federal deficit by \$1.3trillion over a ten year period – cf. \$666billion deficit in 2017 and overall debt of \$20.2trillion being 106% of GDP;
- A further tip in the supply/demand balance from a gradual unwinding of the Fed’s balance sheet. The Fed’s balance sheet is still equivalent to around 23% of US GDP (having peaked at 26% in late 2014) and compared to 6% prior to the various strands of quantitative easing. Federal debt held by the Fed also represents over 15% of GDP, allowing for the fact that the Fed also holds non-Government securities. So, as Government needs to sell more primary securities to finance itself, the secondary market also has to absorb the gradual wind-down of central bank portfolio;
- The Fed balance sheet over the medium term will have limited flexibility to respond to financial market difficulties; the rate of bond purchases by the Fed in QE’s1-3 - \$45bn, \$75bn and \$45bn per MONTH respectively overshadows the forecasts \$10bn per month current pace of sell-down, and still leaves the Fed’s balance sheet at ~15% of GDP by end 2025; this is an exercise like no other undertaken by the US central bank;
- Whilst arguable as to how much of the stimulus finds its way into the pocket of ordinary citizens, it comes at a time when consumer confidence has recently reached a seventeen year high;
- Inflation expectations remain muted relative to the past, but well off the lows of early 2016 (when you might recall all markets were expecting a severe slowdown as a result of events in China); the chart below deducts the yield on 10year TIPS (Treasury Inflation Protected Securities) from the nominal 10year yield to solve for the market’s expectation of CPI changes over that period. From the recent low of ~1.2% in Q1 2016, the interplay of the two yields now sees these expectations up at 2.03%.

There is a worrisome paradox which has emerged over the past few months, that credit spreads have actually contracted during this initial few months of liquidity withdrawal by the Fed; other risk measures – equity valuations – have also moved more positively. This can be partly attributed to “gradualism” i.e. moves by the Fed (and other central banks) are now extremely well communicated versus episodes of the past. However, this doesn’t prevent central bank errors (eg RBA late 2007/early 2008 and early 2016); indeed, given the sheer quantum of relative numbers, the scope for error appears very limited. Given that this exercise will be repeated, with a lag, by central banks in Europe and Japan, it suggests the risk profile has shifted somewhat but is not being acknowledged by **debt** markets.

Illustrative risk lust in bonds¹⁸: Credit spreads of high yield bonds are compressed....as inflation expectations having increased dramatically in the past 20months.. and Greek bonds may be a tad expensive..



US equity valuations and growth expectations

It is a reasonable contention that an important part of the valuation basis for US equities rests upon a continuation of similar conditions to those seen over the past four years – a sedate bond environment with no real signs of inflation, and constrained credit risk premium for less well rated paper. The problem for US equities is that in deconstructing the return data over recent periods, it is increasingly valuations and not unanticipated earnings growth which is largely doing the heavy lifting – rather different to the breathless “earnings beats” espoused on financial television.

In mid-March 2016, a month after the bottom of a 13% six week slide in the S&P 500 main US equity index (remember that?), consensus estimates for CY2017 operating EPS for the S&P500 stood at \$137; at the prevailing index level (2141), this represented a P/E of around 14.9x.

Had you focused on the business press through the subsequent period, you might be forgiven for thinking that US EPS growth had ratcheted up nicely above expectations over the subsequent period, during which the S&P500 has returned 32%. Actually not; the current estimate for CY2017 EPS currently stands just below \$132, showing that more than 100% of the gain from close to the low point in February 2016 has come from P/E expansion.

Just as pointedly, there has been virtually no change in the expectations for CY2017 profits from a year ago, despite an index gain of 19%.

Clearly recent gains in US indices have been driven by the radical overhaul of US tax legislation, which provides for at least five years of reduced corporate tax imposts, with a headline rate of 35% reducing to 21%. Unlike Australia, US corporates in the main do not pay close to the statutory tax rate, with the tax rate across the S&P500 pre tax cuts roughly calculated at 25.7% (CSI market). Whilst there is still some debate about the ultimate impact, and of course the benefits of the tax cuts will vary across sectors, the current consensus appears to be that the cuts add around \$8 to S&P500 EPS for FY18, with a reduction in the effective rate to around 20.7%.

The somewhat concerning aspect of valuations across the main US index is now the degree of baked in optimism regarding the next two years. Having grown EPS at 9.8% per annum from the base of the deepest recession since the 1930's, the just over 10% growth figure likely to eventuate in 2017 is now forecast out for the next two years, prior to the benefit of tax cuts. Hence, at prevailing levels, the S&P500 trades at around 17.4x tax cut adjusted EPS of \$154 for FY18 and a still hefty 15.8x tax cut adjusted consensus EPS of \$170 for FY19. Let's remember, as in Australia, it is a complete rarity that analysts underestimate earnings forecasts for the market when aggregated bottom up.

And so...

Hence, at the end of 2017, we have arrived at a very rare confluence of:

- Extreme bullishness (survey data);
- Strong expectations of forward earnings before tax cut impacts;
- High valuation multiples on these optimistic earnings;
- Very low volatility; and
- An expected continuation of the “goldilocks” scenario regarding US bond rates.

As illustrated on pages 4 and 8, some of these indicators are at extremes, others well into bullish territory. However, it's the aggregation of them which suggests a level of optimism not seen for some years, well reflected in **both** bond and equity prices. In turn, this suggests that the balance of risks are skewed far more to the downside than they have been for some time past.

This doesn't mean we are gambling on a crash, more a realignment of markets which would involve a correction over the course of this year, and purging of some of the excesses which have now built up in the system. I could conceive of a more dynamic negative situation, but that is not a base case.

Portfolio structuring and recent changes

In a long-only fund, these factors would be a recipe for moving towards a higher weighting of cash as the opportunity set for new long positions, outside of pure eccentricity, becomes more limited. For a long-short investor, such as E72, there are many more opportunities in the short selling arena, both of indices and of individual securities where valuations and businesses may be compromised.

At the end of December 2017, we are effectively 100% short (i.e. all of E72's equity is represented by a net short position). These short positions are mainly indices in Australia and the US, although we do have 20 individual short sale security positions.

As a result of the Stiletto acquisition, we did end up with a slightly unwieldy portfolio, but have used the recent market strength to sell off positions where share prices have met our valuation objectives. These include a number of global banks – American Express, Credit Suisse, Bank of America, but have retained the UK exposures. We also sold our largest position, Vealls Limited, as the controlling family shareholders made an appropriate (rather than generous) selective buy-back offer, providing around a 60% return to our cash (not marked to market) entry price. Our position in Kogan was gradually sold into the stratospheric rise in the shares. Other notable profits were taken in Dell Class V shares (which still trade at a huge discount to VM Ware but VMW stock now looks extravagantly expensive), Owens Illinois, Twitter, Easyjet and Grand City Properties. We closed profitable short positions in Hormel Foods, Hanesbrands, Telstra and Bank of the Ozarks. Our long thesis in Wellard has not eventuated and the position was sold at a loss.

In Australia, we have added a further agri-exposure (Australian Agricultural Co) to the existing holdings of Webster (water, walnuts, cotton) and larger position in Namoi Cotton (cotton ginning and services). We have increased our gold exposures, mainly through the addition of Ramelius Resources, a 200,000oz per annum producer. Within the overseas area, we have instituted a small short position in Netflix, but have created a new long position in the beaten down Trip Advisor Inc.

A number of core holdings such as Exor, AerCap and Financiere de l'Odette remain unchanged.

For further information:

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STATISTICAL APPENDIX: QUARTER & FYTD TO 31 DECEMBER 2017

1. Monthly performance, exposure and NAV

	Investment return ^a	Cost imposition ^b	Net Return ^c	FY17 Return	NAV/share pre tax (c)	Gross Exposure ^d	Net Exposure ^e
31 Dec 16	9.0%	-0.8%	8.2%	37.4%	33.0	439%	74%
31 Jan 17	5.2%	-0.7%	4.5%	43.6%	34.4	473%	54%
28 Feb 17	0.2%	-0.4%	-0.2%	43.4%	34.4	503%	24%
31 Mar 17	1.6%	-0.2%	1.4%	45.3%	35.2	171%	1%
30 Apr 17	-2.3%	-0.2%	-2.5%	41.7%	34.3	227%	-18%
31 May 17	2.6%	-0.3%	2.3%	45.1%	35.1	251%	-19%
30 Jun 17	1.3%	-0.2%	1.1%	46.6%	35.5	276%	-6%
				R12 return			
31 Jul 17	1.3%	-0.6%	0.7%	35.8%	35.8	283%	-22%
31 Aug 17	-5.0%	-0.4%	-5.4%	23.7%	33.8	320%	-28%
30 Sep 17	2.8%	-0.3%	2.5%	29.2%	35.2	359%	-31%
31 Oct 17	-7.3%	-0.2%	-7.5%	14.1%	32.8	412%	-42%
30 Nov 17	-9.1%	-0.3%	-9.4%	-5.6%	29.7	437%	-73%
31 Dec 17	-7.1%	-0.2%	-7.6%	-18.4%	27.4	436%	-99%

2. Equity exposure as at 31 December 2017 (as % month end pre tax shareholders funds):

	AUSTRALIA		OVERSEAS		TOTAL	
	percent	exposures	percent	exposures	percent	exposures
LONG	90.4%	28	77.9%	30	168.3%	58
SHORT	(24.1%)	12	(30.4%)	8	(54.5%)	20
INDEX	(96.1%)		(110.7%)		(206.8%)	
CRYPTO	-	-	(6.2%)		(6.2%)	
TOTAL	(29.8%)	40	(69.5%)	38	(99.2%)	78

3. Quarterly estimated unaudited contribution to gross performance (equity positions only)

Exposure	Contrib	LOC price Δ	Exposure	Contrib	LOC price Δ
Vealls Limited	+1.57%	+25.7%	Prime Financial	-1.12%	-27.5%
PM Capital Global Opps	+0.60%	+11.8%	Caterpillar Inc\$	-0.80%	+26.4%
Namoi Cotton Co-Op	+0.60%	+16.5%	Amazon Inc\$	-0.51%	+21.6%
Credit Suisse	+0.55%	+13.5%	Blue Sky Alts\$	-0.49%	+32.2%
Kogan Limited	+0.48%	+75.3%	Rubicon Project	-0.49%	-51.9%
Janus Henderson	+0.48%	+12.0%	McGrath Holdings	-0.45%	-13.1%
Twitter Inc	+0.29%	+42.3%	Apple Inc\$	-0.41%	+20.1%

\$: short sale position;

^a 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

^b All accrued expenses for company administration (eg. listing fees, audit, registry) divided by opening period net asset value and time weighted for equity raisings

^c Calculated as 2 (above) minus 3 (above)

^d 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

^e 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



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Endnotes & sources:

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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 3 and 17-21 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 0.25% per month over the course of a full year (excluding capital raising related expenses) and is fully accrued monthly according to the best estimates of management. Readers are explicitly referred to the disclaimer on page 12.
 - ² Month by month tabulation of investment return and exposures is given on page 9, along with exposure metrics and unaudited attribution for the quarter.
 - ³ All comparative performances are for relevant period to 31 December 2017
 - ⁴ To see the attractions of 100 year Argentinian bonds, a visit to the Casa Rosada Museum in Buenos Aires is recommended. It covers the years from 1815 to the present day. War, revolution and crisis appear the three most common words.
 - ⁵ Source: Rider Levett Bucknall publications
 - ⁶ Sources: Factset, Bloomberg/Saxo Bank and American Association of Individual Investors respectively
 - ⁷ GLRE as at 9 January 2018 versus 30 September 2017 balance sheet
 - ⁸ "Fooling some of the people all of the time" (Wiley, 2008)
 - ⁹ Available at <https://www.docdroid.net/t74pyIc/362493610-greenlight-1.pdf>
 - ¹⁰ As at close 9 January 2018
 - ¹¹ Equity value minus net debt; excludes warranty liabilities and deferred revenues
 - ¹² Trailing twelve months to 30 September 2017 adjusted to add back net interest paid
 - ¹³ Trailing twelve months to 30 September 2017 share based payments
 - ¹⁴ Trailing twelve months to 30 September 2017 - excludes lease payments for assets
 - ¹⁵ Available at <https://washingtonmonthly.com/magazine/january-february-march-2018/how-to-fix-facebook-before-it-fixes-us/>
 - ¹⁶ The story of Navinder Singh Sarao alleged to have caused the 2010 US "flash crash" from his bedroom in London by "spoofing" (placing and cancelling large fake orders) is a classic; Mr. Sarao pleaded guilty to one count of spoofing. <http://www.livemint.com/Money/TYUUtWYOj0VlPhFFyLICQM/How-flash-crash-trader-Navinder-Singh-Sarao-went-from-genius.html>
 - ¹⁷ <https://www.ft.com/content/239c48f0-e5a6-11e7-8b99-0191e45377ec> (FT: 10 January 2018 – "Last of the market bears wait for a crisis")
 - ¹⁸ Sources: Federal Reserve Board of St. Louis (FRED) and The Daily Shot