



UNAUDITED MONTHLY PORTFOLIO UPDATE¹: FEBRUARY 2018

The East 72 Holdings Limited (**E72**) portfolio had its second largest monthly increase since inception rising by 15.6% before tax to produce a gain in pretax NTA of 15.3% after costs. Unaudited pre-tax NTA per share at 28 February 2018 is 28.0c (29.2c after tax).

We benefitted from the significant dislocation in markets which took place between the start of the month and 9th February which saw the S&P500 lose just over 11% from the all-time high reached just two weeks prior. This significant price decline and increase in volatility spread globally, providing significant price movements at the individual security level. These were further compounded by results season in the US and Australia providing addition dispersion of returns.

We repurchased a significant proportion of our Australian short index position at advantageous prices relative to the end month closes in both January and February, and now have a net long position in Australian equities.

We closed out around a quarter of our US index and all of our European index shorts. The end February composition of the minor net short position in non-Australian equities is heavily weighted towards a significant net short position in the US and long position in Europe. Additionally, the US long portfolio is esoteric and is unlikely to track the wider indices, whilst our short US positions are index and large cap based. We will tend to do better under this construct if US markets decline, absent any stock specific issues within our US portfolio. We still regard US markets as being significantly overpriced relative to earnings, have limited truck with the consensus view, and expect and would welcome further volatility. This is reflected in the net 48% portfolio exposure, which may reduce further in the event of unsubstantiated market rallies.

Aside from the gains emanating from a hefty net short position through the early-February decline, we also benefitted from the collapse of bitcoin over the same period and have now extinguished our short position. Whilst we remain massively bearish regarding the crypto-currency, the lack of regulation in bitcoin markets is allowing wholesale price manipulation which often caused material deviation from what might be expected in the short term. We have closed a number of Australian stock-specific short positions, added to Michael Hill International and taken a small investment in two large cap bank shares, which look cheap, in our view, even after a respectable adjustment of bad debt charges to a more normal environment.

Our two long volatility investments paid off handsomely with both Flow Traders (+67%) and Virtu Financial (+55%) sky-rocketing as all volatility measures awoke from their recent slumber.

Equity exposure as at 28 February 2018 (as % month end pre tax shareholders funds):

	AUSTRALIA		OVERSEAS		TOTAL	
	percent	exposures	percent	exposures	percent	exposures
LONG	92.7%	30	89.9%	30	182.6%	60
SHORT	(18.4%)	7	(33.1%)	8	(51.5%)	15
INDEX	(21.8%)		(61.7%)		(83.5%)	
TOTAL	52.5%	37	(4.9%)	38	47.6%	75

For further information:

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

¹ East 72 Holdings Limited (**E72**) provides monthly **unaudited** updates on its company performance and exposure supplemented by a more substantial quarterly note. Readers are referred to footnotes 2-6 explaining the derivation of the numbers. All returns are pre-tax unless stated otherwise. At the current level of net assets, subsequent to the acquisition of Stiletto Investments Pty. Limited, cost imposition is estimated at 0.26% per month over the course of the full year (excluding charges for capital raisings and corporate events) and is fully accrued monthly according to the best estimates of management. Readers are explicitly referred to the disclaimer on page 2.

Monthly performance, exposure and NAV

	Investment return ²	Cost imposition ³	Net Return ⁴	FY Return	NAV/share pre tax (cents)	Gross Exposure ⁵	Net Exposure ⁶
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%	-18.5%
31 May 17	2.6%	-0.3%	2.3%	45.1%	35.1	251%	-19%
30 June 17	1.3%	-0.2%	1.0%	46.6%	35.5	276%	-6%
			R12 return				
31 July 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%	32.9	412%	-42%
30 Nov 17	-8.9%	-0.3%	-9.2%	-0.9%	29.6	437%	-73%
31 Dec 17	-7.7%	-0.2%	-7.9%	-16.1%	27.4	434%	-99%
31 Jan 18	-9.1%	-0.2%	-9.3%	-27.4%	24.7	497%	-135%
28 Feb 18	15.6%	-0.3%	15.3%	-16.2%	28.0	346%	48%

Disclaimer

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

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

The information contained in this update is current as at 28 February 2018 or such other dates which are stipulated herein. All statements are based on E72's best information as at 28 February 2018. This presentation may include forward-looking statements regarding future events. All forward-looking statements are based on the beliefs of E72 management, and reflect their current views with respect to future events. These views are subject to various risks, uncertainties and assumptions which may or may not eventuate. E72 makes no representation nor gives any assurance that these statements will prove to be accurate as future circumstances or events may differ from those which have been anticipated by the Company.

² Change in market value of all investments – cash and derivatives – after interest charges, dividends receivable, dividends and fees paid away divided by opening period net asset value and time weighted for equity raisings

³ All accrued expenses for company administration (eg. listing fees, audit, registry) divided by opening period net asset value and time weighted for equity raisings

⁴ Calculated as 2 (above) minus 3 (above)

⁵ Calculated as total gross exposures being nominal exposure of all long and short positions (cash and derivative) divided by end month pre tax net asset value – assumes index 0 of 1

⁶ Calculated as total net exposures being nominal exposure of all long minus short positions (cash and derivative) divided by end month pre tax net asset value – assumes index 0 of 1