



## UNAUDITED MONTHLY PORTFOLIO UPDATE<sup>1</sup>: APRIL 2018

In April 2018, the East 72 Holdings Limited (**E72**) portfolio returned 4.07% before costs and 3.83% before tax but after expenses. Unaudited pre-tax NTA per share at 30 April 2018 is 29.85c (30.8c after tax). E72 also has significant franking credits equating to 2.2c per share at 30 April 2018, after payment of a tax liability acquired as part of the Stiletto Investments P/L acquisition.

The monthly return comprised a set of diverse benefits from long and short positions, including:

- 70% decline in Blue Sky Alternative Investments – we had a significant proportion of our short position bought in well above the monthly close as the stock lenders recalled their positions, which has significantly reduced our overall return from this well thought out idea;
- 13% decline in one of our larger short positions, Perpetual Limited. The shares have fallen ~25% in the past three months as the excessive valuation has been consumed by poor ongoing fund flows into the investment management business. We have now closed this short since the implied value of the funds manager is more reasonable and the other distribution and trustee businesses offer potential corporate inducements;
- Long index positions in Europe (Eurostoxx50 +4.7% in the month), Germany (DAX +3.7%) and Japan (Nikkei 225 +4.6%) all of which were acquired during the February/March dislocation. These positions have now been sold;
- Benefits from selected short positions – all since closed - in Australian mid-cap stocks, which have proven advantageously volatile at their extravagant prices;
- Gains in Icahn Enterprises, IDT and Australian Rural Capital.

In the wake of the scandals unearthed at the “Banking Royal Commission”, the share price decline of AMP was not unexpected but in our view is well overdone. Valuing the company has its difficulties, but is made easier by reinsurance in the life area, and commendable disclosure. Our entry price just above \$4 is way below any corporate valuation of the business, which must now be a higher probability.

We have also bought back into two US companies – KKR and Leucadia – which we have owned previously. Leucadia, in particular, now has catalysts to liberate capital as it transforms back to Jefferies, the investment bank, pending divestments of National Beef and a variety of other smaller holdings. In our view, NAV is at least 30% above the share price.

### Equity exposure as at 30 April 2018 (as % month end pre tax shareholders funds):

	AUSTRALIA		OVERSEAS		TOTAL	
	percent	exposures	percent	exposures	percent	exposures
<b>LONG</b>	83.5%	26	87.4%	39	170.9%	65
<b>SHORT</b>	(10.5%)	7	(20.1%)	7	(30.6%)	14
<b>INDEX</b>	5.4%		(55.0%)		(49.6%)	
<b>TOTAL</b>	78.3%	33	12.3%	46	90.7%	79

### For further information:

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<sup>1</sup> East 72 Holdings Limited (**E72**) provides monthly **unaudited** updates on its company performance and exposure supplemented by a more substantial quarterly note. Readers are referred to footnotes 2-6 explaining the derivation of the numbers. All returns are pre-tax unless stated otherwise. At the current level of net assets, cost imposition is estimated at 0.23% 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 <sup>2</sup>	Cost imposition <sup>3</sup>	Net Return <sup>4</sup>	FY Return	NAV/share pre tax (cents)	Gross Exposure <sup>5</sup>	Net Exposure <sup>6</sup>
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%
			<b>R12 return</b>				
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%	-5.6%	29.6	437%	-73%
31 Dec 17	-7.7%	-0.2%	-7.9%	-18.4%	27.4	434%	-99%
31 Jan 18	-9.1%	-0.2%	-9.3%	-30.1%	24.7	497%	-135%
28 Feb 18	15.6%	-0.3%	15.3%	-19.2%	28.0	346%	48%
31 Mar 18	2.4%	-0.3%	2.1%	-18.6%	29.2	310%	95%
30 Apr 18	4.1%	-0.3%	3.8%	-15.3%	29.9	262%	91%

## Disclaimer

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The information contained in this update is current as at 30 April 2018 or such other dates which are stipulated herein. All statements are based on E72's best information as at 30 April 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.

<sup>2</sup> 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

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

<sup>4</sup> Calculated as 2 (above) minus 3 (above)

<sup>5</sup> 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

<sup>6</sup> 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