



## UNAUDITED MONTHLY PORTFOLIO UPDATE #21: JANUARY 2019<sup>1</sup>

The East 72 Holdings Limited (**E72**) portfolio increased by 9.1% before costs and 8.8% before tax but after expenses during the month of January 2019. Unaudited pre-tax NTA per share at 31 January 2019 is 25.2c (27.9c after tax). E72 also has significant franking credits equating to 2.0c per share at 31 January 2019. As a guide, the Australian S&P/ASX All Ordinaries Accumulation index, increased 4% over the month.

January saw some exceptional upward moves, notably in US domiciled securities, where S&P500 rose 7.9% over the month. The initial rally from a highly fraught period immediately prior to Xmas was driven by indications of a more dovish Federal Reserve Board than previously perceived, and minor indications of some type of thaw in the US-China trade tensions. This offset the impact of the long US Government shutdown and reduction in earnings forecasts for S&P500 EPS for 2019. The 15.2% rally in S&P500 from the nadir in December (>17% for NASDAQ100) allied to reducing EPS forecasts now sees S&P500 trading at ~16x forward earnings of ~\$171. Based on the first week of the annual results season, we expect to see this number decline further, reflecting forecasts lower than the prevailing 6.1% expected EPS growth in CY2019. As a consequence, we have started to reduce our overall long exposures from the aggressive levels at end-December 2018.

We benefitted from significant positive moves in a number of banking, investment banking and other financial stocks across the globe – Sberbank +24%, Greenlight Capital +20%, Goldman Sachs +18.5% - were all notable bouncers from very oversold levels. In addition, we were assisted by a rally in the gold price above US\$1300/oz. Tesla's share price decline after the announcement of retrenchments also provided some solace.

We regard the prevailing environment as rich in opportunity. A number of perceived growth securities have rallied especially hard in the past month, and provide new short possibilities; however, we still see a significant number of heavily discounted situations. This is reflected in the larger number of holdings at present, as the short positions are generally smaller, and we in the middle of some portfolio changes. We have notably increased our short exposures in Australia where economic uncertainty, credit restriction, and an indebted, pressured consumer suffering negative wealth effects, seems not to be reflected in non-resource shares priced at 20x forward EPS.

### Equity exposure as at 31 January 2019 (as % month end pre tax shareholders funds):

	AUSTRALIA		OVERSEAS		TOTAL	
	percent	exposures	percent	exposures	percent	exposures
<b>LONG</b>	81.3%	25	109.5%	45	190.8%	70
<b>SHORT</b>	(16.3%)	13	(21.9%)	9	(38.2%)	22
<b>INDEX</b>	(10.3%)		(3.8%)		(14.1%)	
<b>TOTAL</b>	54.7%	38	83.6%	54	138.3%	92

### 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 0.25% 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>	R12 Return	NAV/share pre tax (cents)	Gross Exposure <sup>5</sup>	Net Exposure <sup>6</sup>
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%
31 May 18	-0.7%	-0.3%	-1.0%	-16.0%	29.5	272%	87%
30 June 18	-1.9%	-0.1%	-2.0%	-18.7%	29.0	278%	81%
31 July 18	-3.8%	-0.3%	-4.1%	-22.5%	27.8	276%	63%
31 Aug 18	-6.4%	-0.3%	-6.7%	-23.7%	26.2	285%	49%
30 Sept 18	0.9%	-0.2%	0.7%	-25.0%	26.4	287%	42%
31 Oct 18	-0.8%	-0.2%	-1.0%	-19.8%	26.2	217%	144%
30 Nov 18	-0.2%	-0.2%	-0.4%	-12.1%	26.0	233%	151%
31 Dec 18	-10.3%	-0.2%	-10.5%	-14.5%	23.2	243%	185%
31 Jan 19	9.1%	-0.3%	8.8%	2.6%	25.2	256%	138%

## Disclaimer

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The information contained in this update is current as at 31 January 2019 or such other dates which are stipulated herein. All statements are based on E72's best information as at 31 January 2019. 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