

East 72 Holdings Limited

# 2023 EGM Delisting Vote

EAST  
72



Andrew Brown  
Executive Chair



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Unless otherwise noted, figures presented are unaudited and are current as at 15 June 2023.

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This document contains certain forward looking statements and comments about future events. Forward looking statements can generally be identified by the use of forward looking words such as, ‘expect’, ‘anticipate’, ‘likely’, ‘intend’, ‘should’, ‘could’, ‘may’, ‘predict’, ‘plan’, ‘propose’, ‘will’, ‘believe’, ‘forecast’, ‘estimate’, ‘target’ and other similar expressions within the meaning of securities laws of applicable jurisdictions. Indications of, and guidance on, future earnings or financial position or performance are also forward looking statements. Forward looking statements involve inherent risks and uncertainties, both general and specific, and there is a risk that such predictions, forecasts, projections and other forward looking statements will not be achieved. Forward looking statements are provided as a general guide only, and should not be relied on as an indication or guarantee of future performance. Forward looking statements involve known and unknown risks, uncertainty and other factors which can cause E72’s actual results to differ materially from the plans, objectives, expectations, estimates and intentions expressed in such forward looking statements and many of these factors are outside the control of E72. As such, undue reliance should not be placed on any forward looking statement.

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## Risks

E72 uses significant levels of financial and synthetic derivative debt within its operations. As a consequence, an investment in E72 involves significantly higher levels of risk than a conventional equity investment company. Readers are referred to the Company’s web-site: [www.east72.com.au/about-us](http://www.east72.com.au/about-us) for a more fulsome description of the risks inherent within E72.

## KEY MESSAGES

- Delisting is not the end of the road – it's a reset
- Shareholders will be kept informed as though E72 is a listed company
- For the first time, build a differentiated fund income stream – E72DT
- E72 is the direct beneficiary – not its Directors
- Less focus on NTA; more focus on profit from income +/- capital gain
- Trying to generate goodwill value – more than an NTA story
- A significant investment in YBR which has potential for major uplift
- Reduced cost base, less friction costs, doesn't require significant capital
- Capacity to utilize tax losses and franking credits
- Board own ~48% of share capital

## FUTURE UPSIDE IF STRATEGY EXECUTED

<b>Reduced cost base</b>	Income and gains subject to less friction cost	
<b>YBR</b>	Improve share price – massive discount to value	
<b>Other investments</b>	Investments in our products + other	
<b>E72 Dynasty Trust</b>	Excellent economics due to Westferry relationship	
NTA at 31 December 2022	4.8c	
expenses	(0.4c)	>\$70k
YBR mark to market	(0.9c)	9.3c to 6.5c
Net other	(0.2c)	Tough March, other months OK
Current NTA	3.3c	

## WHY ARE WE DELISTING: SAVINGS ESTIMATES

	Costs	Current	Reason	Saving
<b>Cost savings - fixed</b>	Listing fees	14,000	No payments in future	14,000
	Registry	8,000	Internalised 1 August 2023	8,000
	ASIC	5,000	Lower cost for UPLC	3,750
	Audit	29,000	Only final YE audit	14,000
	<b>TOTAL</b>	<b>56,000</b>		<b>39,750</b>
<b>Cost savings - variable</b>	Directors	64,000	Lower Directors fees	22,000
	Other costs	20,000	Belt tightening	2,000
	<b>TOTAL</b>	<b>84,000</b>		<b>24,000</b>
<b>GRAND TOTAL</b>		<b>140,000</b>	Est 45% savings in a full year	<b>63,750</b>

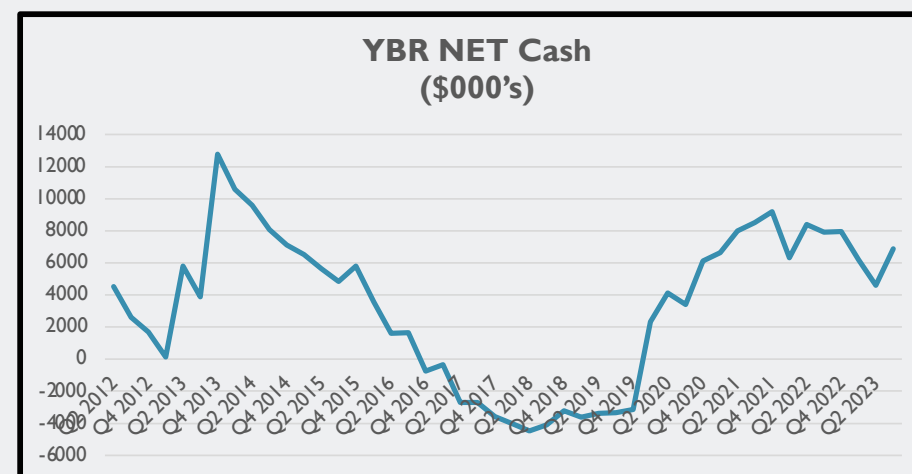
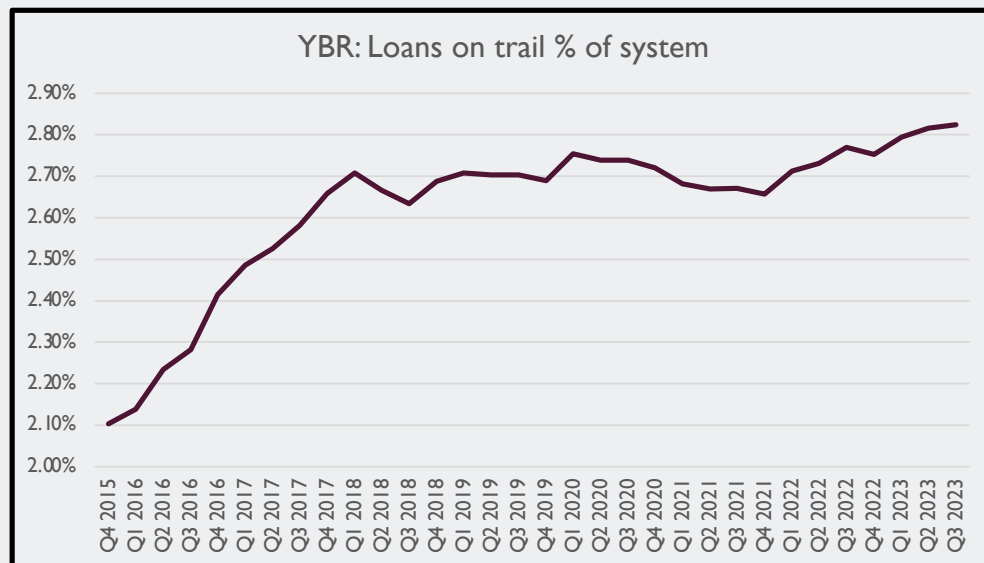
## WHAT HAPPENS ON DE-LISTING

<b>Registry</b>	Maintained internally (93 separate holders) Issuer sponsored statements Everything done via email/website We will communicate to ensure accurate details
<b>Regulator</b>	Still ASIC & Corporations Act Not <u>strictly</u> governed by continuous disclosure but will adhere Will email/website MNPI (material non-public information) You must receive annual report if requested (email) We will publish quarterly – different format
<b>Transactions</b>	To buy back have to pass resolution & maximum quantum We have facilitated every transaction since 2018 Willing buyer/seller with OMTF

## YELLOW BRICK ROAD: 3% OF MORTGAGE MARKET FOR \$14MN?

326.4 million shares at 6.5c	\$21m market capitalisation
Net cash (31 March 23)	\$6.9million
NAV (at 31 December 22)	\$45.1million (13.8c/share)

Sandon Capital (ASX:SNC)	19.7%
Mark Bouris	16.9%
Nine Entertainment Group	15.3%
Magnetar (RWF JV partner)	12.3%
Chris Ellison (Min Resources)	3.1%
<b>East 72</b>	<b>2.1%</b>
DMX Capital	1.7%

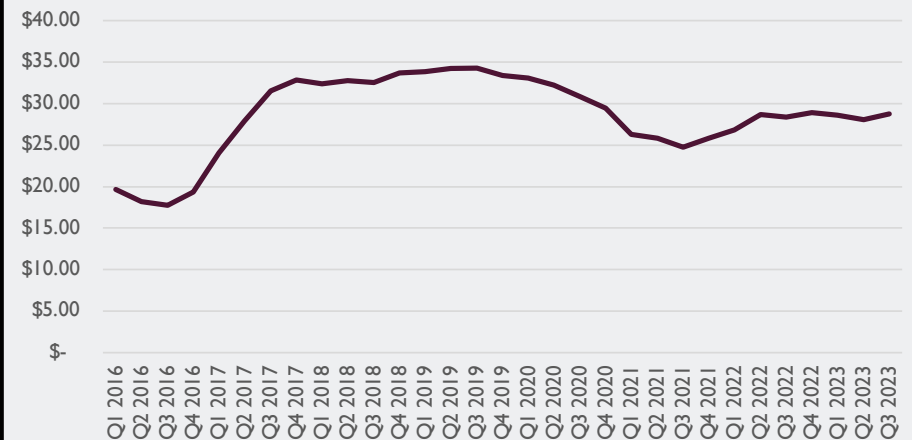


## YELLOW BRICK ROAD: GAINS NOT CONVERTING TO PROFIT

YBR quarterly loans % system



YBR GROSS Profit: TTM \$mn

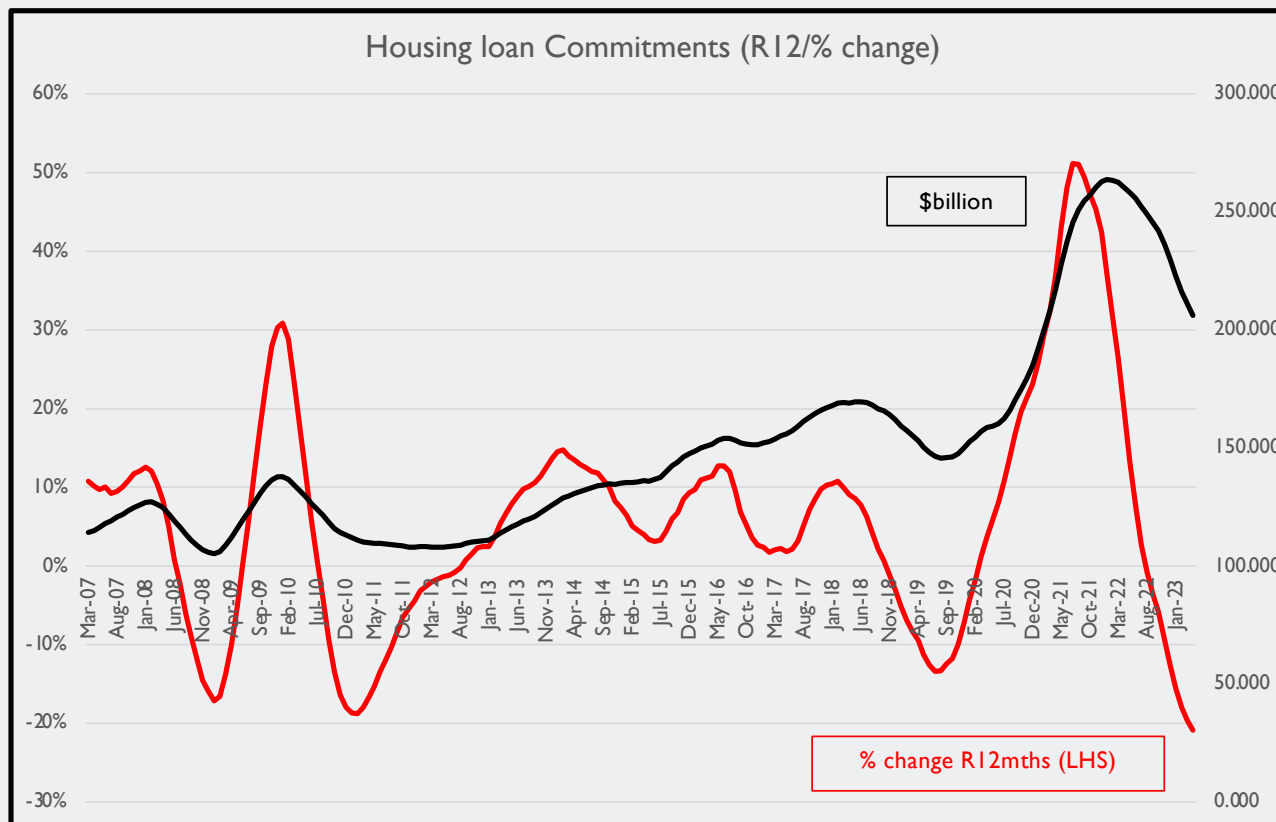


- Stock versus flow
- Flow measures include YBR refinances; system excludes, hence inconsistency between flow (6%) and stock (<3%)
- \$2.2trillion market in stock

- Growing share but inconsistent gross margin
- Leads to inconsistent cash flow and profit results when overlaid on fixed cost base
- Including 4x increase in ad costs TTM Q3 2021 to Q3 2023



## YELLOW BRICK ROAD: CYCLE DRIVER

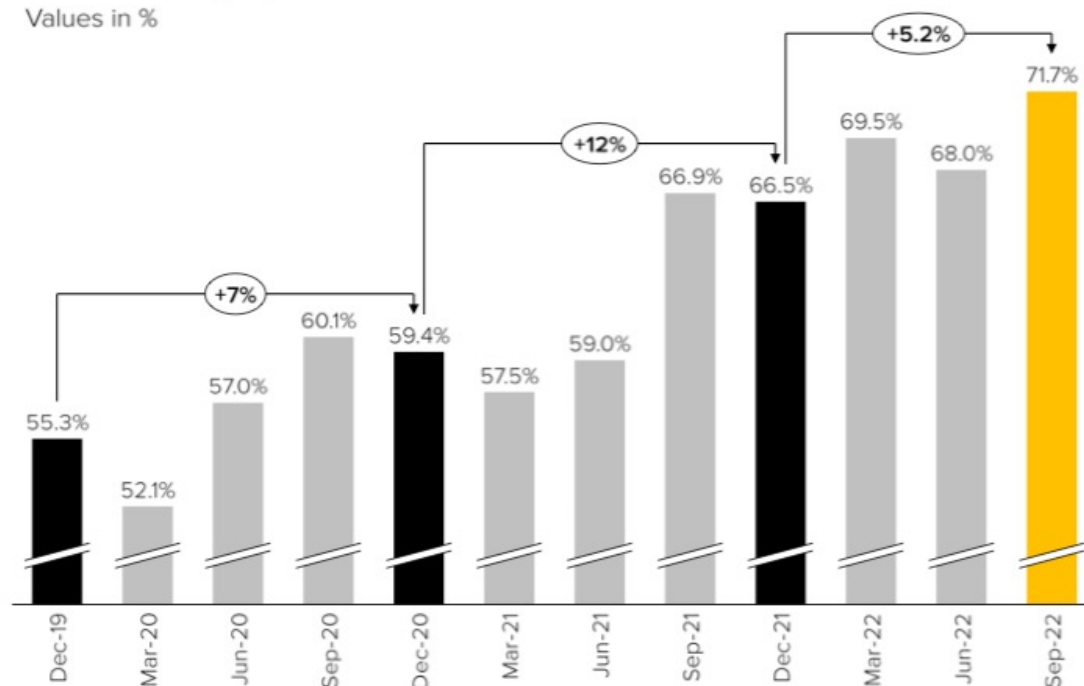


- Outlier cycle since 2019
- Absolute levels of (re) finance still > mid 2019
- Loan duration likely to lengthen post “cliff” increases NPV
- In this environment, distribution is king
- Further consolidation on broker industry likely
- YBR needs to be upsized to get fixed cost leverage

## YELLOW BRICK ROAD: STRUCTURALLY GROWING INDUSTRY

Broker Usage per Quarter

Values in %



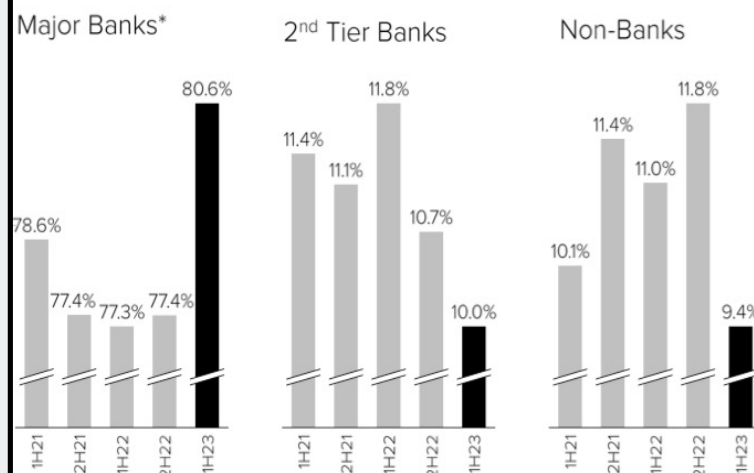
- Mortgage “brokers” are at record high % of the system
- Greater advice needed in current & forward climate
- Fixed cost businesses so mergers make sense
- Bigger book, bigger buying power from Big 5
- YBR one of only two listed players (AFG the other)

## YELLOW BRICK ROAD: HOW TO MAKE IT WORTH MORE

- R12 (cash flow) overheads of \$29m (>\$1.1m to Chair) are too high
- Too much of trail book (>\$52bn) is low margin aggregator (Vow) →
- Company should actually GIVE presentations not just create them
- A 10% share buy back at 10c would add 0.5c to NAV
- Solve the disconnect between the board and minority shareholders

Share of Applications within our Panel (Trend)

Values in %



\*Includes majors, subsidiary of majors and Macquarie Bank

# EAST 72 DYNASTY TRUST

Manager	East 72 Management P/L (100% E72)
Trustee	Westferry Operations P/L
Administrator	East 72 Management P/L
Nature	Wholesale Trust Long only; no shorts/hedge
Minimum investment	\$50,000
Fee structure	1% + 8% of return (HWM)

† East 72 Management (ACN 663 980 541) is Corporate Authorised Representative (CAR001300340) of Westferry Operations Pty Ltd  
Andrew Brown is the Responsible Manager of Westferry Operations



## East 72 Dynasty Trust

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

ABN 43 935 022 778

### Monthly Report #4: May 2023

#### FUND FEATURES

- \* Invested in companies controlled by a single shareholder
- \* Long term, global investment focus
- \* Reflects ethos of investor companies and controllers
- \* Invests globally, no currency hedging
- \* Typically 20 - 40 positions
- \* Cash exposure typically up to 20%
- \* No leverage, no short selling
- \* Benchmark unaware
- \* Value investment philosophy

#### FUND FACTS

Designation	Wholesale
Commencement date	06 December 2022
Management fee	1% pa
Performance fee	8% of post fee return
Minimum Investment	\$50,000
Valuation	Monthly
Entry fee (end month)	0%
Exit fee (end month)	0.25%
Manager	East 72 Management Pty Limited

#### MONTHLY COMMENTS

In May, the Trust was mildly hampered by weakness in Vivendi, which fell sharply after a technical manoeuvre by Bolloré to sell a small number of shares to avoid having to make a takeover offer. We also suffered from weakness in IWG (-14%) and Li-Hual (-14%) both impacted by general economic weakness in their fields, the latter after moderate Q4 results. Sphere (-12%) declined after the spin of MSG Entertainment. However, there were significant offsets from Catapult Int'l which rose 28% on results benefitting from cost reduction on a >20% revenue growth, Alphabet (+14%) in recognition of its AI initiatives and SBM (+12%) ahead of good preliminary March year end results. We are conscious of owning three securities within the Bolloré orbit but note competition authorities will opine on Vivendi's proposed acquisition of Lagardere by mid June, and observe the commencement of squeeze-outs in the plantation business as a small initial operation to simplify the group. We have added a small position in Aviation PLC, a Singapore based aircraft leasing company with a specialism in ATR turboprops with a fully leased fleet; the shares trade at a significant discount to NAV (gearing noted) and have potential corporate interest.

#### TOP 10 EQUITY EXPOSURES (31 May 2023)†

Societe des Bains de Mer	France/Monaco	4.07%
Catapult International	Australia	3.67%
NFF Capital Investments	Australia	3.36%
Alphabet "C"	USA	3.25%
Compagnie de L'Odé	France	3.03%
Vivendi	France	3.00%
Laurent Perrier	France	2.97%
Economic Investment Trust	Canada	2.97%
Bolloré	France	2.95%
Swatch Group AG	Switzerland	2.79%

#### ASSET EXPOSURE & NAV/UNIT

Equities	83.8%
Net liquidity	16.2%
# of equity positions	36
<b>Net asset value per unit</b>	<b>\$1.0303</b>

† Top 10 equity exposures are measured as percentage of net assets

#### PERFORMANCE

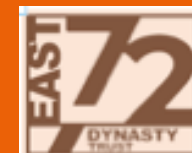
	E/2	Dynasty
One month	0.46%	0.30%
3 months	0.46%	0.30%
1 year	0.46%	0.30%
3 years (pa)	0.46%	0.30%
Inception	0.46%	0.30%

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Calculations are based on exit price with distributions reinvested, after ongoing fees and expenses but excluding individual tax, member fees and entry fees (if applicable). Fund Inception 5 December 2022. Returns denoted in A\$. Given the nature of the investment strategy, East 72 Dynasty Trust is a long only, absolute return fund, with no gearing or hedging, and is not benchmarked against any external index. Based on empirical research, we would expect the strategy to lag rapidly rising markets, but have scope for outperformance in other environments.

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## E72 DYNASTY TRUST: TOP HOLDINGS AT 31 MAY 2023



Société des Bains de Mer	3.96%	Swatch Group	2.79%
Catapult International	3.67%	Robertet SA	2.73%
MFF Investments	3.36%	Aviation PLC	2.67%
Alphabet "C"	3.25%	Manchester United PLC	2.54%
Compagnie de L'Odet	3.03%	Magellan Financial	2.51%
Vivendi	3.00%	CFR	2.39%
Laurent Perrier	2.97%	EXOR	2.34%
Economic Investment Trust	2.97%	Virtu Financial	2.32%
Bolloré	2.95%	CK Hutchison	2.28%

## EAST 72 DYNASTY TRUST

- Dependent upon return, fum of ~\$5.5million makes East 72 Holdings breakeven on new cost structure
- Low cost structure to East 72 Holdings from Westferry Operations as Trustee
- Low salary for manager
- All functions done internally versus outsourced everything
- Very positive feedback over initial months
- Unique marketing style and proposition – not easy to replicate
- More aggressively distributed in H1 FY24 with face-to-face + more social media
- Significant benefits to E72 if E72DT succeeds

## SOURCE & ATTRIBUTION NOTES (RBA/ABS)

- 7: Yellow Brick Road 4C quarterly releases; Reserve Bank of Australia Lending & Credit Aggregates
- 8: Australian Bureau of Statistics Lending Aggregates; Yellow Brick Road 4C quarterly releases
- 9: Australian Bureau of Statistics Lending Aggregates
- 10: Yellow Brick Road; Mortgage & Finance Association of Australia
- 11: Yellow Brick Road 13 - 15: Estimates compiled by East 72 Holdings from company filings
- 13: East 72 Management Pty Limited