



EAST 72 HOLDINGS LIMITED

PRESENTATION TO 2016 ANNUAL GENERAL MEETING

29 NOVEMBER 2016

ANDREW BROWN

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This Presentation of general background information about the activities of East 72 Holdings Limited ("E72") is current at the date of the Presentation, (29 November 2016). The information contained in this Presentation is of general background and does not purport to be complete. E72 and its controlled entity, East 72 Investments Pty. Limited is referred to herein as "East 72" "E72" or the "Company."

Unless otherwise noted, figures presented are unaudited and are current as at 25 November 2016. All dollar values are in Australian dollars (A\$) unless otherwise stated.

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## Forward Looking Statements

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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The information in the Presentation is provided to you as of the dates indicated, and E72 does not intend to update the information after its distribution, even in the event that the information becomes materially inaccurate. Certain information contained in the Presentation includes calculations or figures that have been prepared internally and have not been audited or verified by a third party.

## 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.

## A UNIQUE AUSTRALIAN LISTED COMPANY

EAST  
72

- Pre-tax NTA/share: **29.4c<sup>1</sup>**
- Pro-forma pre tax NTA/share post placement: **30.0c<sup>1</sup>**
- FYTD pre tax performance:
  - +33.3% pre expenses
  - +27.9% pre tax

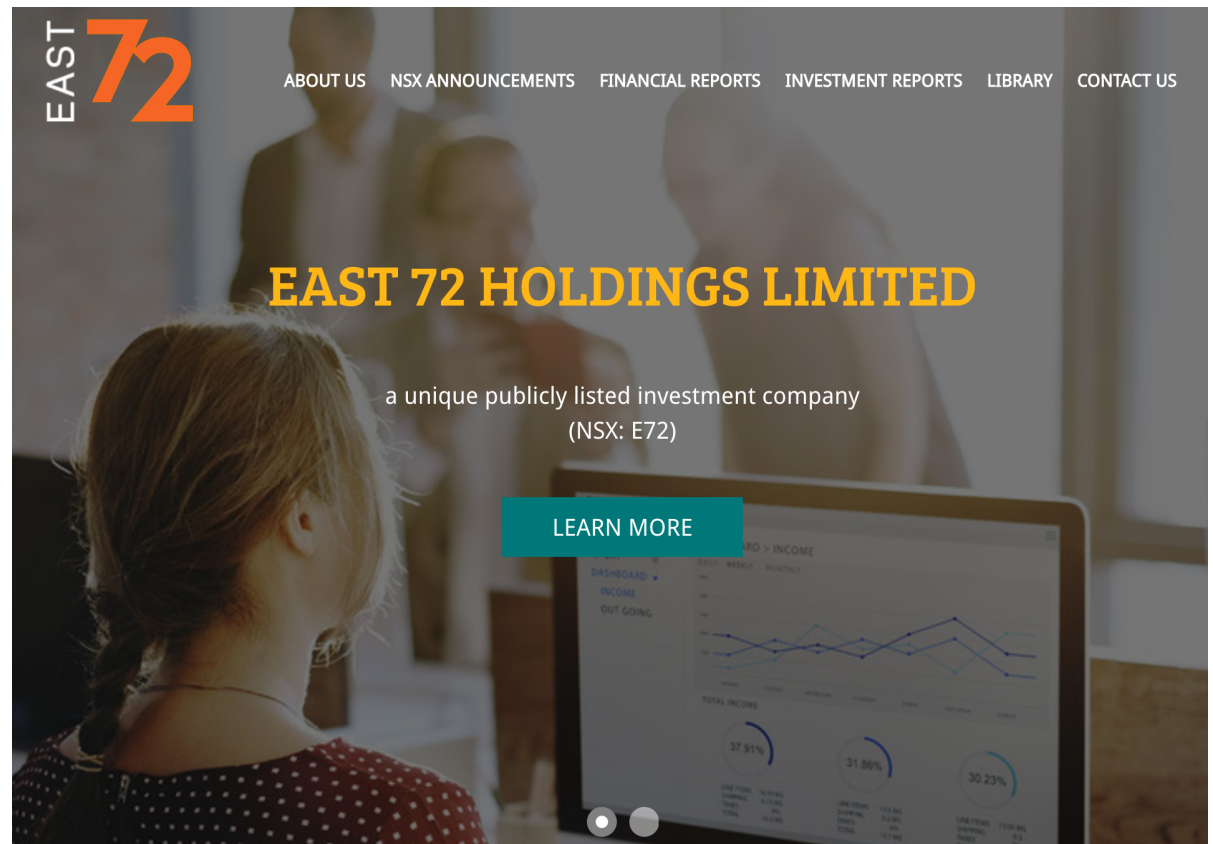
<sup>1</sup>: unaudited

- Investment company under s766C(5) of Corporations Act
- Internally managed 'equity/equity hedge' company
- Principal investors: no management contract/AFSL
- Long and short exposures to Australian and non-Australian equity securities
- *Synthetic* leverage: mainly contracts for difference
- *Financial* leverage: margin lending
- Listed on National Stock Exchange of Australia

FULLY UPDATED WEBSITE + LIBRARY



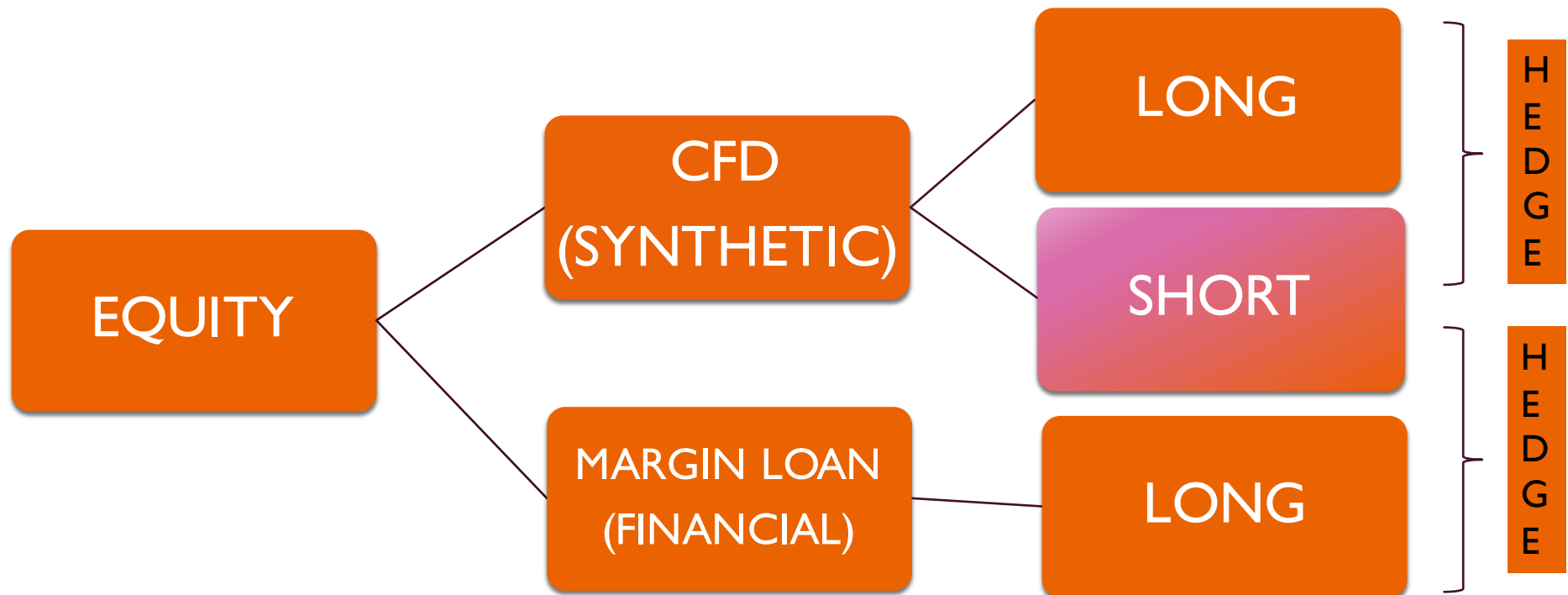
[www.east72.com.au](http://www.east72.com.au)



## TODAY'S DISCUSSION

<b>What is E72? How does it work?</b>	Equity & equity hedge using retail products Internally managed; no AFSL
<b>Brought to PLC status on NSX</b>	Precedent company has strong record
<b>Philosophy</b>	Deep value; ownership alignment
<b>Current exposures</b>	Bias to financials and asset owners
<b>FY17 YTD Performance</b>	+33% gross FYTD; +28% net of expenses

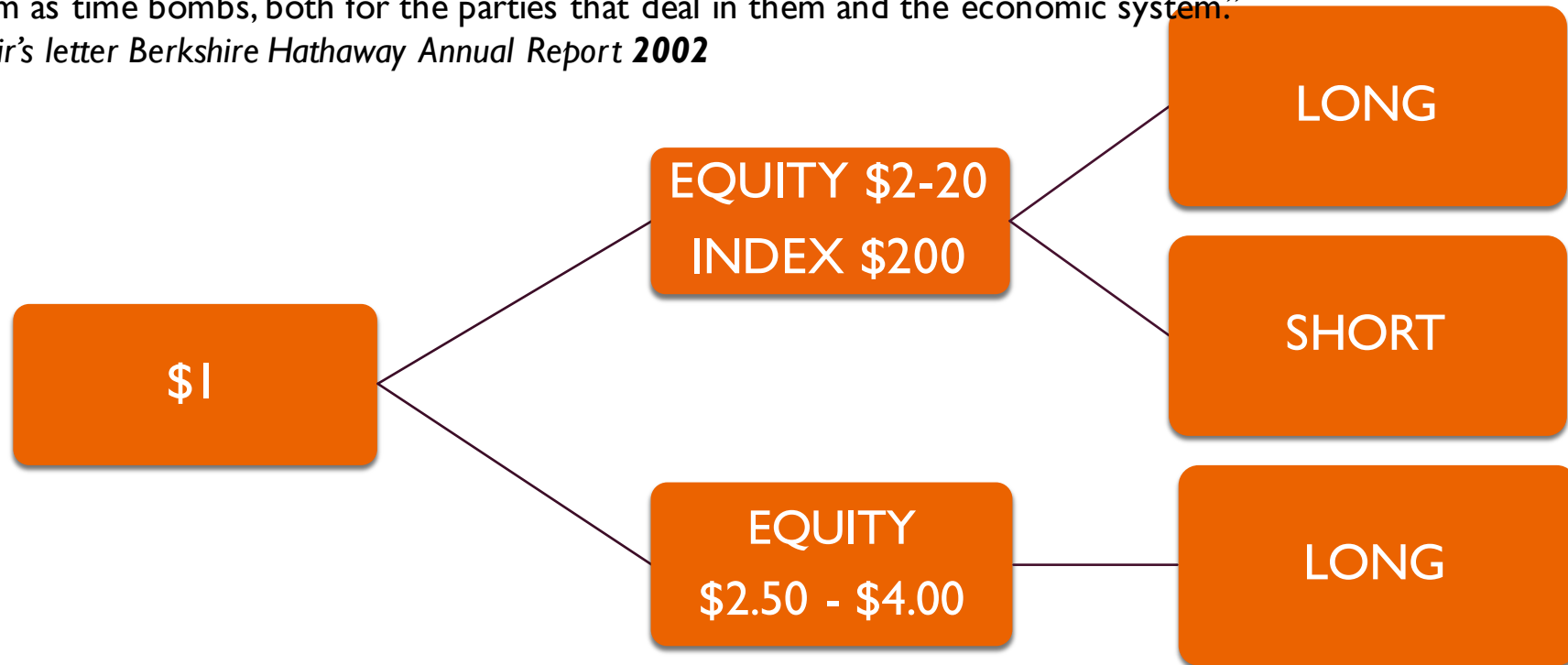
## LEVERAGE AND HEDGE CONSTRUCT



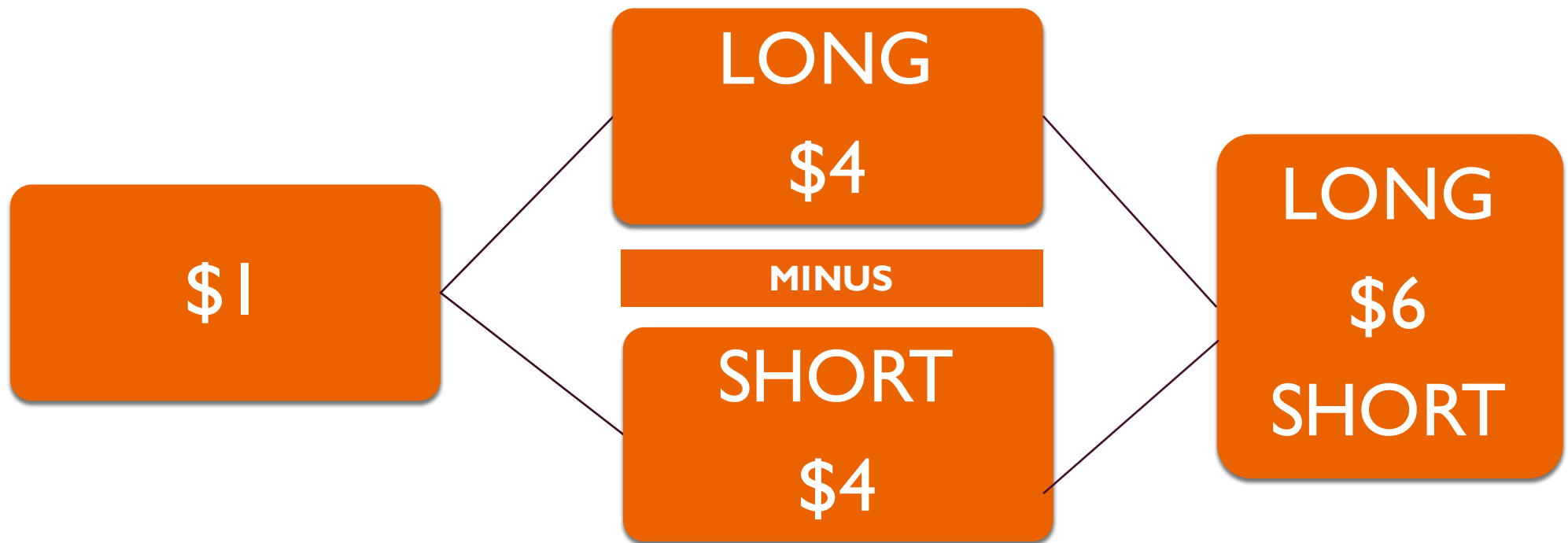
## MAXIMUM AVAILABLE LEVERAGE

“Charlie and I are of one mind in how we feel about derivatives and the trading activities that go with them. We view them as time bombs, both for the parties that deal in them and the economic system.”

*Chair's letter Berkshire Hathaway Annual Report 2002*



## E72 LEVERAGE LIMITS



EQUITY

DISCLOSE

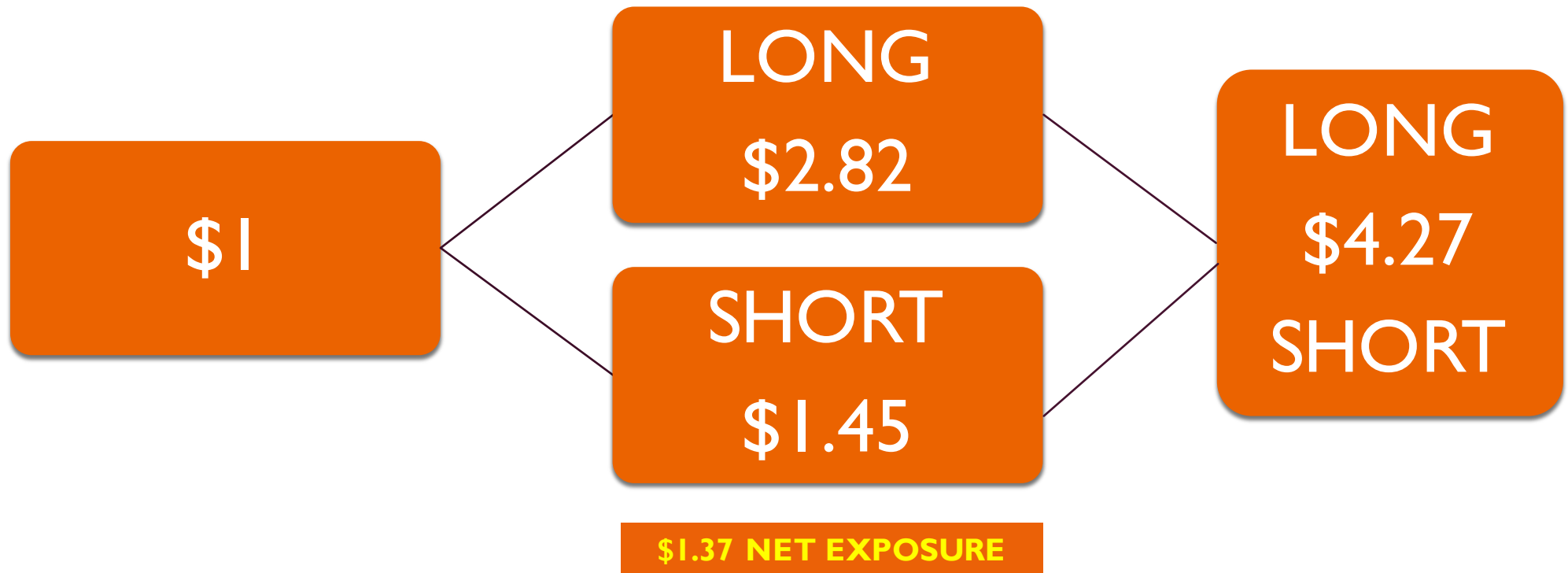
NET EXPOSURE

MONTHLY

GROSS EXPOSURE



## ILLUSTRATIVE LEVERAGE – 31 OCTOBER 2016



# TECHNOLOGY ENABLES USE OF RETAIL PRODUCTS

Announcements x IG Dealing Platform x (373) Twitter x A hedge fund m... x Deutsche Bank's x Hedge Fund Port x warren buffett we x Warren Buffett st x BERKSHIRE HATH x

IG Group Limited [GB] <https://deal.ig.com/platform/index.htm?201607221642>

Apps 1050 ESPN - WEPN Analysis Maths Art, Pens, Architects Internet finance and Daily Finance Investing Media Sport iGoogle Travel Architecture Wikipedia, the free e

IG [CFD Trading] CFD Show Tips ? Help and Support Logout

Payments My Balance Equity Profit/Loss Funds Margin Available to Deal Edit Feedback My IG 1 My Account

Finder Prices Watchlists Open Positions Working Orders Alerts Activity Tickets Charts Tools News Research Sprint Markets Signal Centre Layouts

Finder

Enter text or code

- + Indices
- + Indices (mini)
- + Forex
- + Forex (mini)
- + Commodities Metals Energies
- + Bitcoin
- + Commodities Metals Energies (mini)
- + Bonds and Moneymarket
- + Bonds and Moneymarket (mini)
- + ETFs, ETCs & Trackers
- + Shares - ASX (Australia)
- + Shares - US (All Sessions)
- + Shares - NYSE (US)
- + Shares - NASDAQ (US)
- + Shares - LSE (UK)
- + Shares - IOR (UK)

Refresh Add Data Feeds

Watchlists

- Popular Markets
- Major Indices
- Major FX
- Major Commodities
- Major Shares
- 5 Minute Binaries
- 5 Minute FX Binaries
- New Watchlist

My Watchlist

Market	Period	Sell	Buy	Change	% Chg	Update	High	Low
Wall Street Cash (A\$1 Contract)	-	18485.7	18489.5	14.0	0.08	10:49:57	18490.0	18448.7
US 500 Cash (A\$1 Contract)	-	2168.76	2169.36	2.00	0.09	10:49:56	2169.36	2163.76
Australia 200 Cash (A\$1 Micro Contract)	-	5569.3	5570.3	17.3	0.31	10:50:03	5577.0	5544.0
Germany 30 Cash (A\$1 Contract)	-	10302.5	10309.5	-14.5	-0.14	10:49:56	10324.3	10276.7
EU Stocks 50 Cash (EUR2 Mini Contract)	-	2991.60	2995.40	-5.60	-0.19	10:49:56	3001.85	2983.40
FTSE 100 Cash (A\$1 Contract)	-	6739.2	6744.2	-8.2	-0.12	10:50:00	6752.5	6721.7
Japan 225 Cash (\$1 Mini Contract)	-	16514.4	16522.4	-164.9	-0.99	10:50:02	16787.3	16469.4
China 300 Cash (A\$1 Contract)	-	3115.0	3127.0	2.1	0.07	10:49:56	3136.4	3108.3
Hong Kong HS50 Cash (A\$1 Contract)	-	22179.6	22199.6	26.8	0.12	10:49:56	22233.1	22036.4
US Tech 100 Cash (A\$1 Contract)	-	4715.3	4717.3	13.2	0.28	10:49:58	4721.1	4687.3
Switzerland Blue Chip Cash (CHF2 Mini Contract)	-	8207.1	8213.1	-16.9	-0.21	10:49:56	8236.0	8185.6
Spain 35 Cash (EUR2 Mini Contract)	-	8650.2	8668.2	4.3	0.05	10:49:56	8674.6	8615.6
Italy 40 Cash (EUR1 Mini Contract)	-	16837.6	16877.6	-15.9	-0.09	10:49:56	16906.4	16779.6
GBP/AUD Mini	-	1.76001	1.76051	-0.00519	-0.29	10:50:03	1.76760	1.75794
AUD/USD Mini	-	0.75207	0.75213	0.00307	0.41	10:50:03	0.75296	0.74861
USD/JPY Mini	-	104.871	104.878	-0.519	-0.49	10:50:03	105.438	104.749
EUR/USD Mini	-	1.10740	1.10735	0.00140	0.13	10:50:03	1.10750	1.10515

Open Positions

Market	Avg. Opening	Agg. Position	Order Size	Latest	Points	Agg. Profit/Loss	Agg. Profit/Loss(AUD)
Lloyds Banking Group PLC		+16000	-	55.96			
Lululemon Athletica Inc		-325	-	76.82			
Man Group PLC		+8000	-	116.9			
Marubeni Corp		-2950	-	482			
McDonald's Corp (All Sessions)		-100	-	119.51			
Pershing Square Holdings Limited		+1500	-		15		
Pioneer Natural Resources Co		-150	-	150.63			
St James's Place PLC		+1000	-	918.5			
US 500 Cash (A\$1 Contract)		-45	-	2169.36			
WPP PLC		+800	-	1690			

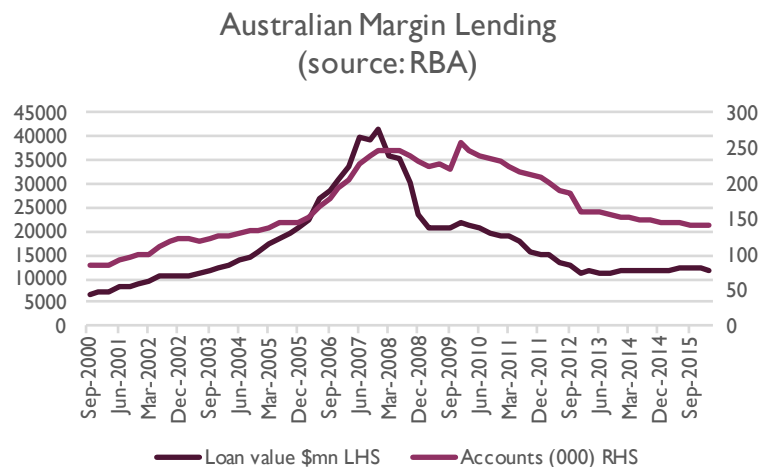
Turn on aggregate view

# TECHNOLOGY ENABLES USE OF RETAIL CFD PRODUCTS

- Real time pricing
- Virtually every product we will ever need & no custody fees
- Full administration – interest, dividends received & paid, interest received & paid over ANY period
- Audit compliant information
- Easy exposure management
- Very low cost – tight spreads, low interest financing (< 3%)
- Can perfectly hedge or be exposed to non-A\$ assets

## COMBINATION WITH MARGIN LENDING

- Need to access Australian franking credits – unavailable through CFD
- Platform usage – ease of administration even for “microcaps”
- We can “hedge” (and take basis risk) ASX exposure via CFD’s if required
- Modest cost financing at present; some shares positive dividend carry




# CRITICAL WH&S ASPECTS

## MARGIN LENDING

- Mortgage security only
- Bank owned margin providers
- No capacity for nominee and lending
- Scrip registered in our name

The Opes Prime Group



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## CONTRACTS FOR DIFFERENCE

- First tier established providers
- Specific non co-mingling of funds
- No principal positions
- We are not dealing in binary options
- Onshore provider

**MF Global**



**Notice regarding CME, NYMEX and ICE Action**  
 Due to MF Global Holdings Ltd. and its finance subsidiary, MF Global Finance USA Inc., filing for Chapter 11 Bankruptcy Petition, the CME Group, NYMEX and ICE are accepting & "liquidation only" orders from MF Global clients, and have restricted electronic access to their markets.  
 This means that you may place offsetting orders for current open positions at MF Global, but may not place any new orders. Performance of your trades is guaranteed by exchange clearinghouses.

**Important Information about MF Global Inc. client accounts**

- Go to Regulatory & Client Notices page
- Visit SIPC Trustee website

**MF Global Employee Verification**

- For MF Global Employment Verification click here

**Information about MF Global's Chapter 11 bankruptcy**

- Visit case administration website
- Read the press release

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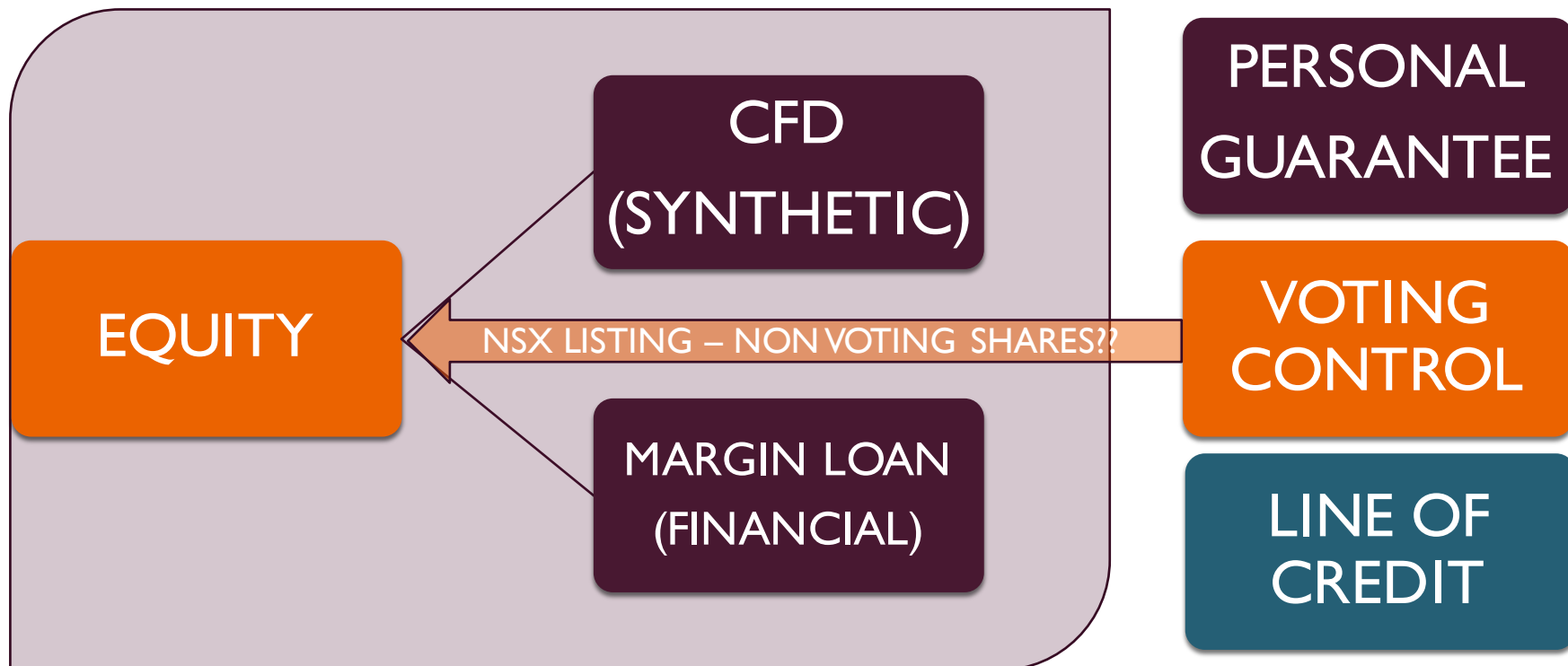
## START-UP PUBLIC COMPANY, NOT START-UP CONCEPT

- Precedent private company operating since August 2010
- Shareholders did not want to go public
- Precedent private company return 24.1%pa<sup>a</sup> inception to 31/10/2016
- More aggressive derivative use over past 13 months
- Desire to bring to public market.....very carefully!
- “Shell” transaction provided significant bank of franking credits
- Tax paid franking credits 12c/share<sup>b</sup> (equivalent to 28.7c distributable)

a: unaudited; assumes dividends reinvested, excludes value of franking credits

b: assumes 2,000,000 ordinary E72 shares

## HOW DO WE DO IT IN A SMALL PUBLIC COMPANY: COMMITMENT!



## PHILOSOPHY BASED AROUND

ALIGNED OWNERSHIP

BUY/SELL/CORPORATE/BOARD EXPERIENCE

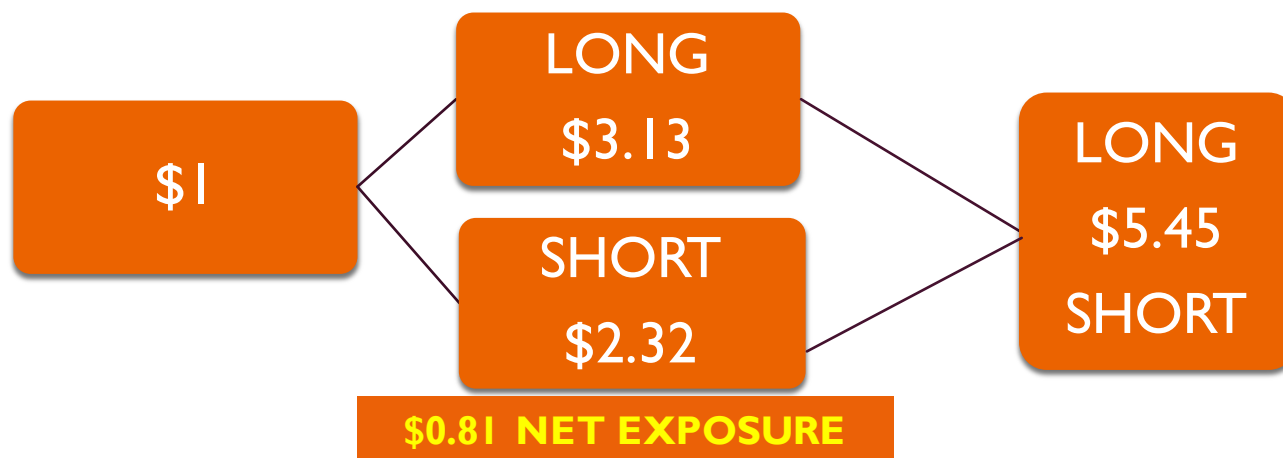
DEEP VALUE “DISSCETION” ANALYSIS

FLEXIBILITY & TECHNOLOGY



## PORTFOLIO CONSTRUCT AT 25 NOVEMBER 2016 (% OF EQUITY)

	AUSTRALIA		OVERSEAS		TOTAL	
LONG	17	104.5%	28	208.6%	45	313.2%
SHORT	2	(14.6%)	9	(53.2%)	11	(67.8%)
INDEX	1	(49.0%)	4	(115.7%)	5	(164.7%)
<b>TOTAL</b>		<b>41.0%</b>		<b>39.8%</b>		<b>80.7%</b>



- Extreme “value” dispersion
- Short “bond bubble” and duration stocks
- Long deep value
- Less than fully invested long side after recent rally

## PHILOSOPHY IN ACTION: SELECTED JULY – OCTOBER 2016 LONG THESES

DISCOUNT TO FUNGIBLE  
ASSETS

UNDERVALUED ASSET  
MANAGERS

HIGH EMERGING RETURN  
CONSUMER CREDIT

COUNTER-CYCLICAL

## PHILOSOPHY IN ACTION: SELECTED NOVEMBER 2016 LONG EXPOSURES

Greenlight Capital Re  
EXOR spa  
HRG Group  
Vealls Limited

Man Group PLC  
Henderson Group PLC  
Fortress Investment Group  
KKR LP

Barclays PLC  
Lloyds Banking Group  
American Express  
Credit Suisse

Matrix Composites  
AP Moller Maersk  
Fiat Chrysler  
News Corp

## LARGEST LONG PORTFOLIO EXPOSURES

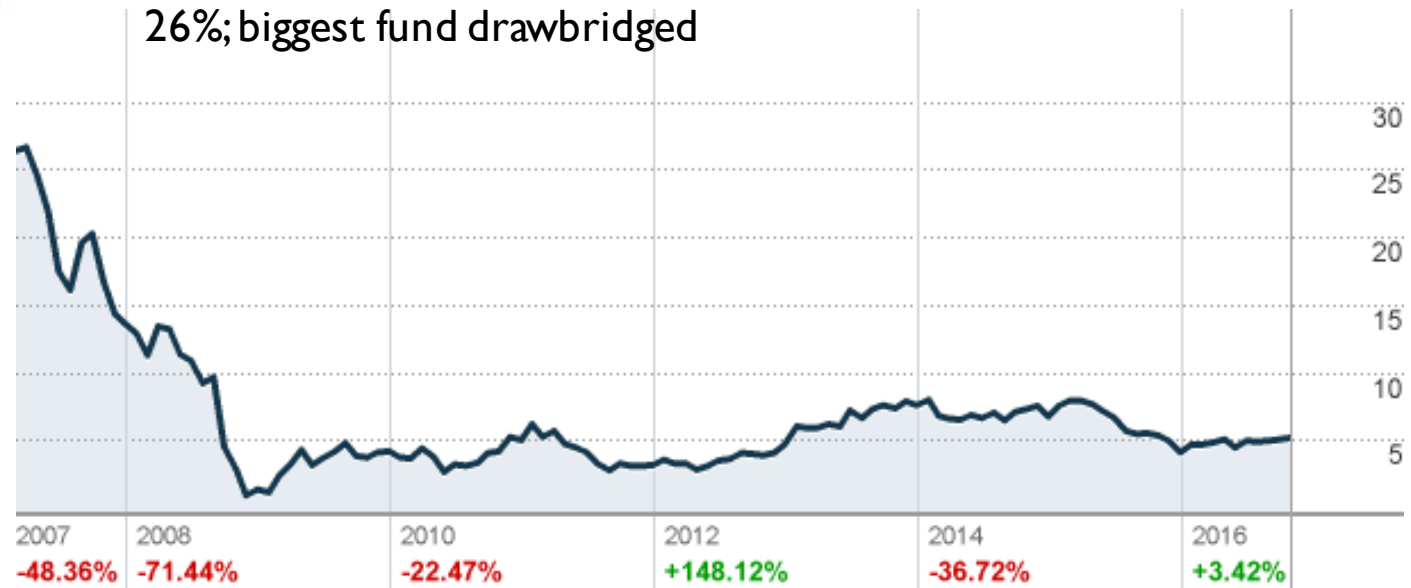
(AS AT 25 NOVEMBER 2016; % OF GROSS EXPOSURE)

Fortress Investment	2.7%	Pershing Square Holdings	1.6%
American Express	2.4%	AerCap Holdings	1.6%
Vealls Limited	2.1%	Fiat Chrysler	1.6%
A P Moller Maersk	2.0%	Henderson Group	1.6%
Ellerston Asian Investments	1.9%	Wells Fargo	1.5%
Dell EMWare tracker stock	1.9%	Associated Capital Group	1.4%
PM Capital Global Opp.Fund	1.9%	Twitter	1.4%
AMP Limited	1.8%	HRG Group	1.4%
WPP PLC	1.7%	KKR and Co LP	1.3%
Greenlight Capital Re	1.7%	Fairfax Media	1.3%
ASTM SpA	1.7%	Exor SpA	1.3%
Barclays PLC	1.6%	Man Group PLC	1.3%

## EXAMPLE DEEP VALUE “LONG”: FORTRESS INVESTMENT GROUP



- Floats February 2007 at \$18.50
- Day one close: \$35
- March 2009: \$1
- April 2009: adverse article “Vanity Fair”, assets managed down 26%; biggest fund drawbridged



## OBVIOUS SCOPE FOR UNDERVALUATION....AND

<b>ADVERSE PUBLICITY</b>	re IPO & massive collapse of stock price
<b>COMPLEXITY</b>	credit, PE, open end, closed end associated funds
<b>COMPLEXITY</b>	joint management/shareholder structure
<b>COMPLEXITY</b>	GAAP profit and distributable income differ massively
<b>COHORT AVOIDANCE</b>	principal control, don't invest in peers
<b>SIZE/MARKET CAP</b>	394m units x US\$5.10=US\$2billion & only 55% float
<b>↑ ASSETS MANAGED</b>	Low \$29billion; now \$70billion
<b>TANGIBLE ASSET BACKING</b>	Cash and investments worth \$2.75/unit – 54% of stock price
<b>UNBOOKED PROFITS</b>	\$600million (net of profit share) incentive unbooked at 30/9/16
<b>LOCKED IN AUM</b>	3 listed closed ends; \$7billion of commitments “dry powder”
<b>SHAREHOLDER FRIENDLY</b>	High dividends and recent buybacks
<b>LOW VALUATION VERSUS AUM</b>	US\$335M price = <0.5% AUM (cf BLA.ASX US\$390m market cap for US\$1.6bn AUM)

## EXAMPLE “MICRO-CAP” DEEP VALUE “LONG”: VEALLS LIMITED

MT MARTHA FROM \$110,000  
PASTONS GROVE  
(Off Hearn Rd above Hume St)

**AT LAST**

THE MUCH AWAITED LIMITED RELEASE OF SELECTED BLOCKS FROM THE FAMOUS VEALLS MT MARTHA HOLDINGS (ATOP HEARN RD) IS FINALLY HERE. All blocks are at least 1/2 ac with magnif elev coastal, bay and city views and all have room for a tennis court (STCA).

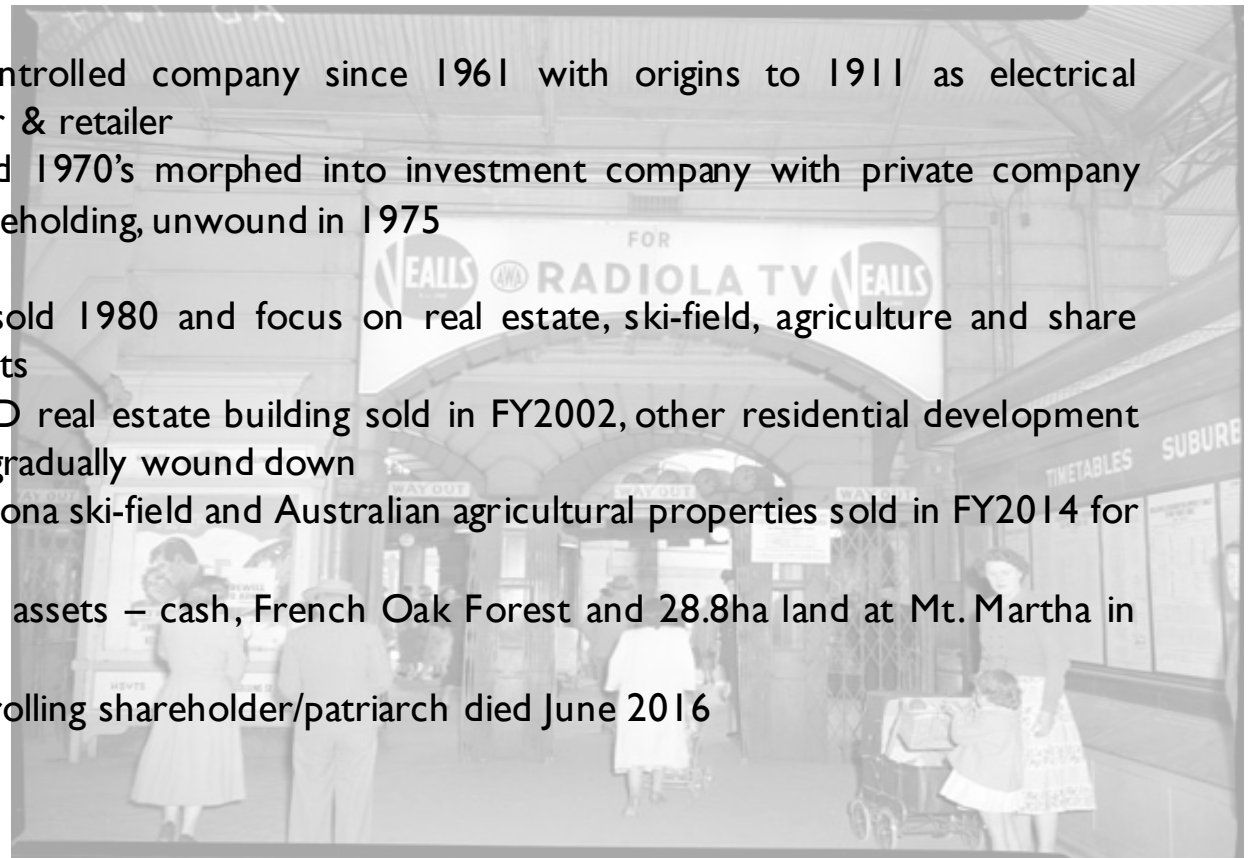
TERMS 10 PC DEP BAL 6-'93  
AGENT ON SITE SAT & SUN 2-4

MT MARTHA \$142,500  
PERFECT POSITION  
This comfortable 15 sq 3 bedrm retreat is sit'd on a generous 90' x 180' blk just a short jaunt from Mt Martha's famous South Beach and Village centre. Set in this exclusive soughtafter locale and priced to sell, this will go quickly.

MT MARTHA  
**\$105,000**  
Rambling 4 bedrm cottage, only 15 drs from beach and will sell at this great price! Ideal investment or holiday home - the adventurous home improver will love it.

“The Age” 7/11/1992

- Family controlled company since 1961 with origins to 1911 as electrical wholesaler & retailer
- 1960's and 1970's morphed into investment company with private company cross shareholding, unwound in 1975
- Business sold 1980 and focus on real estate, ski-field, agriculture and share investments
- Major CBD real estate building sold in FY2002, other residential development activities gradually wound down
- NZ Cardrona ski-field and Australian agricultural properties sold in FY2014 for \$43million
- Remaining assets – cash, French Oak Forest and 28.8ha land at Mt. Martha in Victoria
- 89% controlling shareholder/patriarch died June 2016





## VEALLS LIMITED: 30% DISCOUNT TO BOOK VALUE / 11% TO CASH

	\$million	
cash	104.7	A\$69m held in NZ\$ mainly via Singapore/Hong Kong
Income & preference shares	(1.6)	
Other liabilities	(2.3)	Includes CGT on oak forest sale – expected settlement 12/16
NET CASH	100.8	\$11.36 per capital share
Oak Forest/buildings	6.8	\$0.77 per capital share – book value – subject to pre-contract
Mt. Martha “land bank”	20.1	\$2.27 per capital share – no tax payable – pre 1985
TOTAL	127.7	<b>\$14.39 per capital share</b>
Share price	<b>\$10.10</b>	<b>30% discount</b>

E72 is able to invest appropriately as a realisation will be meaningful to adding value



## VEALLS LIMITED: CATALYSTS TO REALISE AND UPLIFT VALUE

1. Deceased patriarch companies control 89% of capital shares – to free-up cash requires corporate action in Vealls
2. Family can obtain full control by selective buyback of outsiders costing <\$15million at book value
3. No tax losses, no franking credits = no complexity; all assets pre-CGT regime
4. Board have been divesting or holding assets for past fifteen years – no public company track record of recent investment. Strategic review complete by June 2017
5. Two largest non family shareholders control 34% of non family held shares
6. Independent 2016 valuation of Mt. Martha land bank = \$698,000 per hectare compares to adjacent (inferior) land sold in 2003 for \$505,000 per hectare – no revaluations between 2007 – 2013 – potential for further uplift on sale
7. Board have commissioned outside consultant in respect of Mt. Martha

## HEDGING, CURRENCY & SHORT SALES – PROFITABLE TO DATE<sup>1</sup>

- Index hedging yielded ~2.7% return on average equity (to 25/11/16)
- Index gearing yielded ~1.3% return on average equity (to 25/11/16)

SUCCESSFUL SHORT SALES	UNSUCCESSFUL SHORT SALES
Hormel Foods <sup>2</sup>	Apple <sup>2</sup>
Lululemon Athletica	Pioneer Natural Resources <sup>2</sup>
McCormick & Co. <sup>2</sup>	Marubeni Corporation <sup>2</sup>
McDonalds Corp.	
Simon Property Group <sup>2</sup>	

1: 30/6/16 – 25/11/16 realised positions only 2: unrealised positions

## FY 17 PERFORMANCE FYTD<sup>1</sup> (SEE PERFORMANCE DISCLAIMER SLIDE FOR REFERENCE NUMBERS)

	<b>GROSS RETURN<sup>2</sup></b>	<b>Cost Impost<sup>3</sup></b>	<b>NET RETURN<sup>4</sup></b>	<b>NTA/share (c)</b>	<b>NET EXPOSURE<sup>5</sup></b>	<b>GROSS EXPOSURE<sup>6</sup></b>
31 Jul 16	17.1%	(1.2%)	15.8%	25.5	90.4%	290.1%
31 Aug 16	4.3%	(0.7%)	3.6%	27.6	88.2%	326.8%
30 Sep 16	-1.5%	(0.6%)	(2.1%)	27.0	142.0%	358.6%
31 Oct 16	4.9%	(0.7%)	4.2%	28.1	142.0%	426.6%
25 Nov 16	5.6%	(1.1%)	4.5%	<b>29.4</b>	<b>80.7%</b>	<b>545.0%</b>
<b>FY17 FYTD</b>	<b>33.3%</b>	<b>(5.5%)</b>	<b>27.9%</b>			

## PERFORMANCE DESCRIPTION & DISCLAIMER

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 2-6 (below) 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 0.7% per month over the course of the full year and is fully accrued monthly according to the best estimates of management.
2. Calculated as 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. Calculated as 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 net asset value – assumes index  $\partial$  of 1
6. Calculated as total net exposures being nominal exposure of all long minus short positions (cash and derivative) divided by end month net asset value – assumes index  $\partial$  of 1

## FY 17 PERFORMANCE ATTRIBUTION (ESTIMATED<sup>1</sup>)

Exposure	attribution	LOC price $\Delta$	Exposure	attribution	LOC price $\Delta$
Barclays PLC	4.38%	+55.5%	Cabcharge	1.83%	+19.1%
American Express	3.32%	+19.9%	Fortress Invest Group	1.81%	+18.8%
Bank of America	2.82%	+57.2%	Exor SpA	1.76%	+18.5%
AerCap Holdings	2.71%	+33.6%	Pioneer Natural Res. <sup>2</sup>	-1.70%	+20.3%
ING	2.42%	+38.9%	Marubeni Corp. <sup>2</sup>	-1.75%	+46.3%
Fiat Chrysler	2.13%	+32.0%	Tanker Investments	-1.90%	-21.3%
KKR	2.10%	+29.7%	Apple <sup>2</sup>	-2.68%	+16.9%

1. estimates are unaudited management estimates from 30 June 2016 to close of business on 25/11/2016, are in A\$ and relate to pre-tax contribution after financing costs. All estimates take account of any share price change plus related currency movement. LOC price change is local currency capital price movement from 30 June 2016 to 25 November 2016.
2. short sale exposure

## WHERE TO FROM HERE?

- Proceed with care
- Keep cost base low and reduce cost imposition to ~3% equity pa target
- Grow capital base appropriately
- Clean up share register
- Utilise franking credit asset
- Reward “foundation” shareholders
- Assess prospects for low dilution contingent capital