



## UNAUDITED MONTHLY PORTFOLIO UPDATE<sup>1</sup>: OCTOBER 2017

The East 72 Holdings Limited (**E72**) portfolio lost 7.5% before tax during the October 2017 month being a gross loss of 7.3% and expenses of 0.2%. Unaudited pre tax NTA per share at 31 October 2017 reduced to 32.8c (post all tax liabilities: 32.5c). E72 also holds 1.84c per share of franking credits before any tax payments.

Given the net short positioning of E72, and the strong price increases in global and Australian equities during October, together with a further speculative run in bitcoin, such an outcome is not unexpected. It should be noted that E72's predecessor company, Stiletto Investments, has had periodic bouts of large monthly declines (and increases) through its seven year history, usually close to turning points in the price of specific assets.

The ludicrous speculation in bitcoin regarding segwit 2x and the likely "bonus issue" of resulting coins – subsequently postponed – along with the probability of bitcoin derivatives trading on recognised exchanges, saw the crypto-currency rise by 52% over the month to a level 115% above the intra-day low of 21 September. We reiterate our comments that bitcoin is by far the most speculative and largely unjustified financial bubble in history, promoted by vested interests. The probable listing of bitcoin on regulated exchanges removes any element of "restricted supply" since derivatives of the crypto-currency are likely to trade in volumes far in excess of the underlying asset – as is the case with conventional commodities such as oil. The bitcoin position accounted for around 40% of the mark-to-market diminution in E72.

Our hedging of the Australian index was obviously costly in its own right, but more so because our long equity positions did not keep pace with the index rise. This predominantly reflected a retracement of prices in some previously well performed smaller companies, although the corporate restructure of Namoi Cotton, together with very strong interim results saw a 43% gain in the shares over the month.

The E72 portfolio was also hampered by sharp share price rises in three US short positions, Apple (+9.7%), Amazon (+15%, and which added \$56billion in market capitalisation in one day for a "\$250m earnings beat") and Caterpillar (+8.9%).

With sentiment surveys now showing investors to be remarkably bullish, citing co-ordinated global growth conditions, the **price** of that growth (or the risks to it) have recently appeared to be an irrelevance. At some increasingly proximate stage, a partial reversal of such thinking seems more likely.

### Equity exposure as at 31 October 2017 (as % month end pre tax shareholders funds):

	AUSTRALIA		OVERSEAS		TOTAL	
	percent	exposures	percent	exposures	percent	exposures
<b>LONG</b>	91.3%	35	93.8%	41	185.1%	76
<b>SHORT</b>	(19.8%)	12	(32.7%)	13	(52.5%)	25
<b>INDEX &amp; other</b>	(76.3%)		(98.3%)		(174.6%)	
<b>TOTAL</b>	(4.8%)	47	(37.1%)	54	(41.9%)	101

### For further information:

Andrew Brown

**Executive Director** (02) 9380 9001 / 0418 215 255

<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, subsequent to the acquisition of Stiletto Investments Pty. Limited, cost imposition is estimated at 0.2% 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 Nov 16	4.9%	-1.1%	3.8%	27.0%	29.2	541%	76%
31 Dec 16	9.0%	-0.8%	8.2%	37.4%	33.0	439%	74%
31 Jan 17	5.2%	-0.7%	4.5%	43.6%	34.4	473%	54%
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%
				<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%	32.8	412%	-42%

## 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 31 October 2017 or such other dates which are stipulated herein. All statements are based on E72's best information as at 31 October 2017. 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 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 of 1