



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

The East 72 Holdings Limited (**E72**) portfolio had a second successive month of sharp declines and lost 9.4% before tax during the November 2017 month: a gross loss of 9.1% and expenses of 0.3%. Unaudited pre tax NTA per share at 30 November 2017 reduced to 29.7c (post all tax liabilities: 30.3c). E72 also holds 1.85c per share of franking credits before any tax payments.

Exactly half of the decline during the month was directly attributable to our short position in bitcoin, made through OTC derivatives; bitcoin's price rose ~49% during the month being a virtual replication of the 52% gain in the month of October. We have thoroughly researched bitcoin and other crypto-currencies and understand why they have appreciated strongly in price over recent months, but view the rationales as being totally fallacious. Some of the factors are highly technical in nature relating to the operation of certain bitcoin exchanges. We view the pending listing of bitcoin derivatives on regulated futures exchanges as being likely a negative rather than positive price factor over time, vastly increasing the "supply" of the crypto-currency in a similar manner to how the price of oil is derived.

Two other factors contributed to the month's outcome: net short position in indices (~1.25% portfolio decline) and declines in some of our smaller company portfolio – some unexplainable, others (Pental, McPhersons) attributable to negative guidance revisions.

After the merger with Stiletto Investments, we have taken steps to rationalise the number of holdings and ensure meaningful but appropriate long and short positions; we took profits in long positions Vealls (after an effective buyout offer 25% above the previous trading price), Twitter Inc, Banco Sabadell and Easyjet. We also profitably closed a number of smaller short positions including Telstra, Hormel Foods, Simon Property Group as well as similar positions in McCormick and SS&C Technologies where our original short thesis is not being vindicated. We have instigated four new short positions in the past month, including the \$84billion equity priced Netflix.

Despite tax reductions in the US, indices in the world's most developed market remain extraordinarily expensively priced at a time of rising inflationary pressures, which will have an inevitable impact on long term bond rates. We appreciate the synchronised strength in the global economy, but note that historically, valuation (or lack thereof) is a far greater driver of forward equity returns than GDP.

### Equity exposure as at 30 November 2017 (as % month end pre tax shareholders funds):

	AUSTRALIA		OVERSEAS		TOTAL	
	percent	exposures	percent	exposures	percent	exposures
<b>LONG</b>	85.7%	30	96.6%	36	182.3%	66
<b>SHORT</b>	(22.3%)	13	(35.0%)	11	(57.3%)	24
<b>INDEX</b>	(87.5%)		(99.8%)		(186.8%)	
	(23.7%)		(38.2%)		(61.8%)	
<b>CRYPTO-CURRENCY</b>			(11.5%)		(11.5%)	
<b>TOTAL</b>	(23.7%)	43	(49.7%)	47	(73.3%)	90

### 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, 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>
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%
30 Nov 17	-9.1%	-0.3%	-9.4%	-5.6%	29.7	437%	-73%

## Disclaimer

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The information contained in this update is current as at 30 November 2017 or such other dates which are stipulated herein. All statements are based on E72's best information as at 30 November 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