

East 72 Holdings Limited

2022 AGM Update



Andrew Brown
Executive Director



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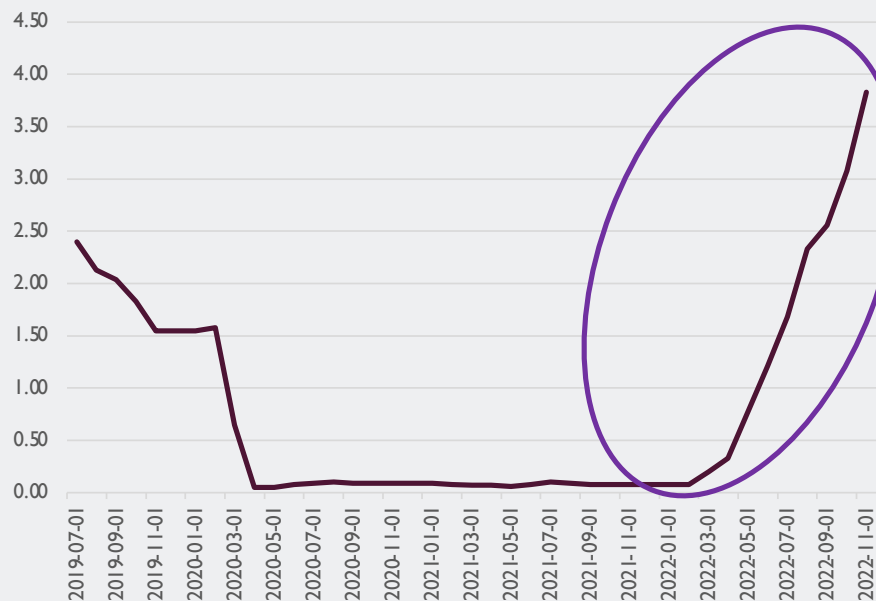
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Risks

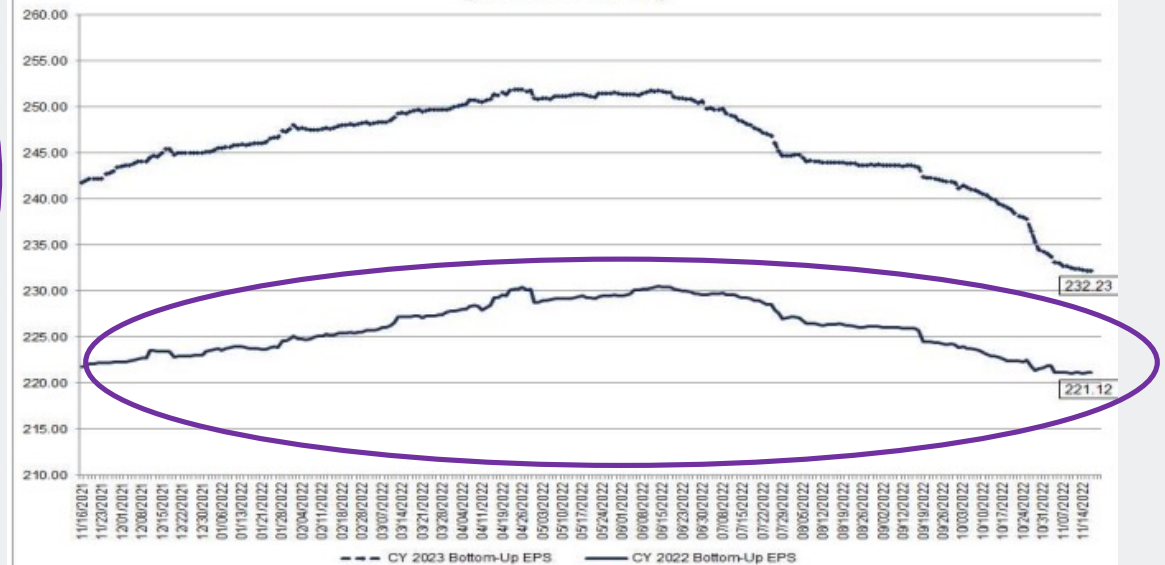
E72 uses significant levels of financial and synthetic derivative debt within its operations. As a consequence, an investment in E72 involves significantly higher levels of risk than a conventional equity investment company. Readers are referred to the Company’s web-site: www.east72.com.au/about-us for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

S&P500: 2022 IN TWO CHARTS

Fed Funds rate %



S&P 500 CY 2022 & CY 2023 Bottom-Up EPS: 1-Year
(Source: FactSet)



~400bps rate rise from February + no EPS upgrade + 21.5x P/E = ~17% decline

THREE COMPONENTS TO INFLATION: RATES ONLY ACT ON TWO

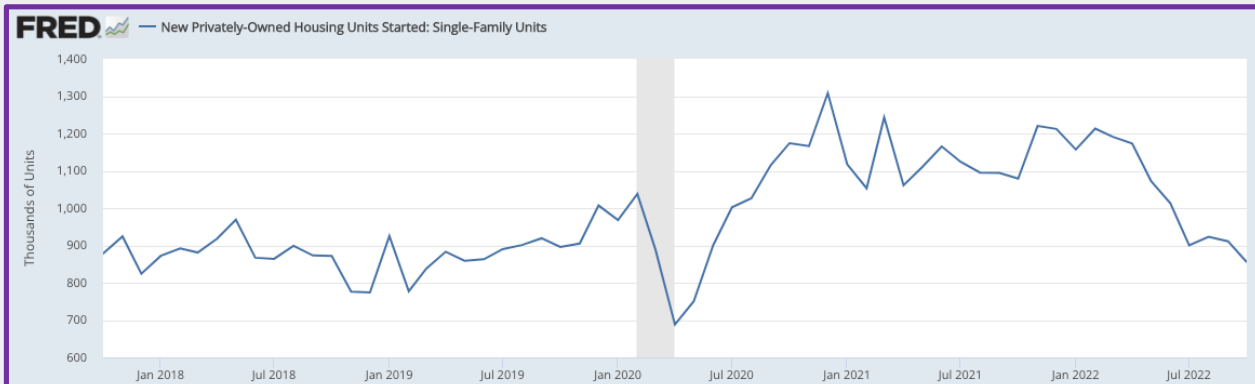
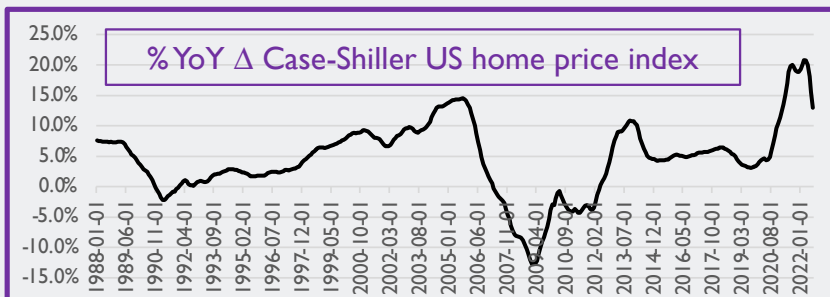
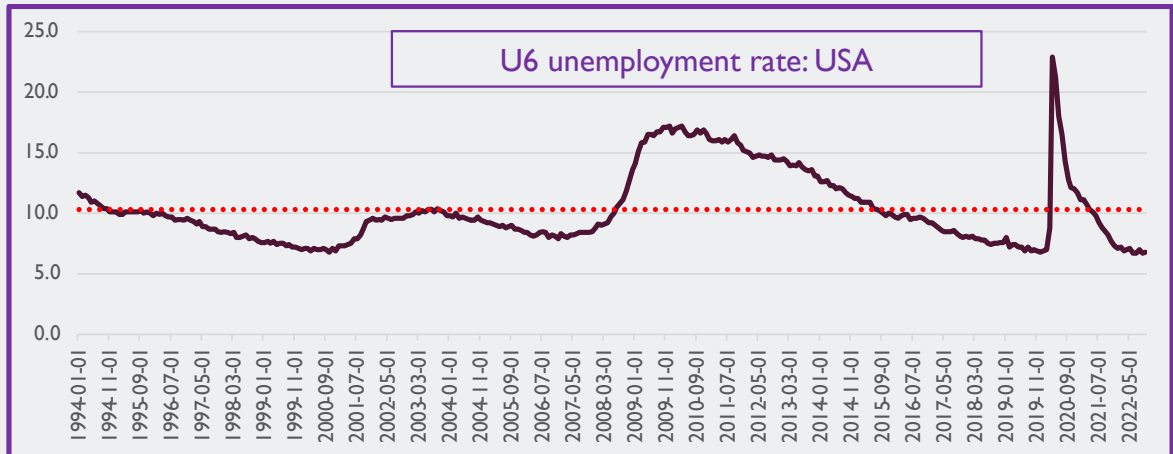
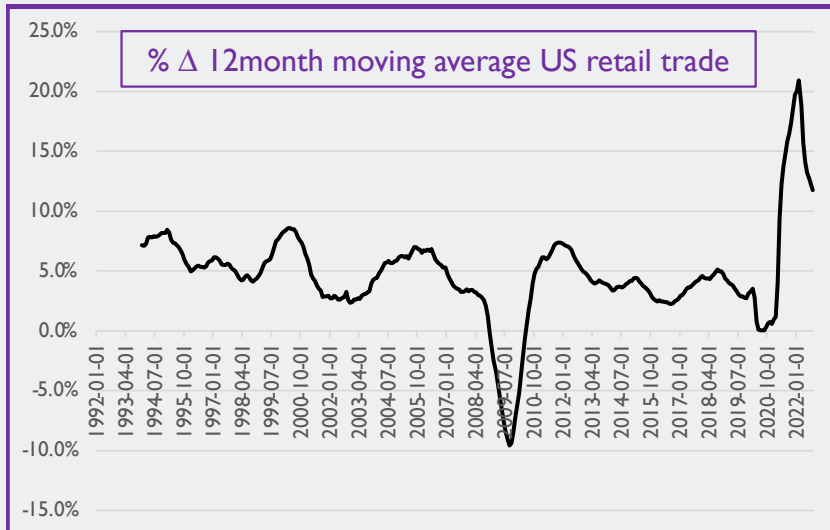


Demand: pull

Cost: push

Inflation expectations

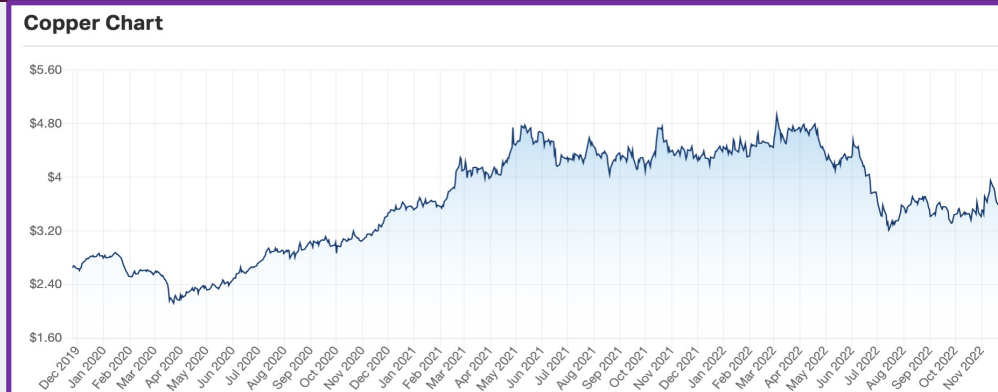
RETAIL SALES/HOUSING GROWTH ABATING; EMPLOYMENT STRONG



COST PUSH FACTORS ARE ABATING: SHIPPING, FUEL, COMMODITIES



Average (global) container shipping rates

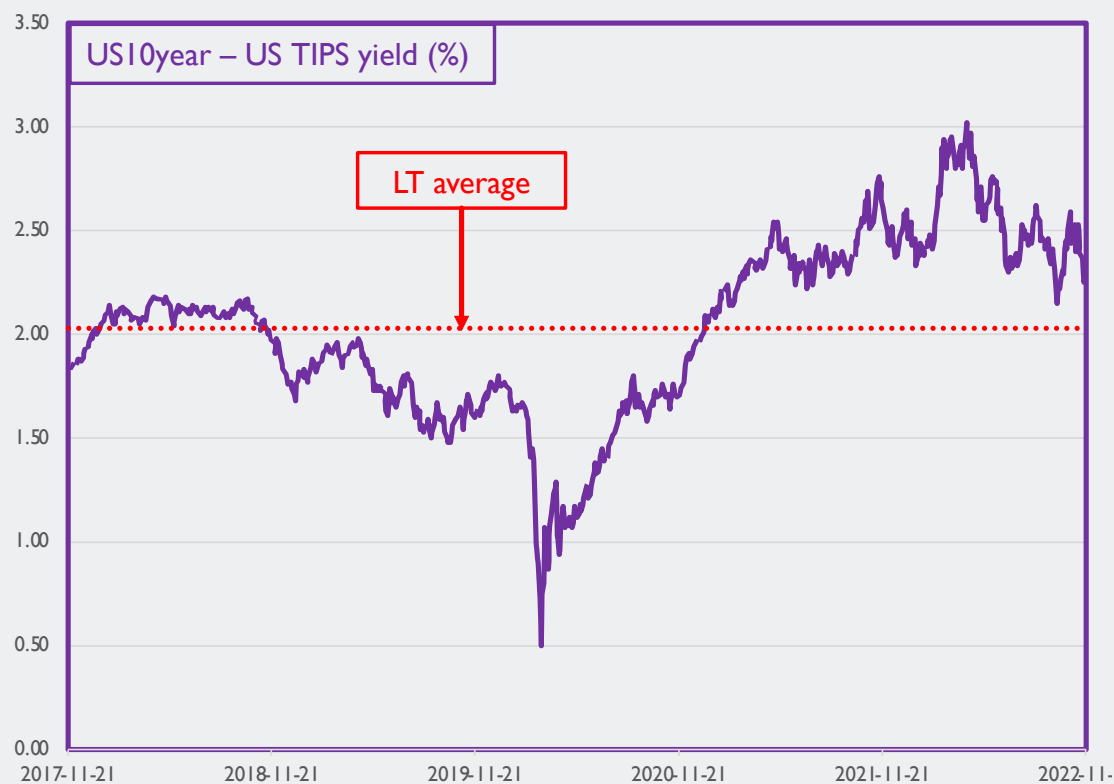


Dr. Copper

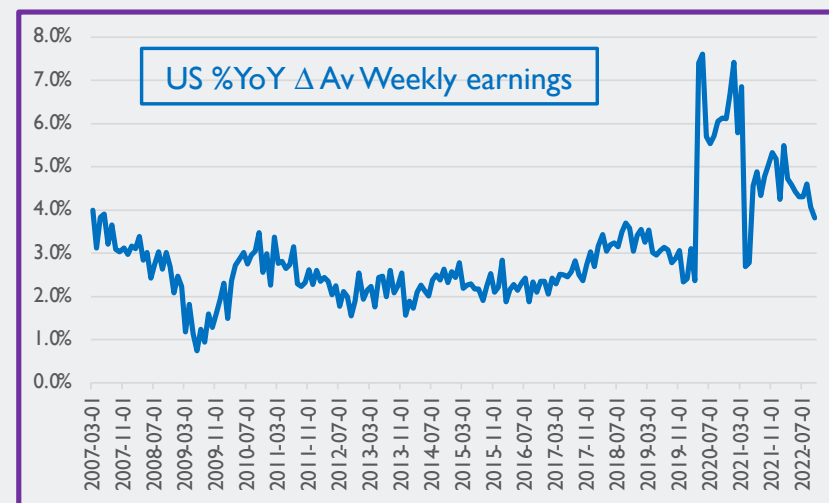


Brent (Europe) oil price (\$/bbl)

INFLATION EXPECTATIONS APPEAR TO HAVE PEAKED

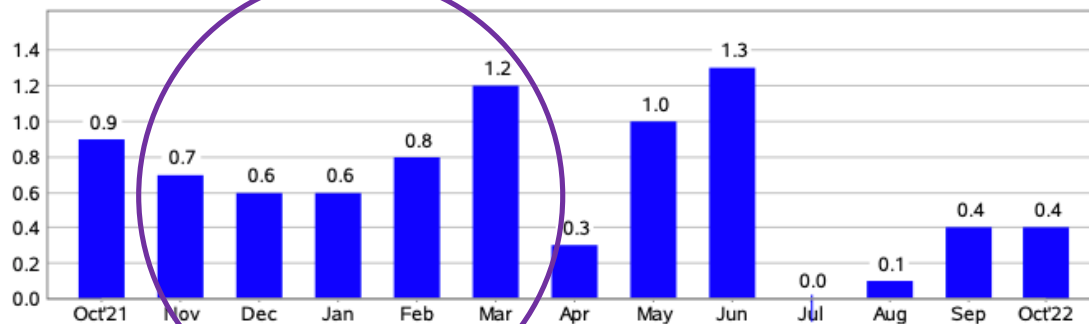


- Late April 2022 – touched 3%
- Gradually receded but still above LT norm
- Still above FRB target **CPI** of 2%



US INFLATION PEAK AT HAND & TERMINAL RATES IN VIEW

Chart 1. One-month percent change in CPI for All Urban Consumers (CPI-U), seasonally adjusted, Oct. 2021 - Oct. 2022
Percent change

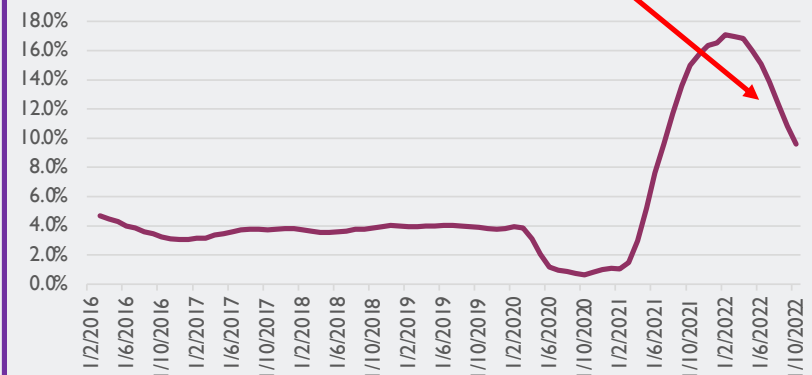


- Suggests Fed Funds peaks at 4.75% - 5% in Q1 2023 (0% real)
- 10 year bonds peak at ~ 4%
- Interest rate caused equity volatility MAY start to die down
- BUT**
- NO “pivot” as CPI well above trend
- So rates “normalised” at 4-5%

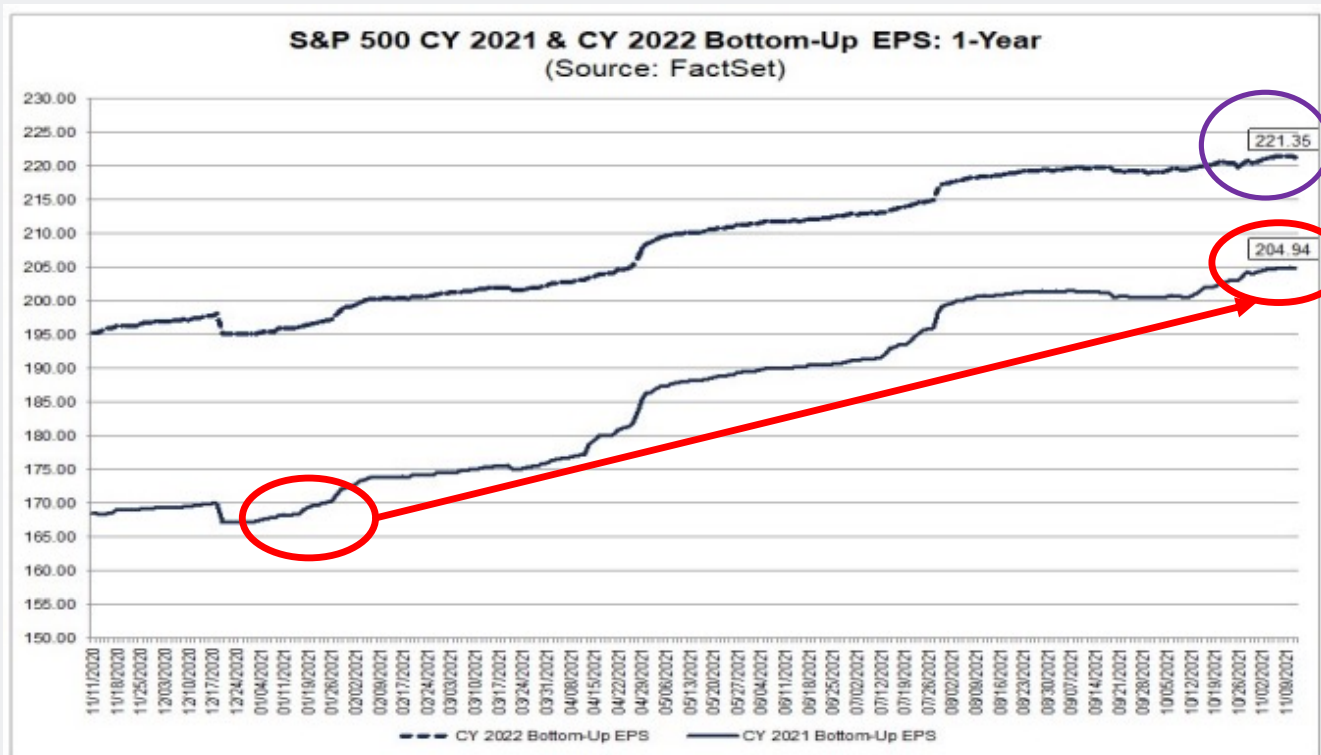
- Simple arithmetic tells you removing the next five months + adding on lower monthly numbers (say 0.4%) reduces CPI from 7.7% to ~ 5.6% by end Q1 2023

- But Owners Equivalent Rent is >30% of CPI and is lagging by 5 months!

Zillow Observed Rent Index (Smoothed Metro/US) yoy Δ

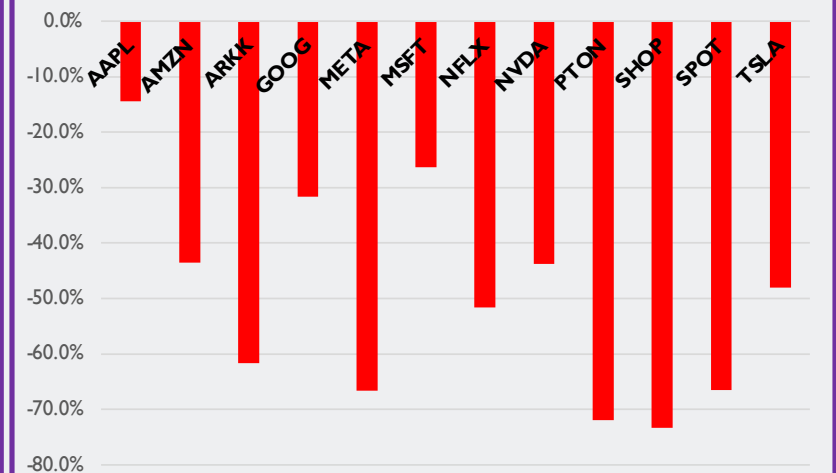
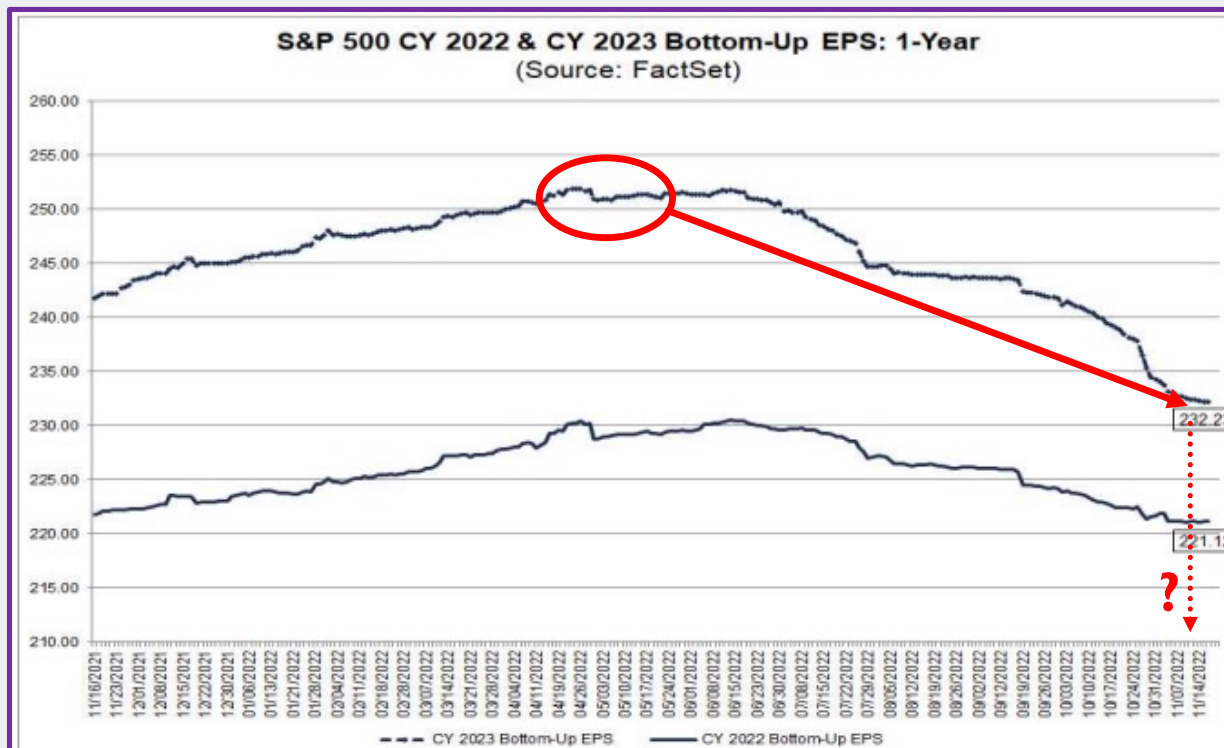


FROM LAST YEAR: REASON US EQUITIES HAVE DONE WELL IN 2021



- SPX '21E EPS in January ~ 169
- SPX '21E EPS now ~205
- 21% uplift in estimated earnings
- Broad based from materials to financials reflecting reopening economy
- 10-year bond yield moved from 1.1% to 1.64%
- Not enough to de-rail this type of uplift
- A wobble in earnings forecasts + rate movement is a hurdle at >21x forward EPS

2022 HAS BEEN A DIFFERENT STORY



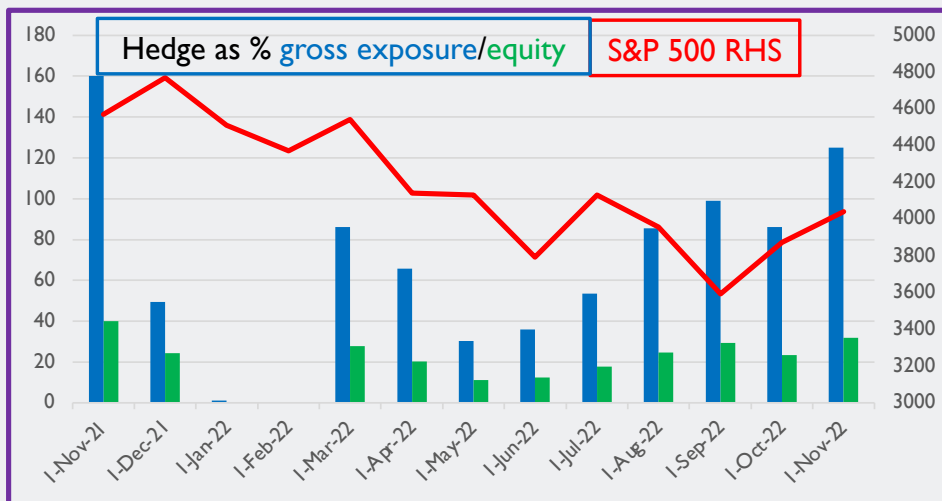
Tech wreck: % change from 31/12/2021

Reducing estimates for FY23 with higher rates
Likely FY23E ~ 200 (-5%)

PORTFOLIO POSITIONING: GEARING + HEDGING

- US interest rates likely will peak early in 2023 but unlikely to fall
- Short term volatility on “Fed news” S&P index level driven by earnings
- Earnings under pressure from multiple sources: energy peak, US\$ strength; consumer
- Potential for index to fall to ~3500 (13% or so) after recent rally subsides
- As earnings base out, scope for recovery back to current levels

- Banks (margins)
- Investment banks (activity)
- Earnings certainty
- Discount to realisable assets
- Trophy assets
- Low P/E “value” (reasonable business)



Exposure	% of equity
Gross assets	266
SPX hedge	(125)
NET	141
TOTAL	391

PORTFOLIO POSITIONS (AS AT 24 NOVEMBER 2022)

Alphabet	HAL Trust	Meta Platforms
Amerco (U-Haul)	Intercontinental Exchange	Pershing Square Holdings
Brunswick Corp	IWG plc	Porsche Automobil SE
Citigroup	James Hardie Industries	Sberbank
CK Hutchison	J P Morgan	UBS Group AG
Deterra Royalties	Lend Lease Corp	Virtu Financial
Dexus Property Group	Liberty Broadband	Volkswagen
EXOR	Madison Square Garden Ents	Yellow Brick Road
Gazprom	Madison Square Garden Sports	hedge
Goldman Sachs	Manchester United	S&P500 derivatives

DIVESTMENTS IN 2022

Namoi Cotton	Investment thesis envisaged return of capital Expected earnings uptick & dividend payments Earnings uptick < our expectations Board mandated risky expansion plans
E-L Financial/Treasure ASA	Latest buy backs make shares illiquid Discount increases Become “one day” stocks
Agency Group	Ongoing investment/downturn cramping profits Capital management plans didn't materialise
Discovery	Profit projections not being met Reduced capacity to deleverage Streaming growth slower than anticipated

CURRENT SELECTED STOCKS

Stocks down[†]: thesis tested OK

Liberty Broadband	-44.0%
Yellow Brick Road	-32.0%
Lend Lease Corp	-27.5%
Virtu Financial	-22.7%

Stocks up^{††}: thesis still OK

Goldman Sachs	+32.6%
Manchester United	+30.0%
J P Morgan	+23.5%
Meta Platforms	+16.0%

Brunswick Corporation

Global leader in outboard motors
Current year P/E ~10x
New innovations
exceptional management

Dexus Property

Discount to building values ~25%
Premium buildings + industrial
\$44billion funds platform for free

“Market + rates” Goldman Sachs, Citigroup, JP Morgan, ICE, Virtu

Endowment effect from higher rates
All acquired at multi-year low
valuations (NTA or P/E <12)
Expect market activity improvement
H2 2023

[†] from 31/12/21 to 24/11/22

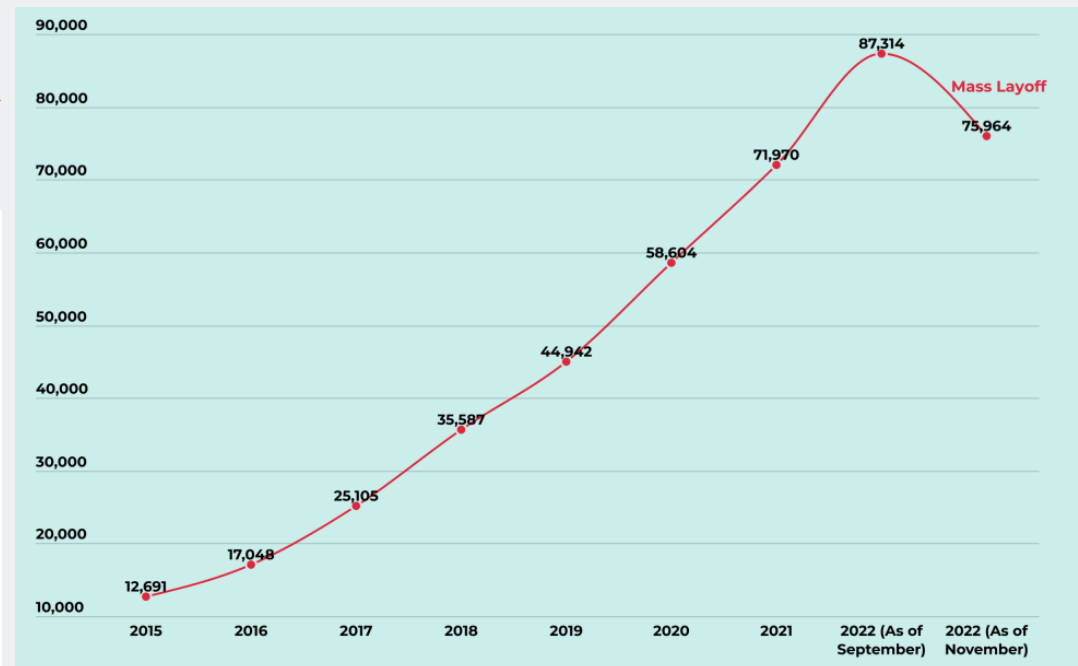
^{††} from entry to 24/11/22

WHY DID WE BUY META PLATFORMS?

Entry market capitalisation: \$259billion; peak (September 2021) \$1,078billion **(-76%)**

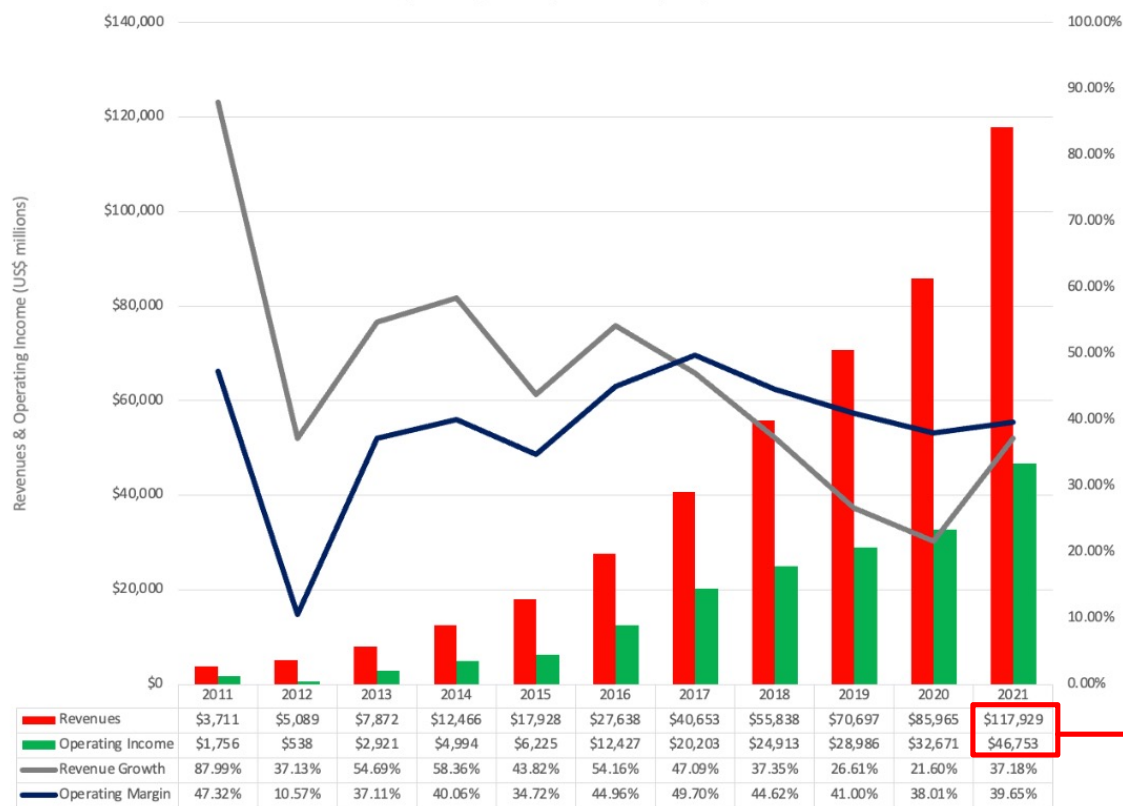
- TikTok
- Apple iOS “anti-tracker”
- Tech bloat
- Metaverse (Reality Labs) spend

Segment Information (In millions) (Unaudited)				
	Three Months Ended September 30,		Nine Months Ended September 30,	
	2022	2021	2022	2021
Revenue:				
Advertising	\$ 27,237	\$ 28,276	\$ 82,387	\$ 82,294
Other revenue	192	176	624	567
Family of Apps	27,429	28,452	83,011	82,861
Reality Labs	285	558	1,433	1,397
Total revenue	\$ 27,714	\$ 29,010	\$ 84,444	\$ 84,258
Income (loss) from operations:				
Family of Apps	\$ 9,336	\$ 13,054	\$ 31,983	\$ 41,058
Reality Labs	(3,672)	(2,631)	(9,438)	(6,890)
Total income from operations	\$ 5,664	\$ 10,423	\$ 22,545	\$ 34,168



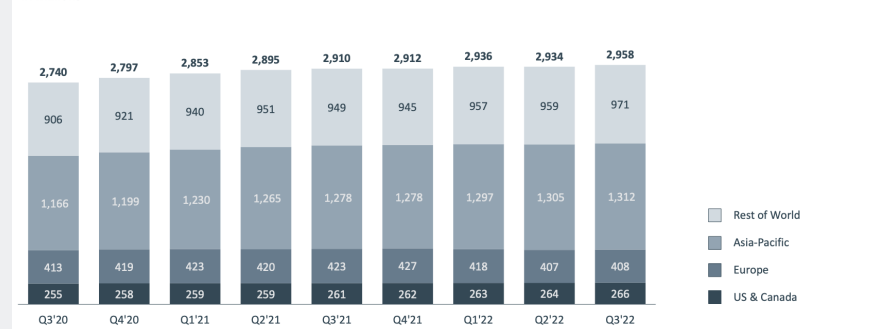
A CHEAP CASH FLOW PRODUCER EVEN ON MUCH REDUCED METRICS

Facebook: Operating History: The Glory Days - 2012 to 2021



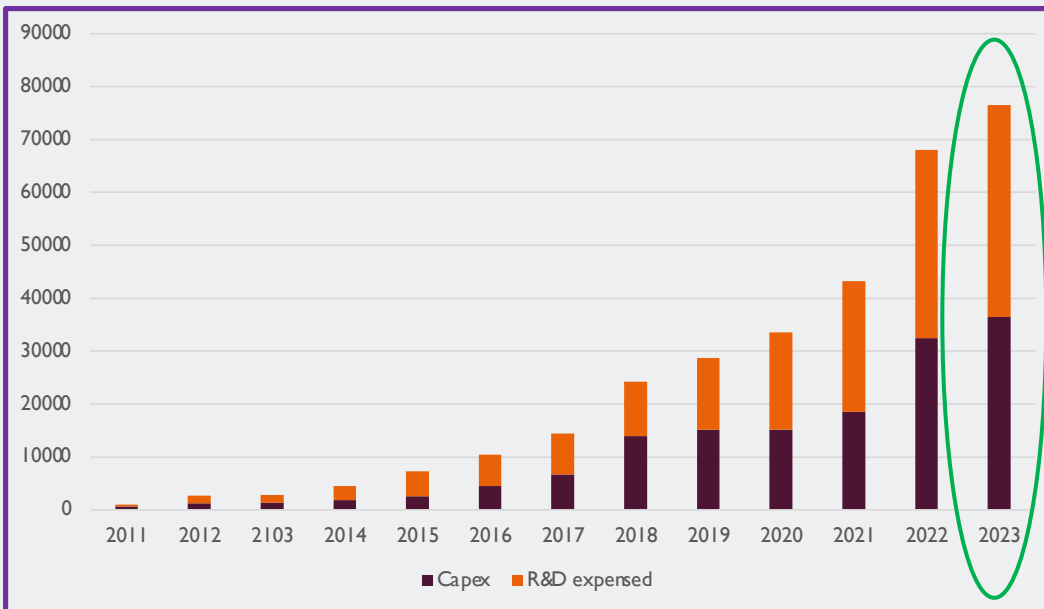
	US\$million
Equity priced (\$112/share)	300,384
Net cash (exc leases)	31,854
Enterprise Value	268,530
EV/Operating income (x)	9x

Facebook Monthly Active Users (MAUs)
In Millions



2022E revs ~\$116bn Opπ ~\$30bn

BUT ACCOUNTING IS CONSERVATIVE & CAPEX IS HUGE



- >\$35bn R&D EXPENSED FY22
- E \$40bn R&D + >\$36bn capex
- >\$75billion investment in future FY23



OHIO

New Albany Data Center

Investment: \$1.5 billion+

Online: 2020

Anticipated Jobs: 300+ supported

Construction: 1,800 construction workers on site per day at peak

Size: ~3.5 million square feet

Supported by 100% renewable energy

- AI works to combat Apple blocks
- AI works to power “Reels” & combat TikTok
- Investment in Metaverse

A NEW FUND INITIATIVE FOR EAST 72: EAST 72 DYNASTY TRUST

- Have existing infrastructure & expertise + low cost
- Existing interested parties
- Wider marketing efforts Q1 CY2023

- Concept backed with empirical research
- Past research from HBS, Credit Suisse, Deutsche
- Little understanding in Australia

Manager	East 72 Management [†] (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)

- Usually discount to asset value
- Frugal
- High ROIC demands
- Lower debt
- Diverse, global
- Management tenure
- Manage capital
- Genuine long term (proprietary) versus short term (management) driven

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

WHAT SORT OF COMPANIES ARE WE TALKING ABOUT?

LUXURY & FASHION	
LVMH/Dior	L'Oreal
Kering	Richemont
Estee Lauder	Inditex
SHIPPING	
Frontline	Moller Maersk
AUTOMOTIVE BASED	
Ford	Porsche Automobil Holding
Volkswagen	BMW
RETAIL	
Walmart	Alimentation Couche Tard
TECHNOLOGY	
Meta Platforms	Oracle
Alphabet	Dell Technologies

CONGLOMERATES/HOLD-CO	
CK Hutchison	Bollore
Investor AB	Berkshire Hathaway
Heineken Holding	Exor
Seven Group	HAL Trust
SPECIALTY OPERATING COMPANIES	
Amerco (U-Haul)	Robertet
Luxottica	Roche Holding
Madison Square Garden (Cos)	Randstad
IWG	Jeronimo Martins
Schindler Holding	Liberty Media

excluded Chinese, Japanese, Korean, Indian companies due to significant cross-shareholdings

CONCLUDING COMMENTS

Market more our style	Normalised interest rates Lower P/E stronger companies benefit Sharp interest rate rises thrown up value Been able to identify corporate takeovers
Hedging strategy	More focused on overall exposure Individual company shorts are now tougher n More pronounced market ranges for time being
Future	Board structure changed New fund management activity – free option Success will reduce expense base further

SOURCE & ATTRIBUTION NOTES

- 4: Federal Reserve Board of St. Louis (FRED)
- 5: FRED; East 72 Holdings
- 6: Freightos; FRED; Market Index
- 7: FRED
- 8: Bureau of Labor Statistics; Zillow
- 9: Factset
- 10: Factset; East 72 Holdings
- 15: Meta Platforms; fourweekmba.com
- 16: Aswath Damodaran (NYU Stern); Meta Platforms
- 17: East 72 Holdings compiled from company filings