



March 2018 Monthly Report

Returns 31-Dec-12 to 29-Mar-18

	Norse Capital	All Ords Accum	Outperformance	Small Ords Accum	Outperformance
Inception	128.96%	57.72%	71.24%	38.85%	90.11%
Inception per annum	17.11%	9.08%	8.04%	6.46%	10.65%
2018 (ytd)	0.28%	-3.69%	3.97%	-2.79%	3.06%
2017	15.55%	12.47%	3.08%	20.02%	-4.46%
2016	9.31%	11.65%	-2.33%	13.18%	-3.87%
2015	36.80%	3.78%	33.02%	10.16%	26.65%
2014	10.81%	5.02%	5.79%	-3.81%	14.62%
2013	19.24%	19.66%	-0.41%	-0.76%	20.00%
1m	-3.59%	-3.55%	-0.04%	-2.29%	-1.30%
3m	0.28%	-3.69%	3.97%	-2.79%	3.06%
6m	11.07%	4.20%	6.87%	10.52%	0.55%
1y	15.40%	3.65%	11.76%	14.99%	0.41%
2y pa	14.69%	11.32%	3.38%	14.37%	0.33%
3y pa	16.41%	4.43%	11.98%	10.69%	5.72%
5y pa	17.33%	7.85%	9.48%	6.44%	10.89%
Sharpe Ratio	1.48	0.65	2.27x	0.38	3.86x
Sortino Ratio	2.71	1.03	2.62x	0.60	4.52x
Annualised standard deviation	9.65%	11.11%		13.13%	
Highest monthly return	8.30%	7.00%		9.81%	
Largest monthly loss	-5.80%	-7.30%		-7.77%	
Largest drawdown	-10.28%	-12.23%		-17.69%	
% positive months	73.02%	63.49%		58.73%	

Volatility remained the theme of the markets for March. In the US the S&P500 declined 2.7% and the Nasdaq fell 2.9% with pronounced falls in Facebook (due to private data integrity issues) and Amazon (with negative Trump tweets), leading the tech index lower. (Both are held in the portfolio). The All Ords and Small Ords followed suit with declines of 3.55% and 2.29%.

Our portfolio joined in the correction party with a fall of 3.59% meaning we said au revoir to our 8-month (and longest so far) positive monthly performance streak. Until February, it was a remarkably non volatile period in markets.

Yet again, our biggest position, APX, had the biggest portfolio impact for the month, accounting for half the portfolio's monthly fall with the share price dropping ~14.4% vs the previous month's close near all-time highs. No news on the month but likely the negative sentiment in the US tech index spilled over to Appen. With calendar 2018 guidance for an increase in underlying EBITDA of ~78-96%, we consider Appen to still be undervalued relative to other ASX technology stocks trading on much higher multiples.

Another top 5 position, ADA, accounted for a quarter of the monthly performance with the shares dropping ~11.5% in March. News that the company was unsuccessful in winning the NASA tender led to the fall. We had not included anything for winning the contract in our analysis but evidently the market took the news negatively.

Not surprisingly, our hedges contributed the biggest positive performance for the month, mitigating just under 10% of the portfolio's negative monthly performance

Portfolio Holdings:

Cash:	29.7% (AUD and USD)
Non-AUD exposure:	20.0%
Longs:	69.6%
Shorts:	-0.8%
Hedge delta:	-7.9%
Net exposure:	60.8%
Top 5 equities (alphabetical):	AAPL, ADA, APX, PME, RMD

As can be seen from the holdings statistics, our cash position has been steadily increasing to just shy of 30% at month-end. We sold out of a couple of positions including our remaining stake in previously mentioned LVT while adding a couple of new positions as markets fell, in aggregate selling more than we bought. In addition, with the drop in market indices, our hedge delta has been increasing to give us a lower net exposure, now near 60%. The drop has taken us just below the closest of our index put strikes with further positive gamma (i.e. making the portfolio less long) should market indices continue to decline.

