



April 2018 Monthly Report

Returns 31-Dec-12 to 30-Apr-18

	Norse Capital	All Ords Accum	Outperformance	Small Ords Accum	Outperformance
Inception	129.32%	63.23%	66.10%	42.67%	86.65%
Inception per annum	16.84%	9.63%	7.22%	6.89%	9.95%
2018 (ytd)	0.44%	-0.33%	0.76%	-0.11%	0.55%
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	0.16%	3.49%	-3.33%	2.75%	-2.59%
3m	-1.33%	0.00%	-1.33%	0.44%	-1.77%
6m	7.20%	3.63%	3.56%	7.11%	0.08%
1y	12.54%	6.44%	6.10%	18.45%	-5.90%
2y pa	11.67%	11.41%	0.26%	14.15%	-2.48%
3y pa	16.81%	6.15%	10.66%	11.06%	5.75%
5y pa	17.22%	7.79%	9.43%	8.04%	9.17%
Sharpe Ratio	1.47	0.70	2.09x	0.42	3.52x
Sortino Ratio	2.69	1.12	2.41x	0.65	4.11x
Annualised standard deviation	9.59%	11.09%		13.05%	
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	73.44%	64.06%		59.38%	

Following March's drop, our portfolio managed to eke out a small positive result of +0.16% for the month of April. Underneath that headline number though, the market continued to be volatile as evidenced by the 6.4% low to high prints in the S&P 500 underneath that index's +0.3% for the month.

However, neither our portfolio nor the US indices managed to get anywhere close to the ASX 200's +3.91% April performance which was pretty much a one-way street from the lower left to the upper right. A few heavyweight ASX index constituents had stellar results with the likes of BHP, RIO, WPL and CSL surging approximately 9-10% each. Given our low exposure to cyclical commodities-exposed businesses and our propensity to keep it that way, it will be difficult to outperform when the

commodities complex does very well but we are happy to stick to our knitting. (We do however regret not having owned CSL, a fantastic business we have unfortunately only ever admired from afar).

Looking at our individual positions, yet again our biggest position APX had the biggest portfolio impact for the month with a +8.4% rise in the stock price. The gain for the month basically took back half the fall from the previous month. From previous all-time highs to the lows in April, Appen had fallen ~21.5%, demonstrating once more (on top of two 20%+ falls in 2017) the need to remain unemotional in the face of volatility. Appen remains a high conviction position for us and we look forward to the AGM this month.

No individual positions cost the portfolio more than 0.3% for the month, more several positions conspired to keep the return relatively flat for April. One stock that continued to dip lower following last month's drop was ADA on the news it was unsuccessful in winning the NASA tender. At month-end we have the company on a back of the envelope EV/EBITDA under 12 for NPBT growth of +35% if we take management at their word on guidance. Given last year's miss on 2H guidance, ADA has to prove itself at the full year report. We remain long awaiting the release.

Our option hedges cost the portfolio ~0.3% in April, giving back some of the previous month's gains with most indices positive for the month and the VIX measure of volatility down just under 21% to a close under 16. We expect our hedging by itself to detract from portfolio performance most months (except in months where the market declines materially) and are happy for that to be the case as that would normally be correlated with positive underlying portfolio performance.

Portfolio Holdings:

Cash:	27.0% (AUD and USD)
Non-AUD exposure:	20.7%
Longs:	72.6%
Shorts:	-0.7%
Hedge delta:	-8.4%
Net exposure:	63.4%
Top 5 equities (alphabetical):	AAPL, ADA, APX, PME, RMD

As can be seen from the holdings statistics, our cash position has declined slightly over the month as we added to some existing positions at lower

prices. Our hedge delta has increased as we replaced some expiring hedges during April. Net exposure is up 2.6% approximately in line with the slightly lower cash position.

