



## May 2018 Monthly Report

Returns 31-Dec-12 to 31-May-18

	Norse Capital	All Ords Accum	Outperformance	Small Ords Accum	Outperformance
Inception	131.59%	65.51%	66.08%	47.95%	83.64%
Inception per annum	16.77%	9.75%	7.02%	7.50%	9.27%
2018 (ytd)	1.43%	1.07%	0.36%	3.58%	-2.15%
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	0.99%	1.40%	-0.41%	3.70%	-2.71%
3m	-2.48%	1.22%	-3.70%	4.11%	-6.59%
6m	4.75%	3.12%	1.63%	6.89%	-2.14%
1y	15.56%	10.79%	4.77%	25.40%	-9.84%
2y pa	10.86%	10.51%	0.36%	13.95%	-3.09%
3y pa	15.66%	6.42%	9.24%	11.52%	4.14%
5y pa	17.31%	9.06%	8.25%	9.68%	7.63%
Sharpe Ratio	1.47	0.72	2.05x	0.46	3.19x
Sortino Ratio	2.70	1.14	2.36x	0.73	3.71x
Annualised standard deviation	9.52%	11.00%		13.02%	
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	73.85%	64.62%		60.00%	

Apologies for the delayed report this month, courtesy of the never enjoyable experience of moving offices.

Another positive month for the portfolio, up near +1% slightly trailing the All Ords +1.4%. However we got nowhere near the Small Ords +3.6%, continuing a stellar run for the small cap index over the past year at +25.4% on a total return basis.

Once again our biggest position APX had the biggest portfolio impact for the month with a +5.9% rise in the stock price. At the AGM the company upgraded 2018 guidance to now track at the upper end of their previously guided \$50-\$55m EBITDA range (at AUD 80c) with YTD revenue plus 2018 orders in hand already at ~\$190m. At \$55m we see a <21

EV/EBITDA ratio at month-end for ~96% EBITDA growth. Subsequent to month end it was revealed that the Chairman and founder Chris Vonwiller was probably partially responsible for the previous fall in the share price as he had sold 2 million shares for "...personal reasons, including philanthropic endeavours... and intends to remain a committed long-term shareholder of Appen." He still holds over \$110m worth of shares and the share price has subsequently set new all-time highs as at the time of this report. We always prefer insiders not sell but recognise that management have other pursuits in life and do not consider this to detract from our thesis.

Another notable positive contributor this month came from our position in Volpara Health Technologies (VHT), a company whose software analyses breast density in mammograms. VHT was up ~+20.6% for the month and we were happy to add to our holdings at the expected capital raise placement (from which the market closed the month up ~36.7%) to fund their expansion in the US. The company has shown exemplary growth (albeit from a low base) and have guided for even more growth in 2018.

Our top 5 position in Apple also did well with the stock up +13.1% for May after good quarterly results, the disclosure that Berkshire Hathaway had added substantially to their position and the announcement that the company intends to repurchase \$100b worth of shares. Pleasingly services revenue now contributes ~15% of total revenues and is growing strongly, reflecting the strength of AAPL's ecosystem. At month-end the shares were trading on an ~18 PE before backing out the enormous cash pile and have subsequently gone on to set new all-time highs.

The biggest portfolio detractor for the month was Pro Medicus with PME down ~-7.5% for May despite the announcement of a 5-year Visage RIS deal with I-MED Radiology. The stock price has been volatile throughout our holding period and we remain happy long-term holders.

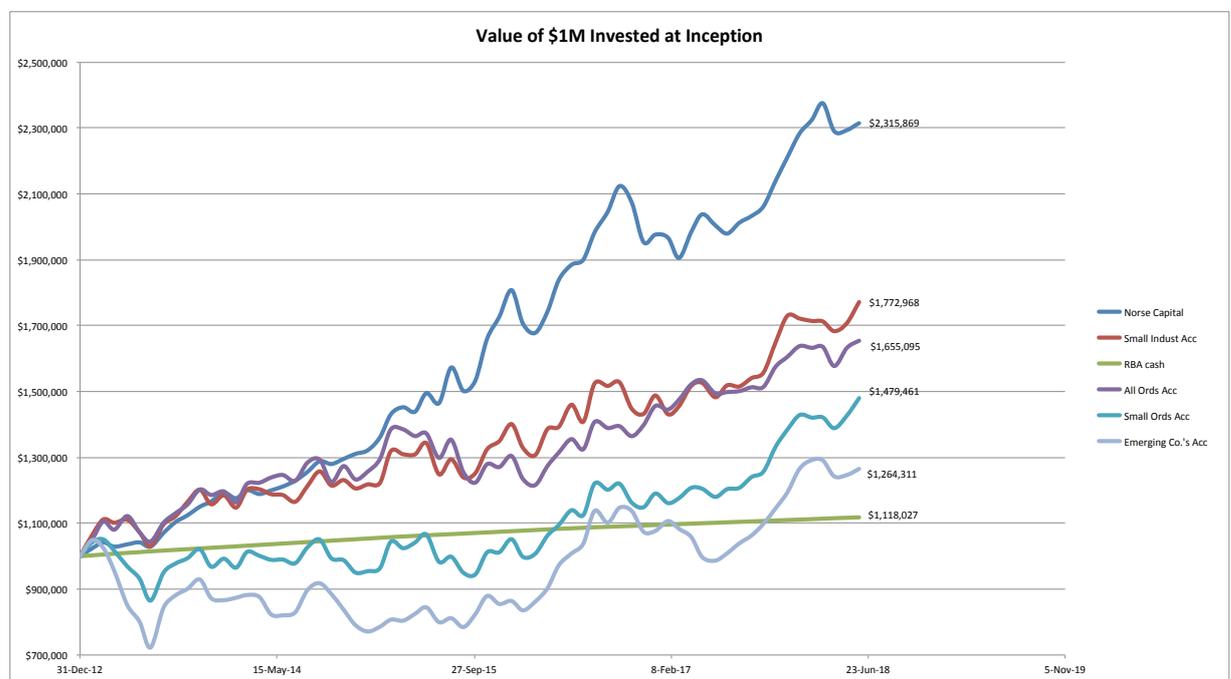
A few other positions including ADA and IRI were also negative performers on the month on no new news.

Once again our option hedges cost the portfolio another ~0.3% in May, with gains in the US and Australian indices pushing our put protection further out of the money and reflected in our lower hedge delta this month. Despite the drag to performance, we're content to pay away a modicum of premium every month so long as our underlying portfolio continues to perform positively.

## **Portfolio Holdings:**

Cash:	26.1% (AUD and USD)
Non-AUD exposure:	21.0%
Longs:	73.8%
Shorts:	-0.5%
Hedge delta:	-1.0%
Net exposure:	72.3%
Top 5 equities (alphabetical):	AAPL, ADA, APX, PME, RMD

Given the reduced hedge delta, we will be looking to opportunistically add to our hedges.



## Performance/Risk Ratios

