



## July 2018 Monthly Report

Returns 31-Dec-12 to 31-Jul-18

	Norse Capital	All Ords Accum	Outperformance	Small Ords Accum	Outperformance
Inception	135.10%	72.47%	62.62%	48.00%	87.09%
Inception per annum	16.54%	10.25%	6.29%	7.27%	9.27%
CY2018 (ytd)	2.96%	5.32%	-2.35%	3.62%	-0.66%
CY2017	15.55%	12.47%	3.08%	20.02%	-4.46%
CY2016	9.31%	11.65%	-2.33%	13.18%	-3.87%
CY2015	36.80%	3.78%	33.02%	10.16%	26.65%
CY2014	10.81%	5.02%	5.79%	-3.81%	14.62%
CY2013	19.24%	19.66%	-0.41%	-0.76%	20.00%
1m	-3.40%	1.22%	-4.62%	-1.01%	-2.39%
3m	2.52%	5.67%	-3.15%	3.74%	-1.22%
6m	1.15%	5.67%	-4.51%	4.19%	-3.03%
1y	16.84%	14.91%	1.93%	22.58%	-5.73%
2y pa	8.85%	10.66%	-1.81%	10.08%	-1.23%
3y pa	14.33%	8.41%	5.91%	14.01%	0.31%
5y pa	17.03%	9.38%	7.65%	9.27%	7.76%
Sharpe Ratio	1.42	0.77	1.85x	0.45	3.15x
Sortino Ratio	2.60	1.23	2.12x	0.71	3.65x
Annualised standard deviation	9.72%	10.87%		12.84%	
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	73.13%	65.67%		59.70%	

A giveback month in July after June's good performance with the portfolio down ~3.4%, the majority of the downdraft coming late in the month as our some of our technology-exposed holdings were "Facebooked". The social media giant (in which we have a small holding) dropped over 20% in one session on reduced forward revenue and profit guidance, inducing negative share price reactions in many technology names.

Our largest holding APX dropped almost 19% on the month (over 24% from high to low), representing almost 85% of the portfolio's negative monthly performance. The share price drop was another one of several >20% falls experienced in our holding history. With Facebook one of Appen's larger customers, some speculation exists that Facebook's lowered guidance might detract from Appen going forward. However,

given comments on Facebook's conference call highlighting investments in AI, we are actually hopeful that the opposite could well be the case and that some of Facebook's increased spending could potentially go Appen's way. Margin pressure exists and Appen itself could face investing cost increases but in our view the long-term growth story remains well intact.

The second biggest detractor was our position in IRI which deducted 0.5% from the portfolio on the month on the release of disappointing guidance. Other detractors included the aforementioned FB while positions in PME and EML contributed positively.

We will close commentary here noting that we are eagerly awaiting the release of results from many of our portfolio companies in the upcoming earnings season.

### **Portfolio Holdings:**

Cash:	30.2% (AUD and USD)
Non-AUD exposure:	21.0%
Longs:	69.2%
Shorts:	-0.0%
Hedge delta:	-2.0%
Net exposure:	67.2%
Top 5 equities (alphabetical):	AAPL, AMZN, APX, PME, RMD

As can be seen from the portfolio holdings snapshot above, AMZN has joined our top 5 holdings at the expense of ADA. That was not due to any recent transactions in either name but more to the incredible rise of AMZN over many years. Unfortunately we never added to our couple of purchases of AMZN back in 2014 but thankfully we have stuck to our long-term investing objective to try to let our winners continue winning. In AMZN's case over 5.5 times the initial purchase price.

