



July 2019 Monthly Report

Returns 31-Dec-12 to 31-Jul-19

	Norse Capital	All Ords Accum	Outperformance	Small Ords Accum	Outperformance
Inception	268.21%	94.80%	173.41%	59.26%	208.95%
Inception per annum	21.89%	10.66%	11.24%	7.32%	14.57%
CY2019 (ytd)	50.07%	23.30%	26.76%	22.08%	27.98%
CY2018	7.46%	-3.53%	10.99%	-8.67%	16.13%
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	5.84%	2.96%	2.88%	4.51%	1.33%
3m	14.23%	8.27%	5.96%	4.15%	10.08%
6m	44.08%	18.57%	25.51%	15.65%	28.43%
1y	56.62%	12.94%	43.68%	7.61%	49.01%
2y pa	35.28%	13.92%	21.35%	14.85%	20.43%
3y pa	22.86%	11.41%	11.44%	9.25%	13.61%
5y pa	23.99%	8.69%	15.30%	9.17%	14.82%
Sharpe Ratio	1.62	0.81	2.00x	0.45	3.57x
Sortino Ratio	3.44	1.29	2.67x	0.70	4.92x
Annualised standard deviation	11.50%	10.89%		13.21%	
Highest monthly return	11.78%	7.00%		9.81%	
Largest monthly loss	-5.82%	-7.30%		-9.60%	
Largest drawdown	-10.28%	-12.23%		-17.69%	
% positive months	74.68%	65.82%		58.23%	

Another positive month for equity indices with the S&P500 up +1.3% and the Nasdaq up +2.1%, while in Australia, the ASX200 set a new all time high. However things got “exciting” near month-end and into August with first the FOMC 25bps rate cut being interpreted bearishly after being characterised as a “mid-cycle” cut and then more impactfully, president Trump unleashing yet more trade war fears with another Twitter tariff pronouncement, this time promising 10% tariffs on the remaining ~\$300b of Chinese imports into the US. With China

retaliating, the start of August has seen a significant pullback, especially amongst the high momentum names, including our holdings.

Our portfolio participated in the July rally, ending the month up +5.84% to take our calendar year 2019 return to over +50%. August however, has so far seen us give all of that back plus some with the portfolio down more than 8% for August at the time of writing.

For the July recap, the biggest positive contributor for the month came from our second largest position PME, with the shares up over +21% in July with the news of PME being added to the ASX 200. We trimmed our holdings another 8% during the month and then again subsequent to month-end as the shares popped higher. Other positive contributions for July came from our largest holding APX which added just shy of +10% for the month and our 3rd largest holding RMD, up almost 11% as they released a positive quarterly earnings report. Hedging and shorting cost us ~0.6% for the month although the drop in the AUD mitigated most of that loss.

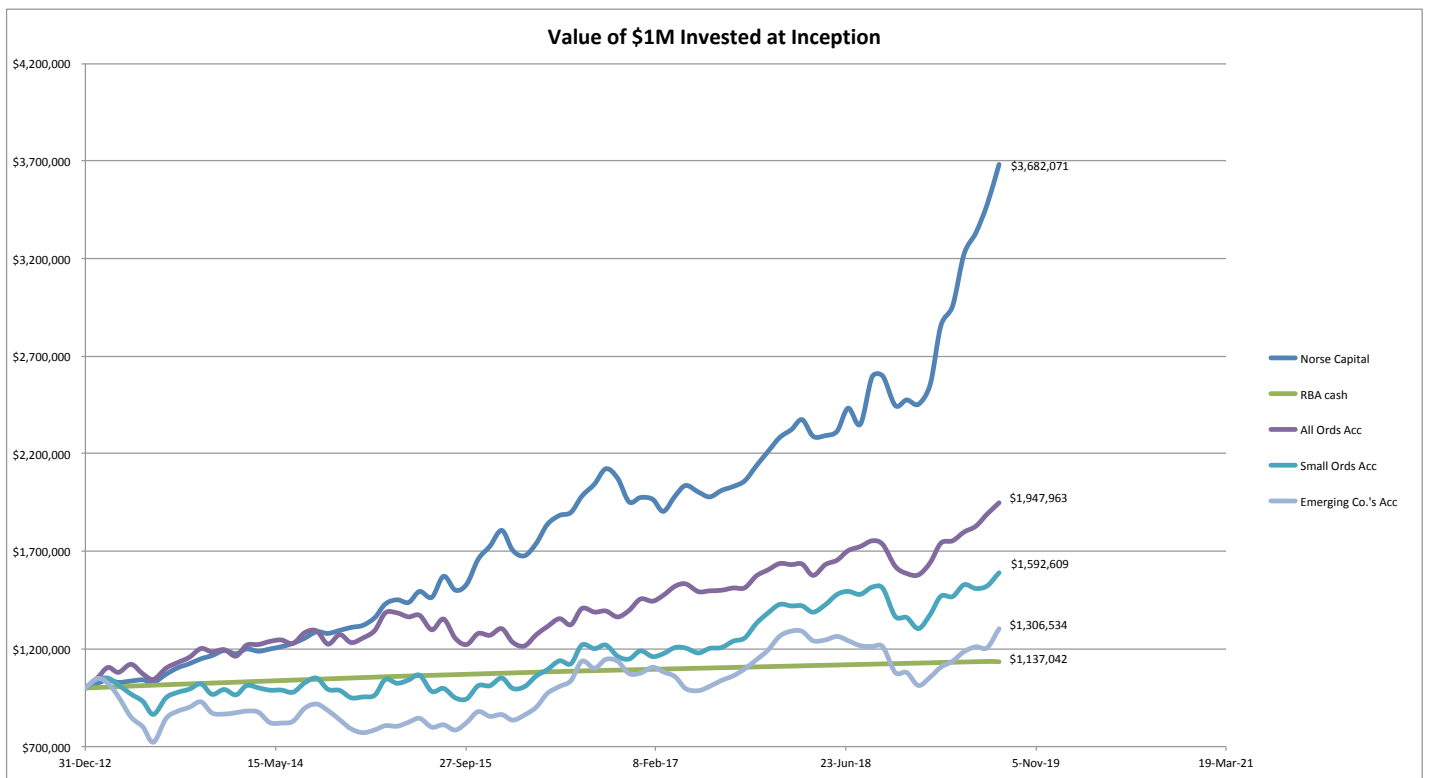
Portfolio Holdings:

Cash:	26.4% (AUD and USD)
Non-AUD exposure:	20.9%
Longs:	70.0%
Shorts:	-3.5%
Hedge delta:	-11.0%
Net exposure:	55.6%
Top 5 equities (alphabetical):	APX, PME, RMD, VGL, VHT

As can be seen, our net exposure has dropped in the vicinity of ~10%. Almost all of that reduction came today and yesterday as the market dropped and our positive gamma started to kick in. We added some hedging in July, rolled some out of the money strikes higher and also completed our program of swapping out the shares in our US-listed enterprise software basket for long-term, deep in-the-money call options, giving us disaster protection in those holdings. (Hopefully we won't need it!)

Given the out-of-the-money nature of our hedging and the rise in equity markets, our hedging really only starts to cushion a portion of the losses as we drop further. We have been slow to add additional protection and to roll our existing out-of-the-money protection higher which has been

profitable on the way up and now painful on the way down. In hindsight, we should obviously have been more aggressively trimming more of our largest holdings and adding more protection. However, despite being a founding principal of Hindsight Capital LLC and their star performer, we have so far been unable to transfer the profitable trading from that entity to our investment activities in Norse Capital. Perhaps one day.



Performance/Risk Ratios

