



October 2019 Monthly Report

Returns 31-Dec-12 to 31-Oct-19

	Norse Capital	All Ords Accum	Outperformance	Small Ords Accum	Outperformance
Inception	244.19%	93.81%	150.37%	56.34%	187.85%
Inception per annum	19.82%	10.16%	9.66%	6.76%	13.06%
CY2019 (ytd)	40.28%	22.68%	17.59%	19.84%	20.44%
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	0.08%	-0.37%	0.45%	-0.50%	0.58%
3m	-6.52%	-0.50%	-6.02%	-1.84%	-4.69%
6m	6.78%	7.72%	-0.95%	2.24%	4.54%
1y	40.63%	19.39%	21.24%	14.41%	26.23%
2y pa	26.84%	10.93%	15.91%	8.34%	18.51%
3y pa	18.40%	12.42%	5.98%	10.38%	8.02%
5y pa	21.57%	8.75%	12.82%	9.61%	11.96%
Sharpe Ratio	1.45	0.78	1.87x	0.42	3.47x
Sortino Ratio	2.95	1.24	2.38x	0.64	4.61x
Annualised standard deviation	11.68%	10.77%		13.10%	
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	73.17%	64.63%		57.32%	

Some divergence this month between the US and Australian equity indices with the S&P 500 up +2% and the Nasdaq Composite up +3.7% vs an All Ords Index down -0.37%. Perhaps no surprise then that our portfolio's performance for October ended up in between, basically square at +0.08%.

Continuing with that theme, our two largest holdings managed to roughly net each other out with APX up +3.4% vs PME down - 4.2%. We have previously trimmed both positions to just over half of their original sizes

on a share basis, towards ~11½% and 7½% on a current portfolio weightings basis and remain content with the present weightings, absent new information. No news during the month; subsequent to month-end PME announced another new contract win in the US, signing a 5-year, A\$9m transaction-based (with potential upside) contract for their Visage 7 technology with Ohio State University. Pleasingly, management also commented positively on their pipeline: “...the influx of RFPs in the last 12 months is the highest we’ve ever seen...”

A positive performance also from VHT, up +12.8% with the release of their quarterly cashflow report showing the breast imaging company on track to meet its ARR and % US market penetration guidance despite Q2 being traditionally its weakest quarter seasonally. Positive noises also about their integration of MRS with their product suite transitioning to a SaaS model from November. This allowed VHT to (just) take back 5th spot in the portfolio weightings table.

The AAPL share price added another +11.1% during the month, taking the ytd performance to +57.7%, an incredible rise for a company with a market cap back over USD\$1 trillion. Services comprise near 20% of revenue growing +18% while wearables grew over +40% to offset declines in iPhones which was better than expected, to return to overall revenue growth. Back out the cash and you have an undemanding multiple relative to the market with that cash being put to work buying back shares.

Losses this month from EML giving back some of its prior gains and our enterprise software basket costing the portfolio ~0.5% in October. We started nibbling in some of the basket’s individual holdings, adding a very small amount at lower levels as our exposure via long-dated call options has come back with the share price falls.

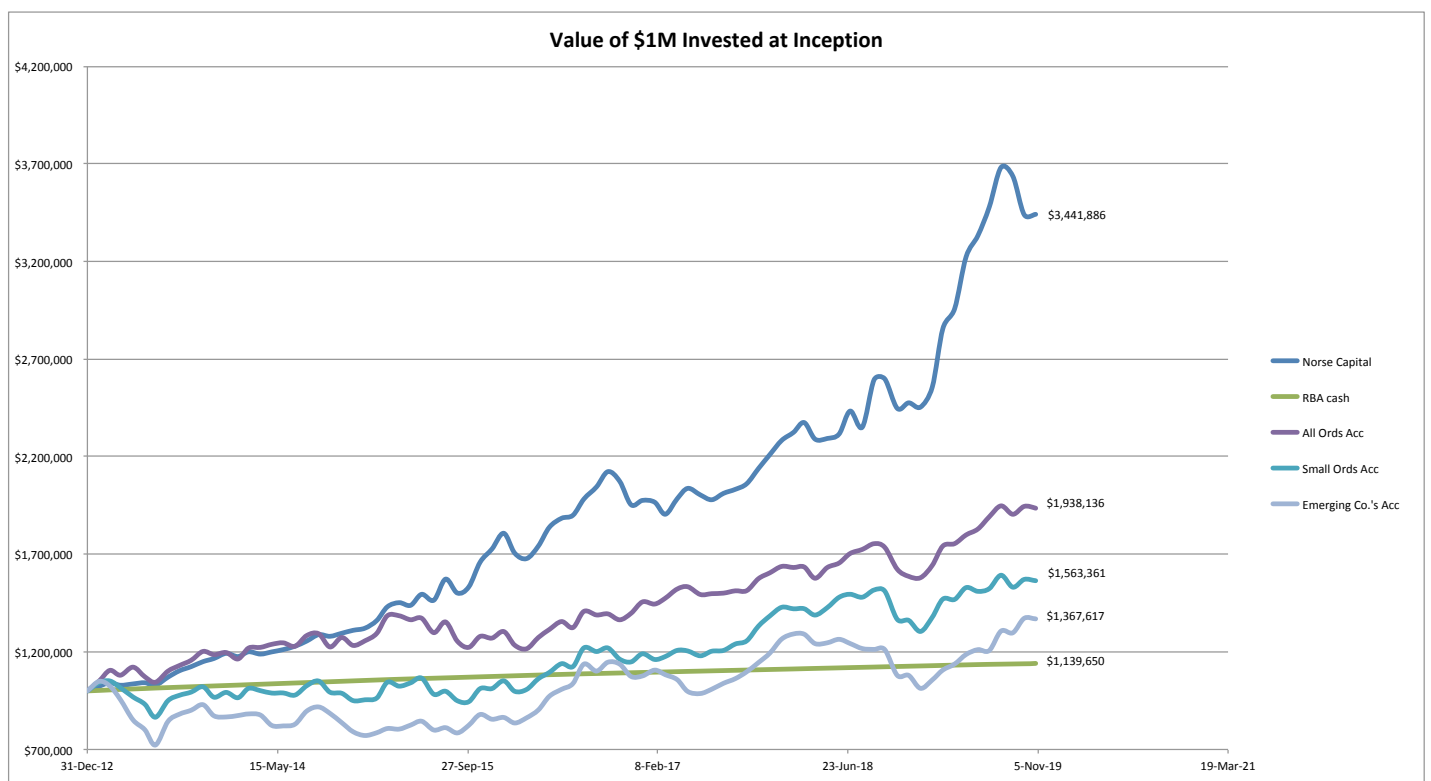
Shorts, hedging and the AUD cost the portfolio ~0.75%.

Portfolio Holdings:

Cash:	29.3% (AUD and USD)
Non-AUD exposure:	18.2%
Longs:	70.8%
Shorts:	-4.4%
Hedge delta:	-3.6%
Net exposure:	62.8%
Top 5 equities (alphabetical):	APX, EML, PME, RMD, VHT

Our cash position is slightly lower, partially due to a higher AUD taking down the value of our USD cash position. As mentioned previously VHT has been jockeying with AAPL, just pipping for 5th place this month with AAPL's USD share price increase held back somewhat by the higher AUD this month.

The hedge delta is lower with higher US stock indices and out-of-the-money options approaching expiry dates. We have just started adding additional hedging and plan to continue to do so at a measured pace going forwards.



Performance/Risk Ratios

