



June 2020 Monthly Report

Returns 31-Dec-12 to 30-Jun-20

	Norse Capital	All Ords Accum	Outperformance	Small Ords Accum	Outperformance
Inception	309.12%	75.57%	233.56%	43.74%	265.38%
Inception per annum	20.66%	7.79%	12.87%	4.96%	15.70%
CY2020 (ytd)	16.25%	-10.42%	26.66%	-9.21%	25.45%
CY2019	43.44%	24.06%	19.38%	21.36%	22.08%
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	5.07%	2.34%	2.73%	-1.95%	7.02%
3m	25.72%	17.75%	7.97%	23.90%	1.81%
6m	16.25%	-10.42%	26.66%	-9.21%	25.45%
1y	17.61%	-7.21%	24.81%	-5.67%	23.28%
2y pa	29.57%	1.50%	28.06%	-1.94%	31.51%
3y pa	27.36%	5.42%	21.93%	6.10%	21.26%
5y pa	22.78%	6.21%	16.57%	7.89%	14.89%
7y pa	21.76%	7.69%	14.07%	7.51%	14.25%
Sharpe Ratio	1.37	0.48	2.83x	0.27	5.09x
Sortino Ratio	2.66	0.65	4.12x	0.37	7.12x
Annualised standard deviation	13.16%	14.03%		16.73%	
Highest monthly return	11.78%	9.54%		14.27%	
Largest monthly loss	-7.88%	-20.94%		-22.38%	
Largest drawdown	-14.04%	-27.33%		-29.11%	
% positive months	72.22%	64.44%		56.67%	

Slightly later report this month; feels weird to have had a head-cold in the midst of a pandemic, almost like a pariah. Will keep this month's report short and to the point. In equity markets, a continuing rally despite rapidly increasing covid-19 cases in the US: the S&P 500 tacked on +1.8% and the Nasdaq +6.0%, while the All Ords added +2.34% and the Small Ords dropped -1.95%. Our portfolio gained +5.07%.

On a wide view, from the lows near the end of March, those same markets have incredibly climbed on the order of ~+39% for the S&P500, ~+47% for the Nasdaq and ~+31% for the All Ords, in the space of a little over 3 months. With our crystal ball still out for repairs we would never have foreseen the magnitude and timing of the bounce (and I would contend that few would have confidently called it), sitting at the depths of March. Luckily our portfolio hedging strategy helped us stay long and add (not enough) to positions near the lows for our portfolio to have compounded ~+25.7% from our month-end low at the end of March (vs the daily low about a week earlier in March for the index returns cited above), after having dropped much less on the way down. The difficulty here is that with much higher volatility in the market, we have less hedging on board than previously as options have become much more expensive to replace.

The biggest positive impact this month came once again from our US-listed enterprise software basket reflecting our digital transformation thesis. The basket contributed ~+2.25% to June's performance which included double digit returns from the majority of the basket components, highlighted by a >+41% jump in ZM which posted one of the all-time greatest quarterly earnings beats. Revenue was up +169%, operating cashflow was +\$259m (vs \$22.2m for the pc), customers with more than 10 employees up +354% and FY21 guidance of \$1.8b revenue (vs ~\$622m for FY20). I had always considered ZM to be a good business but too expensive stock but changed my mind and bought (unfortunately too little) in the midst of its security scare when the stock price dropped to the \$120s while customers had increased 20x then 30x from ~10m to ~200m then ~300m. Although there is plenty of competition in the video conferencing space, ZM has built a technology moat with its software adjusting video quality for each user to a call based on that user's connection bandwidth, enabling ZM to host calls with hundreds of users where many other technologies struggle to cope when a call goes above ~10 users. There is no requirement for every user on a call to create an account and the company's name has become a verb in the minds of consumers.

Our largest individual holding Appen also continued to hit new highs, finishing up +14.1% in June. We sold the remainder of our opportunistic purchases from the depths of March at just above \$34 to trim the position to what it was prior to the pandemic where it is currently around ~16% of the portfolio. Other notable contributions in June came from RMD, up +16.1%, AAPL up +14.7% and AMZN up +13%.

On the negative side for June, PME dropped -8.2% and EML gave back some of the prior month's gains, also falling -8.2%. Shorts and hedging were almost flat for the month, costing the portfolio ~-0.05% with profits from closing out our WYNN short offsetting some of the option losses. The rising AUD cost ~-1%.

Portfolio Holdings:

Cash:	27.6% (AUD and USD)
Non-AUD exposure:	27.7%
Longs:	65.4%
Shorts:	-3.8%
Options delta:	15.8%
Net exposure:	77.4%
Top 5 equities (alphabetical):	AAPL, APX, EML, PME, RMD

Once again, the same top 5 holdings although AYX and AMZN are sitting closely behind AAPL and RMD. Our US enterprise software basket has continued to grow to where it would now be our largest position if taken as whole at just shy of 18% of the portfolio.

Overall our net exposure continues to rise along with rising equity markets and some hedging rolling off. As mentioned above we are finding it expensive to replace that hedging but will continue to look for opportunities. During the month we converted one basket holding to long-dated deep-in-the-money calls to take some risk off and managed to roll a small amount of expiring put options out 1 and 2 months.

