



July 2020 Monthly Report

Returns 31-Dec-12 to 31-Jul-20

| | Norse Capital All Ords Accum Outperformance | | | Small Ords Accum Outperformance | |
|-------------------------------|---|---------|---------|---------------------------------|---------|
| Inception | 312.66% | 77.23% | 235.43% | 45.74% | 266.91% |
| Inception per annum | 20.54% | 7.84% | 12.71% | 5.09% | 15.45% |
| CY2020 (ytd) | 17.25% | -9.57% | 26.82% | -7.94% | 25.19% |
| 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 | 0.86% | 0.95% | -0.08% | 1.39% | -0.53% |
| 3m | 15.19% | 8.51% | 6.68% | 9.94% | 5.25% |
| 6m | 9.00% | -13.62% | 22.62% | -10.95% | 19.94% |
| 1y | 12.07% | -9.02% | 21.09% | -8.49% | 20.56% |
| 2y pa | 32.44% | 1.37% | 31.07% | -0.77% | 33.20% |
| 3y pa | 27.02% | 5.69% | 21.33% | 6.47% | 20.56% |
| 5y pa | 21.25% | 5.54% | 15.72% | 7.85% | 13.40% |
| 7y pa | 21.24% | 7.03% | 14.21% | 6.30% | 14.94% |
| Sharpe Ratio | 1.37 | 0.49 | 2.80x | 0.28 | 4.92x |
| Sortino Ratio | 2.66 | 0.65 | 4.07x | 0.39 | 6.89x |
| Annualised standard deviation | 13.08% | 13.95% | | 16.64% | |
| 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 | 72.53% | 64.84% | | 57.14% | |

The coronavirus equity bull market keeps going; in the US the S&P 500 added another +1.55% and the Nasdaq +6.8%, while the All Ords accumulation index added +0.95% and the Small Ords accumulation index added +1.39%. Our portfolio gained +0.86%, underperforming vs the benchmark indices and spending most of the month in slightly negative territory due to a pause and rotation out of the technology sector,

but climbing back into a positive monthly return as US earnings results started to come in. The early earnings take is pointing to even more divergence between a pandemic-affected economy and the “digital economy” with companies like Shopify and the big-cap tech titans posting extremely strong results, leading to some prognosticators calling it a “K”-shaped recovery rather than the argument over a “V” vs a “U” recovery.

Again, the biggest contributor to returns this month came from our US-listed enterprise software basket which added $\sim+0.90\%$ to July’s performance; down from last month’s outsized contribution as returns ranged between down -7% to up $+18.6\%$ ahead of quarterly results. SHOP was the one name in our basket to report in July, posting $+97\%$ revenue growth (despite a cohort of 90-day free trials) and $+119\%$ GMV growth to sail past expectations and end the month up $+7.9\%$. Astonishing growth rates for a SaaS company at that large a scale.

AAPL was another to blow past expectations with the stock adding $+16.5\%$ for the month after posting revenue growth of $+11\%$ and EPS growth of $+18\%$ to take the company past Saudi Aramco as the most valuable public company in the world. Huge numbers for a mega-cap company with services now $>22\%$ of revenue and a potential 5G tailwind to come. AMZN also joined in the mega-cap tech party, adding $+14.7\%$ for the month after showing $+40\%$ revenue growth and guiding to a strong Q3.

APX also contributed positively for the month, up $+5.1\%$ with a broker upgrade and signs of increased job listings ahead of August results. We once again trimmed the position slightly to bring the portfolio weighting back under 16% .

On the negative side for June, PME and EML both dropped again, down -9.6% and -5.7% respectively.

Shorts and hedging cost the portfolio $\sim-0.40\%$ while the continued rise in the AUD (up another $+3.5\%$ in July) cost the portfolio another $\sim-1\%$.

August will bring more US quarterly earnings as well as Australian half-yearly and annual results; thus far our digital transformation thesis continues to play out and we anticipate the remaining reports with interest.

Portfolio Holdings:

| | |
|--------------------------------|--------------------------|
| Cash: | 24.6% (AUD and USD) |
| Non-AUD exposure: | 28.9% |
| Longs: | 68.1% |
| Shorts: | -4.1% |
| Options delta: | 14.6% |
| Net exposure: | 78.6% |
| Top 5 equities (alphabetical): | AAPL, APX, AYX, PME, RMD |

A change in the top 5 holdings with the continued positive performance in our enterprise software basket reflected with AYX usurping EML for 5th spot. Our US enterprise software basket currently sits at ~18.6% of the portfolio. Our non-AUD exposure continues to increase as our US holdings have outperformed recently.

Our net exposure continues to rise despite adding more hedging in July; we purchased put spreads on SPY (S&P 500 ETF) and QQQ (Nasdaq top 100 ETF) as well as rolling out existing hedges and converting one of our enterprise software basket holdings (DDOG) from shares into long-dated call options. We will continue to add hedging at a slow but steady pace; in fact, we need to add just to stand still as current hedges expire but we are aiming to gradually increase our hedge weighting, to bring our net exposure down as our portfolio is currently tracking at a historically high net exposure level. Notwithstanding that, continued positive equity market performance has and will make that more difficult but that's a good problem to have if it continues.

