January 2021 Monthly Report

Returns 31-Dec-12 to 31-Jan-21

	Norse Capital	All Ords Accum	Outperformance	Small Ords Accum	Outperformance
Inception	346.48%	103.72%	242.76%	72.46%	274.02%
Inception per annum	20.31%	9.19%	11.12%	6.97%	13.35%
CY2021 (ytd)	0.40%	0.30%	0.10%	-0.25%	0.65%
CY2020	26.36%	3.64%	22.73%	9.21%	17.15%
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	0.40%	0.30%	0.10%	-0.25%	0.65%
3m	4.93%	12.43%	-7.51%	13.03%	-8.10%
6m	8.20%	14.95%	-6.75%	18.33%	-10.13%
1y	17.93%	-0.71%	18.64%	5.38%	12.55%
2y pa	32.13%	11.34%	20.79%	11.89%	20.24%
3y pa	24.29%	7.66%	16.63%	6.67%	17.62%
5y pa	21.17%	10.52%	10.65%	11.54%	9.64%
7y pa	20.98%	8.32%	12.66%	8.64%	12.34%
Sharpe Ratio	1.39	0.58	2.39x	0.39	3.58x
Sortino Ratio	2.73	0.80	3.39x	0.56	4.87x
Annualised standard deviation	12.75%	14.04%		16.70%	
Highest monthly return	11.78%	10.16%		14.27%	
Largest monthly loss	-7.88%	-20.94%		-22.38%	
Largest drawdown	-14.04%	-27.33%		-29.11%	
% positive months	73.20%	65.98%		57.73%	

We start 2021 with a small positive performance of +0.4% and our first monthly outperformance (albeit only small) versus the All Ords and Small Ords since October. Also ahead of the S&P 500 which dropped -1.1% for the month but behind the Nasdaq which rose +1.4%. Some strange market action in Gamestop dominated the financial news but behind those headlines there were some excellent quarterly reports from mega cap technology names that indicated that leading technology firms still dominate despite the recent rotation into the “re-opening economy” plays.

For our portfolio, the biggest detractor was APX which dropped -9.6% for the month, continuing the negative momentum from late 2020’s earnings guidance downgrade towards less growth (but still growing) than previously expected. At month-end levels near ~$22, we would consider Appen to be at relatively attractive risk/reward levels vs peers. Near a 25x EV/EBITDA multiple for the top data annotation provider in an industry forecast to grow at 28% CAGR going forwards where APX has historically grown much better than the industry.

Smaller negative contributions also from EML, down -7.9% and NAN down -14.8%.

PME was the standout positive contributor in January as the shares rallied +25.4% after winning a $40m, 7-year contract with Intermountain Healthcare which pleasingly included the Visage 7 Open Archive product in addition to the Visage 7 Viewer, fully deployed in the public-cloud (as opposed to on-premise). This contract win was the 5th in the last 6 months and the market clearly liked the recent high cadence of contract wins. PME is now our largest single position, edging out APX even after we took the opportunity to trim the position by ~14%.

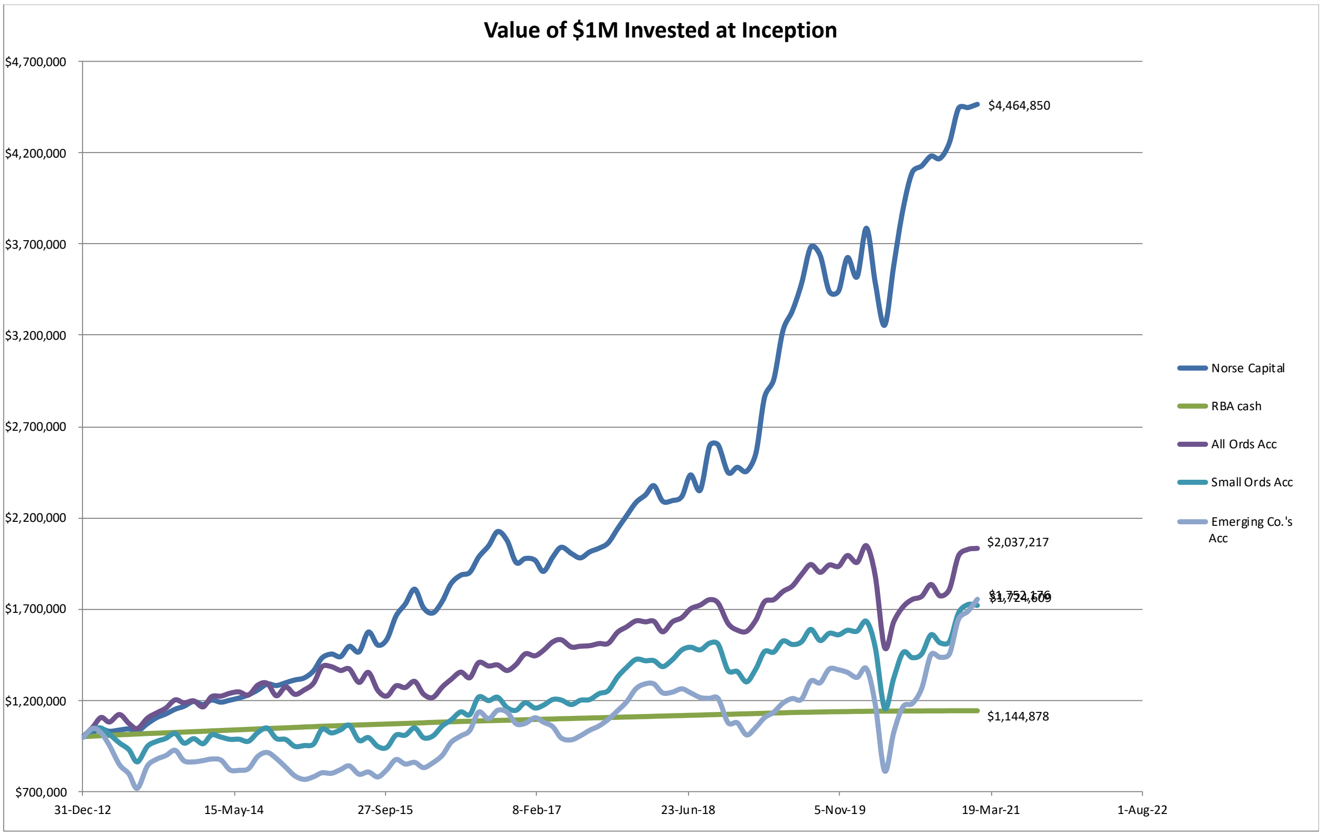
A fantastic quarterly report from AAPL which reported revenue up +21% and EPS up +35% to new all-time records. Every product category recorded double-digit percentage growth and resulted in record OCF of +$38.8b for the quarter! Despite the results, the shares were roughly unchanged on the month, actually declining a little post-results. Probably a function of the >80% share price growth in 2020 but these latest results well exceeded expectations.

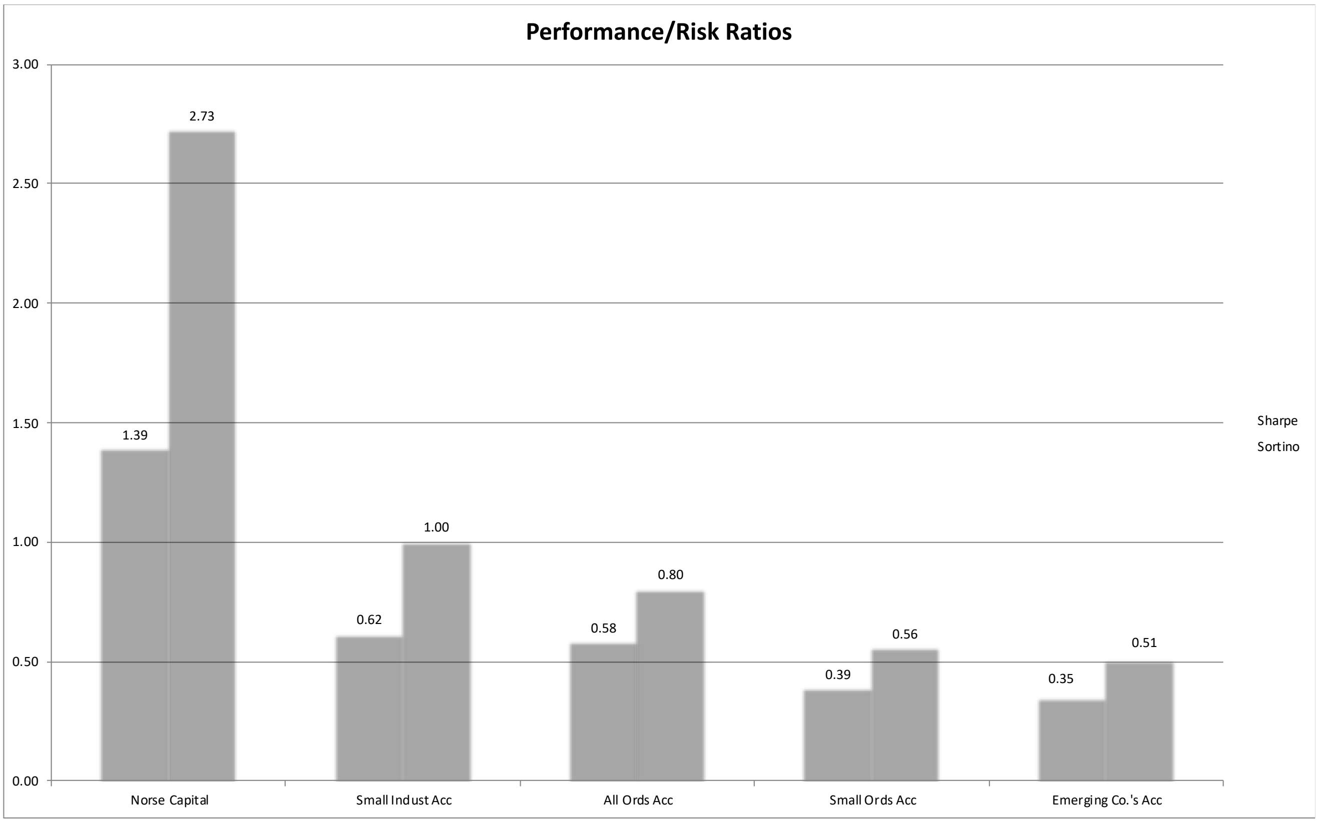
Our shorts and hedges added +0.14% to the portfolio and the AUD added another +0.21%.

<u>Portfolio Holdings:</u>

Cash:	28.6% (AUD and USD)
Non-AUD exposure:	32.6%
Longs:	65.7%
Shorts:	-3.2%
Options delta:	11.3%
Net exposure:	73.7%
Top 5 equities (alphabetical):	AAPL, APX, EML, PME, RMD

An unchanged top 5, and our US-listed enterprise software basket now makes up ~19.1% of our portfolio. Slightly down from last month as we have started to replace (slowly) our outright longs with long-dated in-the-money calls which should reduce our exposure by about ~20% while at the same time cashing out ~50% of our investment in the stocks we replace. So some protection in the event of a big drop while preserving most of our upside should the sector keep rallying. Not a cheap exercise but we consider it prudent to start slowly reducing some risk without making a call on the short-term market direction.




Performance/Risk Ratios
3.00
2.50
2.00
1.50
1.00
0.50
0.00
1.39
2.73
0.62
1.00
0.58
0.80
0.39
0.56
0.35
0.51
Norse Capital
Small Indust Acc
All Ords Acc
Small Ords Acc
Emerging Co.'s Acc
Sharpe
Sortino