February 2021 Monthly Report

Returns 31-Dec-12 to 28-Feb-21

	Norse Capital	All Ords Accum	Outperformance	Small Ords Accum	Outperformance
Inception	352.53%	106.62%	245.91%	75.13%	277.40%
Inception per annum	20.30%	9.29%	11.01%	7.10%	13.20%
CY2021 (ytd)	1.76%	1.73%	0.03%	1.29%	0.46%
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	1.35%	1.43%	-0.07%	1.55%	-0.19%
3m	1.87%	3.52%	-1.65%	4.08%	-2.22%
6m	8.24%	12.42%	-4.18%	12.05%	-3.81%
1y	29.76%	9.56%	20.20%	17.18%	12.58%
2y pa	25.82%	8.89%	16.94%	9.12%	16.70%
3y pa	23.95%	8.10%	15.85%	7.21%	16.74%
5y pa	21.94%	11.18%	10.76%	11.69%	10.25%
7y pa	20.86%	7.81%	13.04%	8.13%	12.73%

	Norse Capital	All Ords Accum	Outperformance	Small Ords Accum	Outperformance
Sharpe Ratio	1.40	0.59	2.36x	0.40	3.51x
Sortino Ratio	2.74	0.82	3.35x	0.57	4.78x
Annualised standard deviation	12.68%	13.97%		16.61%	
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	73.47%	66.33%		58.16%	

Up +1.35% for February, slightly trailing the All Ords and Small Ords and behind the S&P 500's +2.6% but ahead of the Nasdaq's +0.9% gain. It would seem a relatively benign month but some ructions beneath the surface as a rise in long bond yields late in the month started a downswing in the higher growth/technology sector which has also continued thus far past month-end. A notable indicator of this was the ASX Technology Index (XTX) which ended the month down -7.1%.

For our portfolio, the biggest detractor was APX which dropped -25.3% for the month, initially off the back of a broker report citing increased competition, slower growth, and a $19 price target. The market was unhappy with the subsequent earnings release showing revenue growth of +12% and underlying EBITDA up +8% (statutory EBITDA up +23%). 2021 guidance was for underlying EBITDA growth of +18% to +28% at constant currency but the strong AUD dollar will obviously be a headwind with the spot price on the order of 8+c higher than last year's average. (My personal view is it would make sense for APX to report in USD given the majority of their business is conducted in that currency). The guidance showed a skew towards the 2nd half of 2021, not usually something the market likes but presumably understandable if recovering from Covid headwinds. Pleasingly management indicated that some of the larger projects that were not refreshed late last year have recommenced in 2021 which bodes well. In addition, management did not see pricing pressures which would imply there has not been a significant loss of market share to competitors as raised in the aforementioned broker report. At current levels below $16, Appen is trading around the pandemic low levels and an EV/EBITDA near the mid-teens for the leading company in its space. APX is currently an ~6% position in the portfolio, our 3rd largest holding.

A number of positions detracted on the order of -0.25% to -0.50% for the month including our US enterprise software basket, AAPL, RUL and RMD.

Our biggest positive contribution in February came from our holding in Cosmos Capital, an unlisted bit-coin miner that announced a reverse-takeover with WIZP (an OTC US-listed pharma company to be used as a listed vehicle shell) which has now gone unconditional and should list early this month. We invested on the order of ~1% in Nov-19 (and a small follow on in Jun-20) when bitcoin was near $8,000 and where the company generated a decent positive margin with mining costs below that. The recent explosion in bitcoin has obviously been a huge benefit to margins and in the interim Cosmos has increased its mining capacity. We have marked our position to the last raising price in February 2021 (a ~6x increase on the original investment or ~2.7x the follow on/prior raise investment where we had the position previously marked). The upcoming listing this month should provide an additional uplift depending on where WIZP (to be renamed Cosmos post takeover) trades at month-end. At our month-end mark, Cosmos is just over a 6% position, overtaking APX for our 2nd largest equity holding.

EML was the other positive contributor of note in February as the shares gained just shy of +30% post earnings. EBITDA grew +42% (with strong cash conversion) on revenue growth of +61% with the acquired PFS contributing positively and diversifying the revenue mix away from the mall-centric Gift & Incentive segment which performed better than heavily-depressed market expectations in the wake of pandemic lockdowns. EBITDA guidance for FY21 is for growth of +54%-66% with EML standing to benefit from reopening economies.

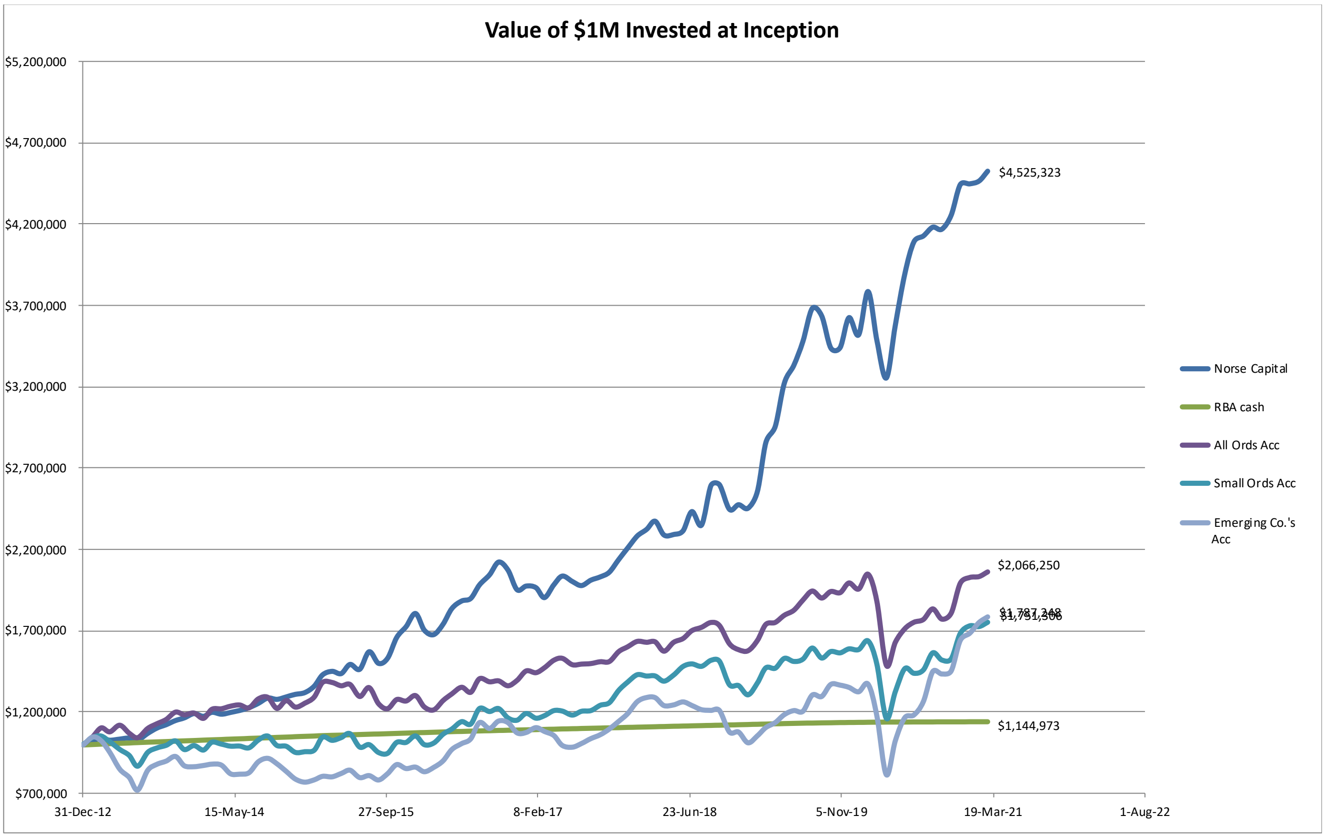
Our shorts and hedges ended approximately flat for February with the AUD detracting ~-0.25% after a 2c fall from 79c to 77c on the last day of the month.

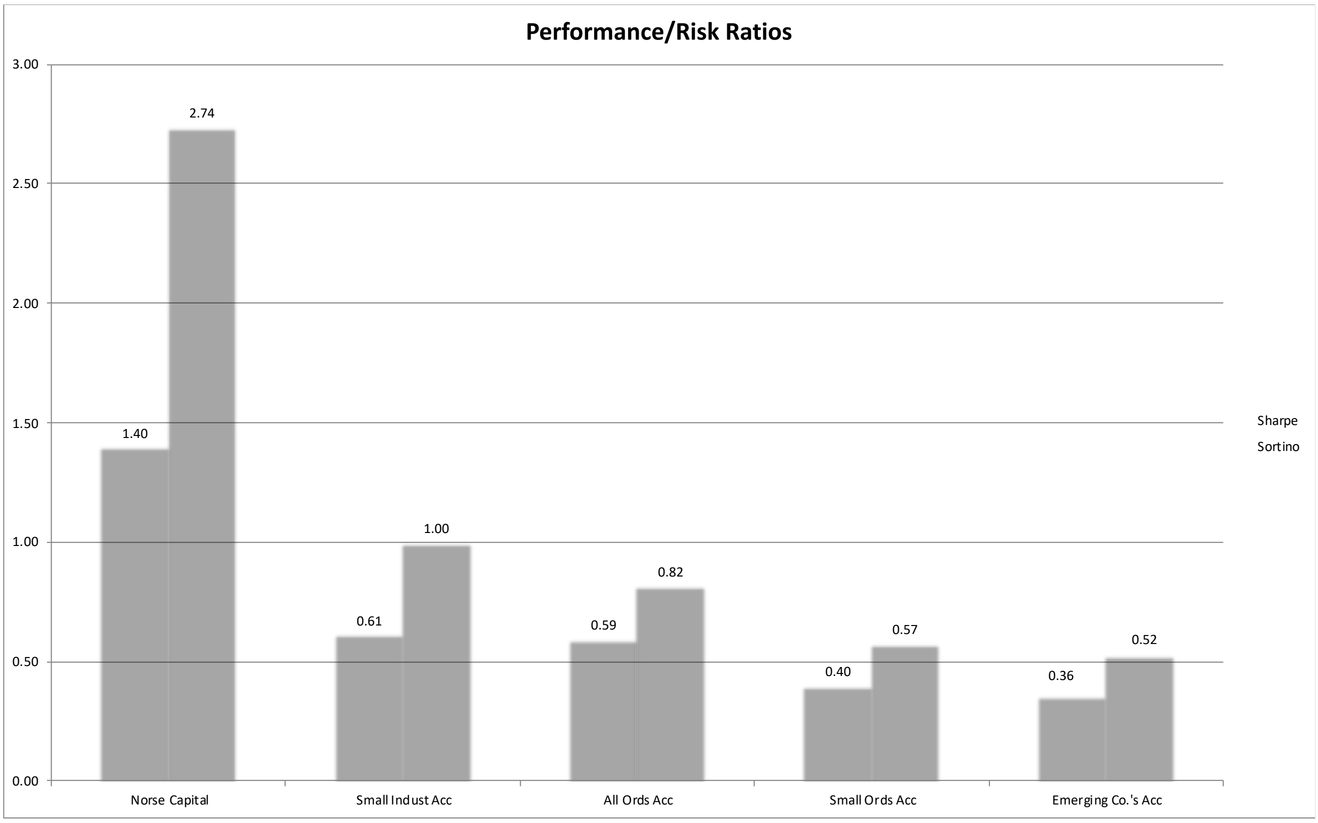
Portfolio Holdings:

Cash:	29.1% (AUD and USD)
Non-AUD exposure:	29.3%
Longs:	65.4%
Shorts:	-3.0%
Options delta:	7.5%
Net exposure:	69.9%
Top 5 equities (alphabetical):	AAPL, APX, Cosmos, EML, PME

As mentioned previously, Cosmos Capital joins our top 5, at the expense of RMD. Our US-listed enterprise software basket now sits at an ~14.7% weighting vs last month's ~19.1%. We sold out of our positions in ZM and PAYC and converted 2/3rd of our MDB position into long-dated calls. We did attempt to convert the remaining 1/3rd plus also some of our position in ZS into calls but unfortunately did not get set. We also initiated some put spreads on WCLD and have outright puts on CLOU, both cloud-based ETFs. Those trades plus the very recent selloff in high growth technology shares have taken our basket weighting down by just over 4%. We also trimmed some more PME and a small portion of EML (unfortunately) and plan to continue slowly lightening up our long exposure. No doubt if the high growth sector keeps dropping, we will have done so too slowly. (Or conversely too quickly if the sector rebounds).

Of note we are also short the TLT long-bond ETF which we started shorting in December 2020 and added to in January. The rationale being that our high growth holdings are particularly exposed to a rise in long-dated discount rates. The TLT short has been our most successful recent short position but unfortunately is much too small. We increased this short position by purchasing TLT puts late in February.





Performance/Risk Ratios
3.00
2.50
2.00
1.50
1.00
0.50
0.00
2.74
1.40
1.00
0.61
0.82
0.59
0.57
0.40
0.52
0.36
Norse Capital
Small Indust Acc
All Ords Acc
Small Ords Acc
Emerging Co.'s Acc
Sharpe
Sortino