



## May 2021 Monthly Report

Returns 31-Dec-12 to 31-May-21

	Norse Capital All Ords Accum Outperformance			Small Ords Accum Outperformance	
Inception	350.70%	122.95%	227.75%	85.79%	264.91%
Inception per annum	19.58%	10.10%	9.48%	7.72%	11.87%
CY2021 (ytd)	1.34%	9.77%	-8.43%	7.46%	-6.11%
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	-8.22%	1.96%	-10.17%	0.27%	-8.48%
3m	-0.40%	7.90%	-8.31%	6.09%	-6.49%
6m	1.45%	11.70%	-10.24%	10.42%	-8.97%
1y	15.75%	29.96%	-14.21%	26.73%	-10.98%
2y pa	16.28%	10.39%	5.89%	10.91%	5.37%
3y pa	24.83%	10.43%	14.39%	7.88%	16.94%
5y pa	19.04%	10.46%	8.58%	10.27%	8.78%
7y pa	20.62%	8.65%	11.96%	9.40%	11.21%
Sharpe Ratio	1.33	0.65	2.05x	0.43	3.05x
Sortino Ratio	2.47	0.90	2.75x	0.63	3.93x
Annualised standard deviation	13.00%	13.81%		16.43%	
Highest monthly return	11.78%	10.16%		14.27%	
Largest monthly loss	-8.22%	-20.94%		-22.38%	
Largest drawdown	-14.04%	-27.33%		-29.11%	
% positive months	73.27%	67.33%		59.41%	

Unfortunately, our statement near the end of our March 2021 report where we forecast that "...we can reasonably expect our portfolio returns to become more volatile going forwards" has proven prophetic with May's return setting a new record worst monthly performance at -8.22%, eclipsing our previous worst of -7.88%. Another dubious record of note, our worst ever relative performance vs both the All Ords at -10.17%

(previous -8.26%) and the Small Ords at -8.48% (previous -8.04%). This in a month where the All Ords managed to add just shy of +2% and the Small Ords just shy of +0.3% while the S&P 500 tacked on over +0.5% while the Nasdaq dropped -1.5%. So overall a poor month both on an absolute and relative basis; perhaps I should keep forecasts of volatile returns to myself in future...

Unsurprisingly, the biggest detractor to performance came from our largest holding, the Bitcoin miner Mawson Infrastructure Group, which dropped -26.6%, costing the portfolio ~-3.5%. During the month Bitcoin retraced on the order of ~-38% month-on-month despite hitting an all-time high mid-April, with ambivalent tweets from Elon Musk questioning Bitcoin's (non) environmental credentials, China banning financial firms from providing crypto services and cracking down on mining, and the US Treasury calling for stricter cryptocurrency compliance with the IRS. Predictably, we have now started following Bitcoin much more closely than we could have envisaged.

The next biggest detractor in a sh\*t month came from EML which dropped -41.9% in April and cost the portfolio more than -2.5%. (As an aside for the curious, when you're already forced to eat a sh\*t sandwich, adding more sh\*t between the slices of bread basically just tastes the same, albeit it does take longer to swallow). EML announced that the regulator for their European PFS operations, the Central Bank of Ireland, had raised "significant regulatory concerns..." over AML/CTF "...risk and control frameworks and governance." The market had a heart-attack, slashing more than half of the value off the shares as they came out of trading halt, although it has subsequently bounced somewhat. At first blush, the market reaction does seem excessive for what represents ~27% of total revenues and looking at historical directives from the CBI in terms of fines and licensing. However, we are looking at a period of extreme uncertainty until the issue is hopefully clarified and the market hates uncertainty. At this point in time, we intend to hold our position which has now dropped out of our top 5 portfolio holdings as a result of the share price drop.

On top of the ~-7% hit from the above two positions, we also saw losses from Appen and our enterprise software basket in roughly equal portfolio amounts to more than account for the remainder of the month's -8.22% result. Appen fell -14.4% in May; the market took a -21% haircut to the shares following a presentation by the CEO where previous guidance was not mentioned, as an indication that guidance was probably being withdrawn. The shares recouped only a portion of that drop when the

company released a business and trading update where previous guidance was reiterated. Our enterprise software basket drop was due almost entirely to The Trade Desk (TTD) dropping almost -20% in May after the release of earnings, despite beating consensus revenue and earnings and upgrading guidance. Arguably the richly-priced shares had run too far previously and the market was looking for more than 37% revenue growth and ~57% non-GAAP EPS growth. Perhaps more a symptom of the recent pullback in the highly priced growth and technology sectors of the market.

A few smaller positive results in May but having some toppings of chocolate in the middle of a sh\*t sandwich doesn't really improve the taste so will leave them for another report.

Shorts, hedges and a slightly higher AUD detracted a grand total of ~-0.15%.

### **Portfolio Holdings:**

Cash:	25.9% (AUD and USD)
Non-AUD exposure:	38.2%
Longs:	70.0%
Shorts:	-3.7%
Options delta:	8.9%
Net exposure:	75.2%
Top 5 equities (alphabetical):	AAPL, APX, MIGI, PME, RUL

Some movement in our top 5 holdings with first APX dropping out then bouncing back in as EML did a swan dive out. RUL has had a nice recent run of results to come into the top 5. Overall, a roughly unchanged exposure profile from last month. Some of our hedges have expired and even for those that finished in the money, the cash return experienced barely covered the premium cost as a result of the high implied volatilities when purchased. The VIX has come down recently so perhaps some opportunities to add to our hedges at better rates.

