



August 2021 Monthly Report

Returns 31-Dec-12 to 31-Aug-21

	Norse Capital	All Ords Accum	Outperformance	Small Ords Accum	Outperformance
Inception	468.00%	137.09%	330.91%	102.41%	365.59%
Inception per annum	22.18%	10.47%	11.71%	8.47%	13.71%
CY2021 (ytd)	27.72%	16.73%	10.99%	17.07%	10.65%
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	11.91%	2.60%	9.30%	4.98%	6.93%
3m	26.03%	6.34%	19.68%	8.95%	17.08%
6m	25.52%	14.75%	10.77%	15.58%	9.94%
1y	35.86%	29.00%	6.86%	29.51%	6.35%
2y pa	24.94%	11.55%	13.39%	14.95%	9.99%
3y pa	29.83%	10.55%	19.28%	10.08%	19.75%
5y pa	22.65%	11.28%	11.37%	10.99%	11.67%
7y pa	23.59%	9.04%	14.55%	9.81%	13.78%
Sharpe Ratio	1.44	0.69	2.09x	0.49	2.96x
Sortino Ratio	2.84	0.96	2.96x	0.71	4.01x
Annualised standard deviation	13.53%	13.63%		16.27%	
Highest monthly return	11.91%	10.16%		14.27%	
Largest monthly loss	-8.22%	-20.94%		-22.38%	
Largest drawdown	-14.04%	-27.33%		-29.11%	
% positive months	74.04%	68.27%		60.58%	

As presaged previously, we experienced yet more volatility in portfolio returns, this time in the month of August; pleasingly that volatility was to the upside with the portfolio logging its best monthly performance to date at +11.9%. Positive performances all around for equity indices too with the All Ords at +2.6% and the Small Ords at +5%, while in the US the S&P 500 tacked on +2.9% and the Nasdaq +4%.

Unsurprisingly for our best performing month yet, there were few negative contributions with no individual position detracting more than -0.2%. The biggest detractor to August came from our shorts and hedges which cost the portfolio ~-0.20% which was cancelled out by the -0.4% drop in the AUD which we consider a quasi-hedge.

On the company side, Appen was our biggest detractor, costing roughly -0.16% with the shares dropping -5.5% in August. The shares had run up into results but then tumbled after earnings as revenue dropped -2% and underlying NPAT -35%. To be fair, management did previously guide for a 2H:1H skew and maintained that same EBITDA guidance (less \$2m for their acquisition of Quadrant) but at the lower end of their range. However, that also comes with a yet another skew, Q4:Q3 and it does look increasingly difficult to see them reaching US\$80m for the year. Pressed on the call, management didn't back off so the result in February (if not updated prior) will be important.

Similar size portfolio detractions came from RUL which dropped -3% for the month as the prior share price runup proved a high bar for results and ALU which dropped -11.8% with their pathway to US\$500m pushed back a year.

Once again on the positive side of the ledger, the biggest contribution this month came from our largest individual holding in Mawson Infrastructure Group. We increased our holding slightly in their placement at the beginning of the month and the shares rose ~+66% in August. They announced the purchase of additional bitcoin miners to add +1.5EH to forward operations, an order of magnitude increase higher than their previous +125PH order. For those interested, they released a presentation post raising and ahead of (hopefully) their planned imminent Nasdaq listing: <https://mawsoninc.com/wp-content/uploads/2021/08/MAWSON-AUGUST-INVESTOR-PRESENTATION-FINAL.pdf> Meanwhile, Bitcoin itself rose +14.7%. Also of note, following exploration in the crypto space, we have taken a small (~0.5%+) position in Ethereum via the Greyscale Ethereum Trust (ETHE) purchased in tiny tranches from below \$18 up towards current levels near \$34. ETHE itself rose +46.7% in August. Not for the faint-hearted...

More positive contributions from our US enterprise software basket which makes up ~20% of the portfolio. Stellar results from DDOG, shares up +24.5% off revenue up +67%, RPO up +103%, DBNRR > 130% and FCF of \$42.3m. Record customer additions, a model with

multiple software modules continually being added to (similar to CrowdStrike's model) with a huge growing TAM. We added more to our holdings after the result, despite the jump in share price. Positive contributions too from CRWD at +10.8%, MDB +9.2% and ZS +18%, all 3 with earnings reports due in September.

PME added another +8.8% in August with revenue +30.2% and underlying profit +56.3%, both on a constant currency basis. PME was able to grow strongly despite Covid; their Visage product is cloud-native, and they can install 100% remotely which allowed them to continue to add and implement customers as well as benefit from the recovery in scanning volumes. Management commented that their pipeline remains strong: their product suite continues to grow with Archive and now Worklist, non-radiology departments represent another avenue of growth and AI provides future optionality. However, I did continue to trim up towards \$65 with the position now down to 30% of the original (albeit much larger in \$ terms).

EML shares added +16.3% with revenue +60% and EBITDA +30% (or +65% underlying, excluding the CBI matter). Beyond the numbers though, EML addressed the CBI issues directly, indicating legal and ongoing increased headcount costs but importantly they expect remediation to be "substantially complete by the end of the 2021 calendar year, with remaining items remediated by the end of March 2022." At the moment, it would seem a resolution is in sight with the quantum of that (hopefully) nowhere near the up to \$400m market cap decline on the day of the initial CBI announcement. Potential tailwinds include G&I as economies reopen and resumption of PFS growth post-remediation.

RMD added +11.3% as full year revenue increased 6% on a constant currency basis with non-GAAP profit +12% despite a difficult comparison to the prior year boost from Covid-related ventilator sales. Of note, competitor Phillips had their Respironics V60 and V60 Plus ventilators recalled by the FDA in August, a class 1 recall on top of a previous recall in June/July of sleep apnea and ventilator devices. Potentially a big tailwind for Resmed to take advantage of. For me, Resmed remains a "sleep well, wake up every quarter to peruse their report and go back to sleep" holding (pun intended).

NAN added +24.7% despite posting +12% revenue growth constant currency and a -15% drop in NPAT. But as football commentators often say, it was a game of 2 halves with 2H:1H revenue +50% in constant currency. NAN upgraded their North American TAM estimate from 40k

units to 60k units and announced their new product Coris for disinfecting endoscopes, to come out in CY2023. Unfortunately our NAN position is relatively small, having sold ~half at lower levels.

Portfolio Holdings:

Cash:	17.9% (AUD and USD)
Non-AUD exposure:	48.5%
Longs:	74.8%
Shorts:	-2.3%
Options delta:	12.6%
Net exposure:	85.1%
Top 5 equities (alphabetical):	AAPL, MIGID, PME, RMD, RUL

Thanks to this month's positive performance, our net exposure has increased yet again, as has our non-AUD exposure which is now approaching almost half of the portfolio. We added some more 1-year SPY puts and rolled out some of our QQQ puts into October but our hedges continue to fall further out of the money; we'll look to add more this month. In addition, the 2024 LEAPS start trading mid-September which may give an opportunity to convert some of our long US equity positions into long-dated calls.

