April 2022 Monthly Report

Returns 31-Dec-12 to 30-Apr-22

	Norse Capital	All Ords Accum	Outperformance	Small Ords Accum	Outperformance
Inception	322.45%	141.03%	181.42%	90.69%	231.75%
Inception per annum	16.69%	9.88%	6.81%	7.16%	9.53%
CY2022 (ytd)	-18.71%	0.79%	-19.50%	-5.65%	-13.06%
CY2021	16.86%	17.74%	-0.88%	16.90%	-0.04%
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	-8.90%	-0.81%	-8.09%	-1.50%	-7.41%
3m	-12.15%	7.87%	-20.03%	3.68%	-15.83%
6m	-19.31%	3.14%	-22.45%	-4.61%	-14.70%
1y	-13.97%	10.22%	-24.19%	2.91%	-16.88%
2y pa	8.59%	21.48%	-12.89%	19.94%	-11.34%
3y pa	9.42%	10.23%	-0.80%	7.63%	1.80%
5y pa	15.67%	9.45%	6.22%	9.61%	6.06%
7y pa	16.62%	8.46%	8.16%	9.02%	7.60%
Sharpe Ratio	1.03	0.66	1.56x	0.42	2.44x
Sortino Ratio	1.75	0.92	1.90x	0.60	2.89x
Annualised standard deviation	14.75%	13.56%		16.12%	
Highest monthly return	11.91%	10.16%		14.27%	
Largest monthly loss	-8.94%	-20.94%		-22.38%	
Largest drawdown	-25.63%	-27.33%		-29.11%	
% positive months	71.43%	66.96%		58.93%	

Well, last month’s temporary positive performance reprieve has given way to a resumption of the so-far painful 2022 portfolio experience. April’s -8.9% return (not far shy of our largest monthly loss of -8.94%) has now taken 2022’s year-to-date to ~-18.7%, and a total drawdown from August’s portfolio highs of over -25.6%. The Aussie indices we follow performed relatively well in April, down only ~-0.8% for the All Ords and -1.5% for the Small Ords whereas the S&P 500 dropped -8.8% and the Nasdaq -13.3%, with the Nasdaq drop the worst since the GFC in October 2008. The ASX Tech Index turned in -8.4%

Not surprisingly, given the Nasdaq performance, our biggest loss came from our enterprise software basket which accounted for almost -2.5% in April. Individual basket components dropped anywhere from -12.5% for CRWD to -36.9% for SHOP with most of the holdings dropping between -15% to -20%. No specific news in April from those companies, with most slated to release earnings results in May, but the general negative attitude towards high growth, high multiple stocks in the midst of a tightening Fed caused more damage last month. The basket currently has a ~14.9% portfolio weighting or ~13.2% net of specific basket hedging (shorts and options on the IGV software ETF and ARKK, the Ark Innovation ETF).

Our holding in the bitcoin miner MIGI dropped almost -25% to cost the portfolio just over -2%. The market focused more on the almost -16% drop in Bitcoin itself over Mawson's announced upgrade with self-mining expected for end-April to ~1.5 Exahash (or ~6.6 Bitcoin/day) towards 4 EH by Q3 as well as hosting co-location announcements that will capitalise on Mawson's energy infrastructure (a diversified revenue stream for the business). At current BTC prices, Mawson should be turning EPS positive and is already OCF positive with contracted growth ahead. (Unlike most of its cohort, Mawson sells most of the bitcoin it generates). The valuation is undemanding, the risk remains bitcoin itself; we trimmed our position slightly as well as put on some option hedge positions on another bitcoin miner, albeit only a small position before the market dipped further.

A disappointing update from EML which, although not a large position, still cost the portfolio ~-1.8% as it dropped almost -47% after downgrading previous guidance, with the aftereffects of the CBI remediation continuing to drag on performance. Discouraging as well that the downgrade came despite previous indications that the CBI issues were being put behind the business. We can philosophise when our positions decline in a down market; what hurts even more are specific implosions as was the case with EML.

Behind those, a number of other detractors in a down month, including AMZN down almost -24%, the notable mega-cap tech earnings release to come out on the disappointing side of the ledger. AWS (along with

Azure and GCP) still showing tremendous growth at scale, showing no slowdown in cloud demand, which should be a positive indicator in the longer-term for cloud usage. However the e-commerce side (see also SHOP's disappointing earnings release) seems to be showing a sharper pullback post-pandemic. As an offering to the market gods, we exited our long-held (since ~$350) AMZN position; evidently not enough of an offering as the market has continued to tank so far in May.

On the positive side, unsurprisingly, our shorts and hedges were profitable on a down month, adding ~+0.8% while April's AUD drop (finally) added another ~+2.3%. In hindsight, I've probably been cashing in hedge profits too quickly instead of letting them run in a down market.

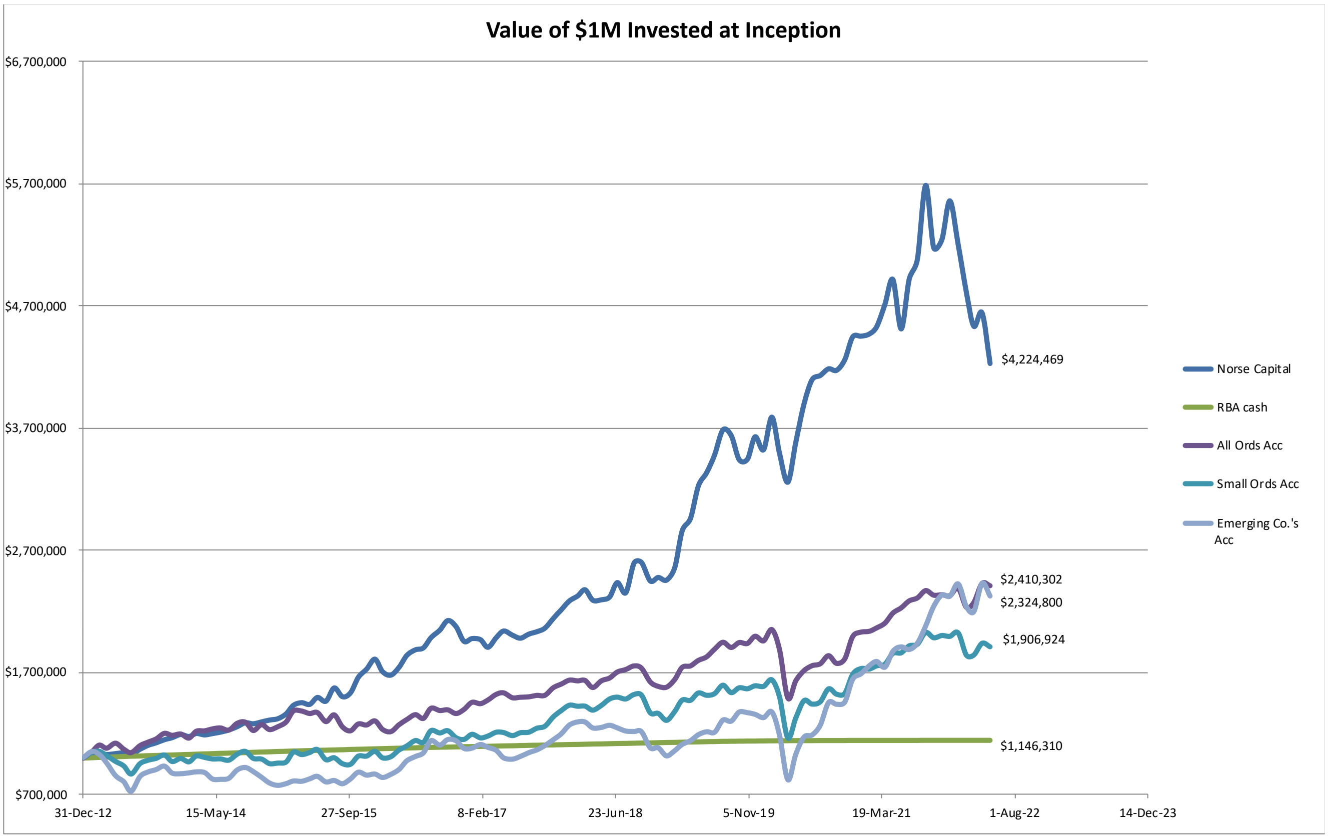
Portfolio Holdings:

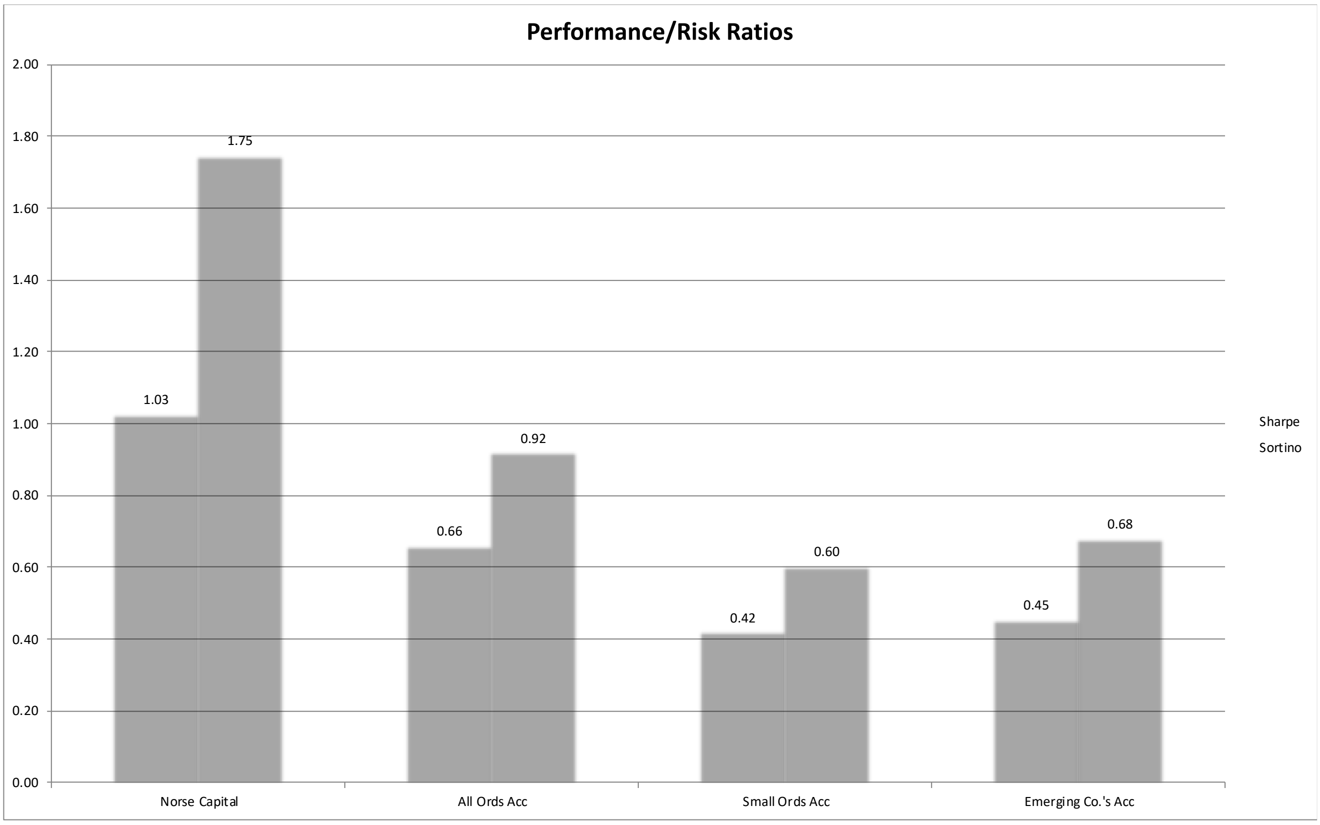
Cash:	36.2% (AUD and USD)
Non-AUD exposure:	44.1%
Longs:	67.2%
Shorts:	-8.3%
Options delta:	3.3%
Net exposure:	62.3%
Top 5 equities (alphabetical):	AAPL, MIGI, PME, RMD, RUL

The same top 5 positions. Our exposure has dropped more than 14% to be net 62.3% long. As mentioned above, we would have been even less long (and hedged more losses) had we left our outright IGV short alone instead of foolishly trying to recoup some premium from selling lower strike puts below market.

Of note, our efforts last year to replace individual stocks in our enterprise software basket with in-the-money calls (and cash out more than half of the market value at the time) has helped in this market washout; some of our positions are now out-of-the-money calls, reducing exposure significantly while retaining upside optionality. One extreme example is SHOP where we replaced our shares with calls when the stock was around ~$1,200 and cashed out >$650/share with SHOP now < $400. (Of course, we'd have been better to just sell the stock along with everything else at the highs - stupid crystal ball still not working and now gone past Amazon's return date expiry…)

Overall, it has been a painful rout which could well continue with slim prospects of being able to pick the bottom. However, there will be an end, with the current malaise planting the seeds of bright prospects on the other side. Our job is not to time the bottom but to try and mitigate the downside while staying the course to make it out the other side. Cash and hedging helps, as well as holding debt-free (actually large positive cash balance) investments which don't have to raise in a down market. Difficult as well knowing when to put cash to work which we intend to continue at our slow pace.




Performance/Risk Ratios
2.00
1.80
1.60
1.40
1.20
1.00
0.80
0.60
0.40
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0.00
1.03
1.75
0.66
0.92
0.42
0.60
0.45
0.68
Norse Capital
All Ords Acc
Small Ords Acc
Emerging Co.'s Acc
Sharpe
Sortino