NORSE
CAPITAL

August 2022 Monthly Report

Returns 31-Dec-12 to 31-Aug-22

	Norse Capital	All Ords Accum	Outperformance	Small Ords Accum	Outperformance
Inception	282.91%	127.94%	154.97%	72.73%	210.18%
Inception per annum	14.89%	8.89%	6.00%	5.81%	9.08%
CY2022 (ytd)	-26.32%	-4.68%	-21.64%	-14.53%	-11.78%
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	1.68%	1.28%	0.40%	0.58%	1.10%
3m	1.40%	-2.38%	3.78%	-2.59%	3.99%
6m	-15.45%	0.28%	-15.73%	-6.08%	-9.36%
1y	-32.59%	-3.86%	-28.73%	-14.66%	-17.92%
2y pa	-4.30%	11.36%	-15.66%	5.13%	-9.43%
3y pa	1.73%	6.16%	-4.43%	4.09%	-2.36%
5y pa	13.50%	8.54%	4.96%	6.85%	6.65%
7y pa	14.30%	8.90%	5.40%	8.92%	5.38%
Sharpe Ratio	0.90	0.58	1.55x	0.33	2.70x
Sortino Ratio	1.47	0.80	1.83x	0.47	3.11x
Annualised standard deviation	15.13%	13.90%		16.99%	
Highest monthly return	11.91%	10.16%		14.27%	
Largest monthly loss	-10.61%	-20.94%		-22.38%	
Largest drawdown	-36.38%	-27.33%		-29.11%	
% positive months	70.69%	66.38%		58.62%	

A second positive month in a row, the first time in 2022 we've managed to post back-to-back positive months in what has been a difficult year so far. We are still in volatile times with central banks post-Jackson Hole reiterating their commitments to tame inflation by hiking rates aggressively which took the winds out of prior equity market sails. In August the portfolio increased by +1.7% outperforming the Australian and US indices with the All Ords +1.3%, the Small Ords +0.6%, the S&P 500 -4.2% and the Nasdaq -4.6%.

Surprisingly, given the positive performance of the Australian indices, our Australian equities were actually a drag on portfolio performance, costing ~-0.8% on the month. Positive results from PME (+10%) and ALU (+17.9%) were more than offset by the likes of RMD (-6.1%), RUL (-3.2%), SDR (-18.6%), NAN (-12.5%) and JAN (-17.2%). A common theme amongst some of the detractors were results which painted a picture of current weaker profit or losses on the bottom-line portrayed as investing in the pursuit of promised future growth. (Looking at you JAN, NAN, RUL, SDR). Some of these will absolutely turn out to be the right decision in the medium/long term but today's market has changed from purely rewarding top-line growth, with little patience for bottom-line losses.

Another down month for MIGI with our (yet again smaller) position costing the portfolio -0.5% with the shares dropping -23.5% in August. Earnings results didn't assuage market concerns over debt levels taken on for ASIC miners and power infrastructure.

Our enterprise software basket contributed +2.6% in August and is now sitting at a 20.1% weighting (down from 22.4% last month). Star earnings reports from AYX (+28.7%), SNOW (+20.7%) and TTD (+39.3%), with the latter supplanting CRWD to join our top 5 holdings. We were fortunate to add to our AYX and SNOW holdings leading into earnings with both data analytics/management companies surprising on the upside. (We had previously exited our AYX holdings last year at higher levels above $80 before re-entering as the market got smashed and also initiating a position in SNOW on the same downdraft). AYX posted +50% revenue, 84% gross margins and DBNR of 119% and raised full year guidance – all for a company previously consigned to the dustbin of "has-been", ex-growth. Hopefully AYX proves to be one of the rare positive turnaround investment examples and the new CEO can continue performance to prove this wasn't a one-off report. SNOW posted +83% product revenue and 171% DBNR to belie expectations that their usage model (not SaaS) would see pressure in the current macro environment. Meanwhile TTD earnings smashed expectations despite other advertising companies experiencing macro headwinds weighing on their demand whereas TTD posted +35% revenue and +11% non-GAAP EPS; evidently TTD is gaining market share, highlighting the measurable ROI value of ad spend on their platform vs other forms of advertising and the connected-tv space continuing to grow strongly.

On the other side of the coin, we ditched our positions in TWLO and MDB (the latter after month-end), post disappointing results, which accounts for the small drop in our enterprise software basket weighting. TWLO can't seem to post positive earnings or cashflow (or a trajectory towards them and in fact FCF burn accelerated) despite annual revenues approaching the ~$4b scale. Meanwhile MDB reversed momentum from prior earnings despite a beat on the quarter's revenues and EPS. However, guidance was lower and CFs turned from positive to negative with commentary on the earnings call highlighting numerous macro headwinds, contrary to the likes of AYX and SNOW above.

Shorts and hedges added ~+0.7% while the -2.1% fall in the AUD added another +1% to portfolio performance.

<u>Portfolio Holdings:</u>

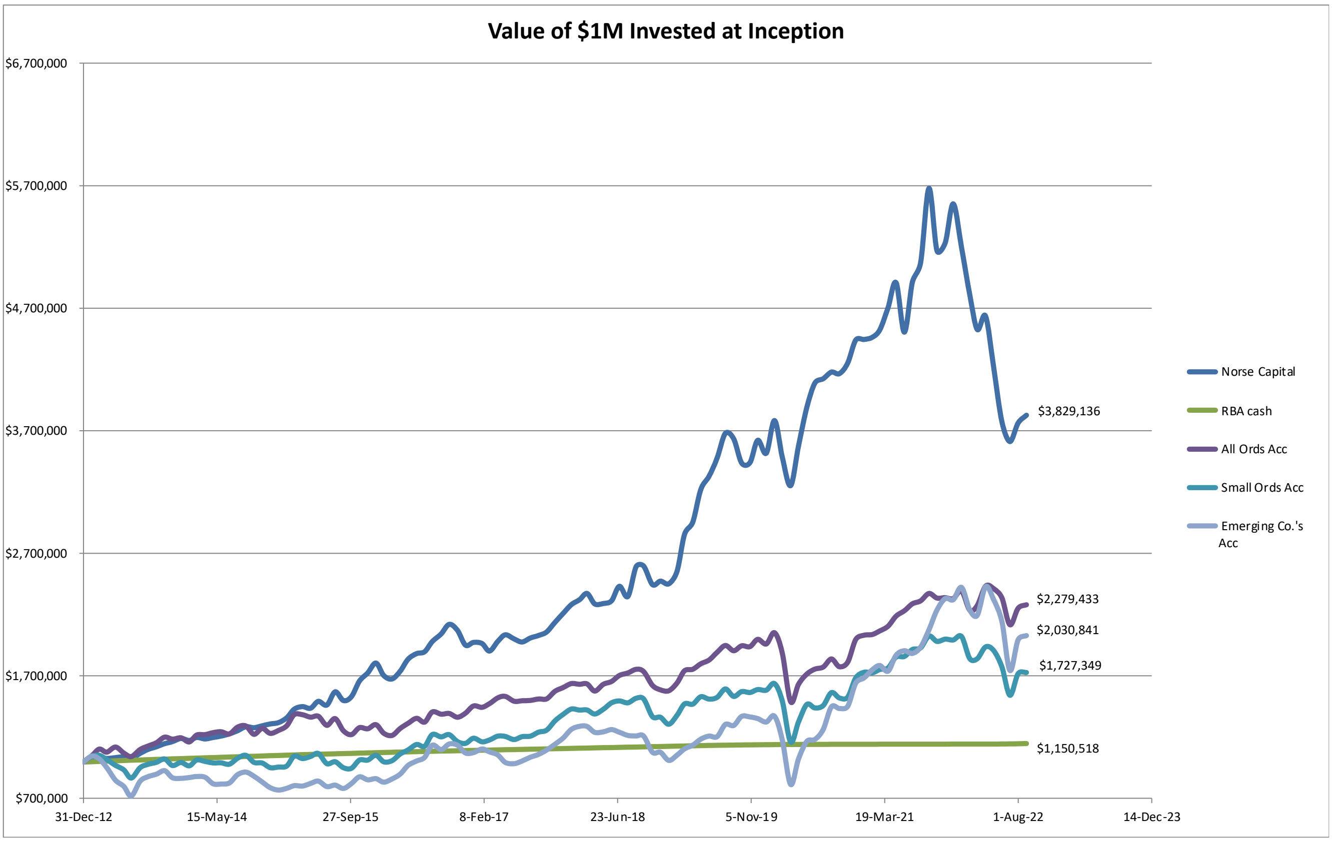
Cash:	38.4% (AUD and USD)
Non-AUD exposure:	46.2%
Longs:	73.9%
Shorts:	-17.3%
Options delta:	-7.2%
Net exposure:	49.4%
Top 5 equities (alphabetical):	AAPL, PME, RMD, RUL, TTD

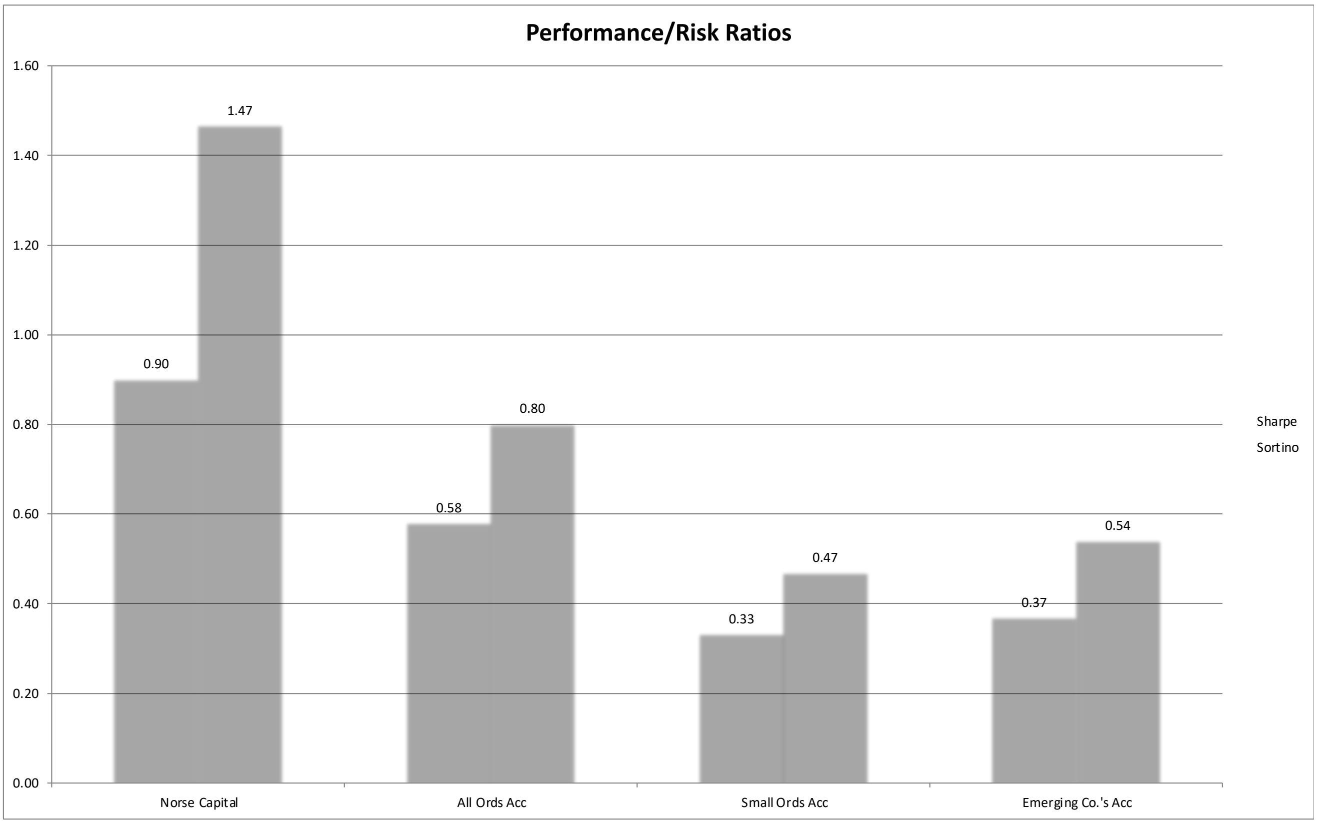
A decent drop in our net exposure:

-longs slightly lower as we cut a couple of positions in our enterprise software basket (mentioned above).

-short exposure increased as we added to our QQQ shorts and initiated a short in ARKK as the overall market broke down later in August.

-quite a bit shorter in options delta as we used the market rally in the earlier part of August to buy back short strike puts on our put spread hedges in QQQ, SPY and MARA (a bitcoin miner) to turn them into outright puts and hedged a quarter of our AAPL position with outright puts bought near the recent highs.


Value of $1M Invested at Inception
$6,700,000
$5,700,000
$4,700,000
$3,700,000
$2,700,000
$1,700,000
$700,000
31-Dec-12
15-May-14
27-Sep-15
8-Feb-17
23-Jun-18
5-Nov-19
19-Mar-21
1-Aug-22
14-Dec-23
Norse Capital
RBA cash
All Ords Acc
Small Ords Acc
Emerging Co.'s Acc
$3,829,136
$2,279,433
$2,030,841
$1,727,349
$1,150,518


Performance/Risk Ratios
1.60
1.40
1.20
1.00
0.80
0.60
0.40
0.20
0.00
0.90
1.47
0.58
0.80
0.33
0.47
0.37
0.54
Norse Capital
All Ords Acc
Small Ords Acc
Emerging Co.'s Acc
Sharpe
Sortino