November 2022 Monthly Report

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

	Norse Capital	All Ords Accum	Outperformance	Small Ords Accum	Outperformance
Inception	274.63%	139.99%	134.64%	71.34%	203.29%
Inception per annum	14.24%	8.68%	5.56%	5.14%	9.10%
CY2022 (ytd)	-27.91%	0.36%	-28.27%	-15.22%	-12.69%
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	-5.06%	6.44%	-11.50%	4.92%	-9.98%
3m	-2.16%	5.28%	-7.45%	-0.81%	-1.36%
6m	-0.79%	2.78%	-3.57%	-3.37%	2.58%
1y	-32.55%	3.03%	-35.58%	-14.02%	-18.52%
2y pa	-8.17%	9.65%	-17.82%	0.91%	-9.08%
3y pa	1.10%	6.29%	-5.19%	2.57%	-1.47%
5y pa	11.12%	8.37%	2.75%	4.36%	6.76%
7y pa	11.69%	9.50%	2.19%	7.81%	3.88%
Sharpe Ratio	0.87	0.60	1.45x	0.32	2.73x
Sortino Ratio	1.40	0.83	1.69x	0.44	3.16x
Annualised standard deviation	15.08%	14.11%		17.35%	
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	70.59%	66.39%		58.82%	

Well, our four-month positive win streak ended in November with our portfolio dropping ~-5.1% on an absolute basis while posting our worst ever relative performance vs the All Ords/Small Ords, trailing them by ~11.5% and 10% respectively as they actually rose ~+6.4% and ~+4.9%. Meanwhile the US indices also posted positive months at +5.4% and

+4.4%. Another painful month in a painful year as our year-to-date performance slumps to -27.9%.

How did we plumb the depths in what otherwise looked like a benign positive equity month at the index level? We basically got hit on all sides in the portfolio with our enterprise software basket names getting smashed while most of our market hedges went against us as the indices rose. To top it off the AUD jumped ~+6.1% to add more misery to the dumpster fire party.

Our biggest hit in the month came from our enterprise software basket which cost the portfolio on the order of ~-2.75% with individual names down between -5.9% for DDOG to -27% for CRWD (although our small SHOP position was an outlier, up +19.4% as the hard-hit shares bounced post Black Friday). The question for our basket position is how much more potential pain could be in store after what has been an already painful 2022 to date. An interesting case in point could be illustrated by CRWD's earnings report where the company posted +53% revenue growth and adjusted EPS of +40c (vs previous quarter +17c). However, the revenue beat and customer growth was lower than historical rates and guidance was conservative due to macro conditions and elongated sales cycles. On the positive side though, some of the lower than hoped for revenue growth has actually been due to some customer contracts phasing in ARR over time instead of all up front (contracted but not yet accounted revenue, i.e. delayed but not destroyed) and FCF was up a whopping +42% to a record $174m. This illustrates the dichotomy where the business is still growing strongly but macro conditions have taken the growth rate (and guidance lower), multiples have compressed significantly (but are still high?), while high and growing FCF rebut the oft-quoted argument about profitless tech. The CRWD example here applies similarly to our other basket companies. We still like the exposure to our fast-growing, well-positive FCF companies (almost all our basket components are FCF positive) over the medium/long-term but are cognisant of short-term risk, especially with a potential recession on the way. The basket currently represents ~13.6% of the portfolio (net of our specific ARK hedges).

In the end, our shorts and hedges only cost us ~-0.1%. Our shorts in ARKK/ARKW were helpful as they more closely tracked our basket down but our general SPY and QQQ shorts cost us as the indices moved higher. Our long SPY and QQQ call protection vs those shorts capped losses as the indices moved higher, with the overall net result the small negative -0.1% mentioned above. However, in the context of portfolio protection, a disappointing result as they failed to protect any of the downside. The normal positive correlation between our enterprise software basket and the S&P 500 and especially the Nasdaq did not eventuate and was actually negative in November! The objective of our shorts and hedges is to enable us to keep our long-term exposure while attempting to ride out/lessen losses from potential shorter-term downsides. We obviously did not achieve this in November.

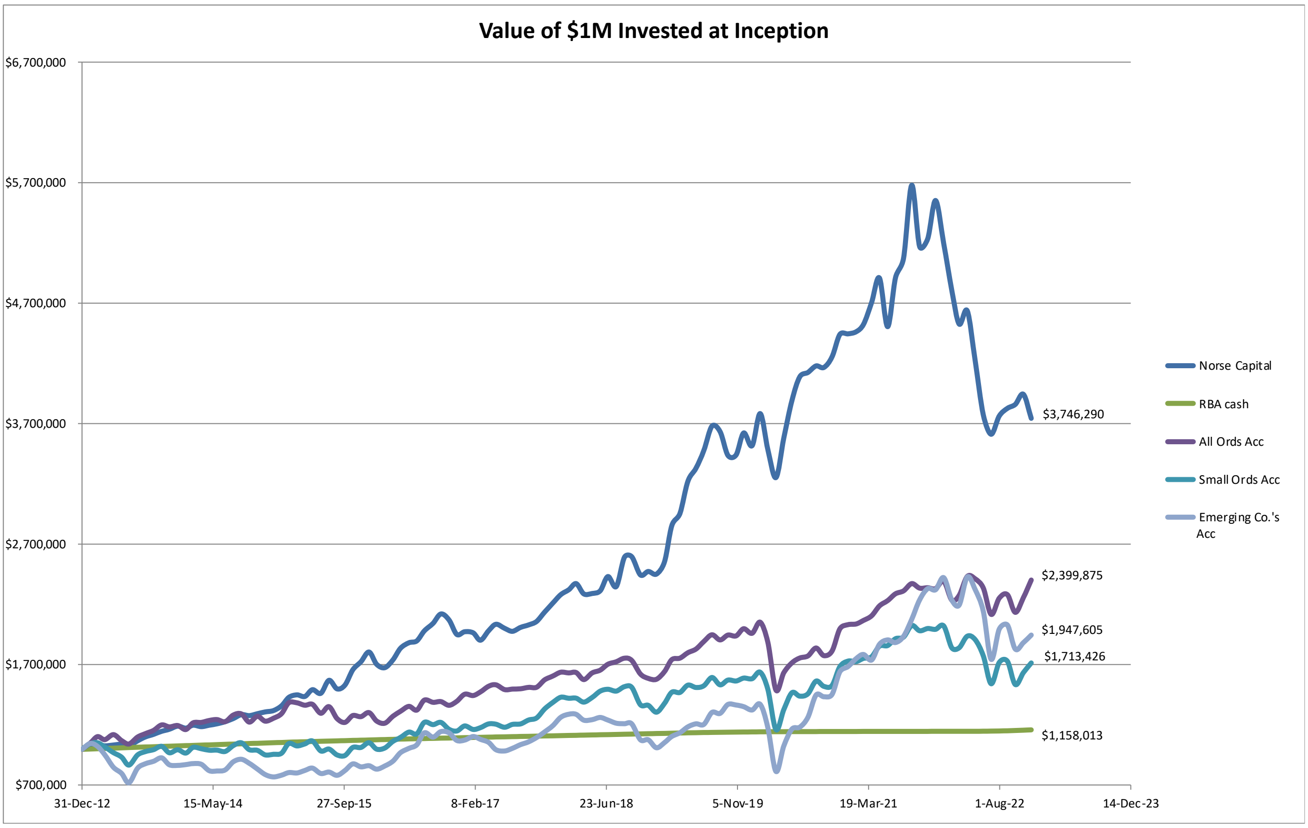
Finally, the large +6.1% rise in the AUD cost us another -2.4%, which together with our enterprise software basket accounted for more than our total monthly loss. We had previously bought back ~10% of our short AUD exposure at lower levels via FX futures and were looking to scale buy lower but didn't get the chance. An outsize monthly AUD move that rubbed salt into the wounds.

Portfolio Holdings:

Cash:	41.3% (AUD and USD)
Non-AUD exposure:	36.8%
Longs:	75.2%
Shorts:	-23.9%
Options delta:	3.6%
Net exposure:	54.8%
Top 5 equities (alphabetical):	AAPL, PME, RMD, RUL, TTD

A small drop to our net exposure, as the value of our shorts has risen with the indices. Still outright short to ARKW, QQQ and SPY plus put exposure to the latter two with calls against should the indices continue to go higher into year-end. Also short some XLE.

The December and 2022 year-in-review report will be published late in January 2023 as I take my first overseas vacation since pre-Covid. Have a happy and safe festive season and see you in 2023.


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
$3,746,290
$2,399,875
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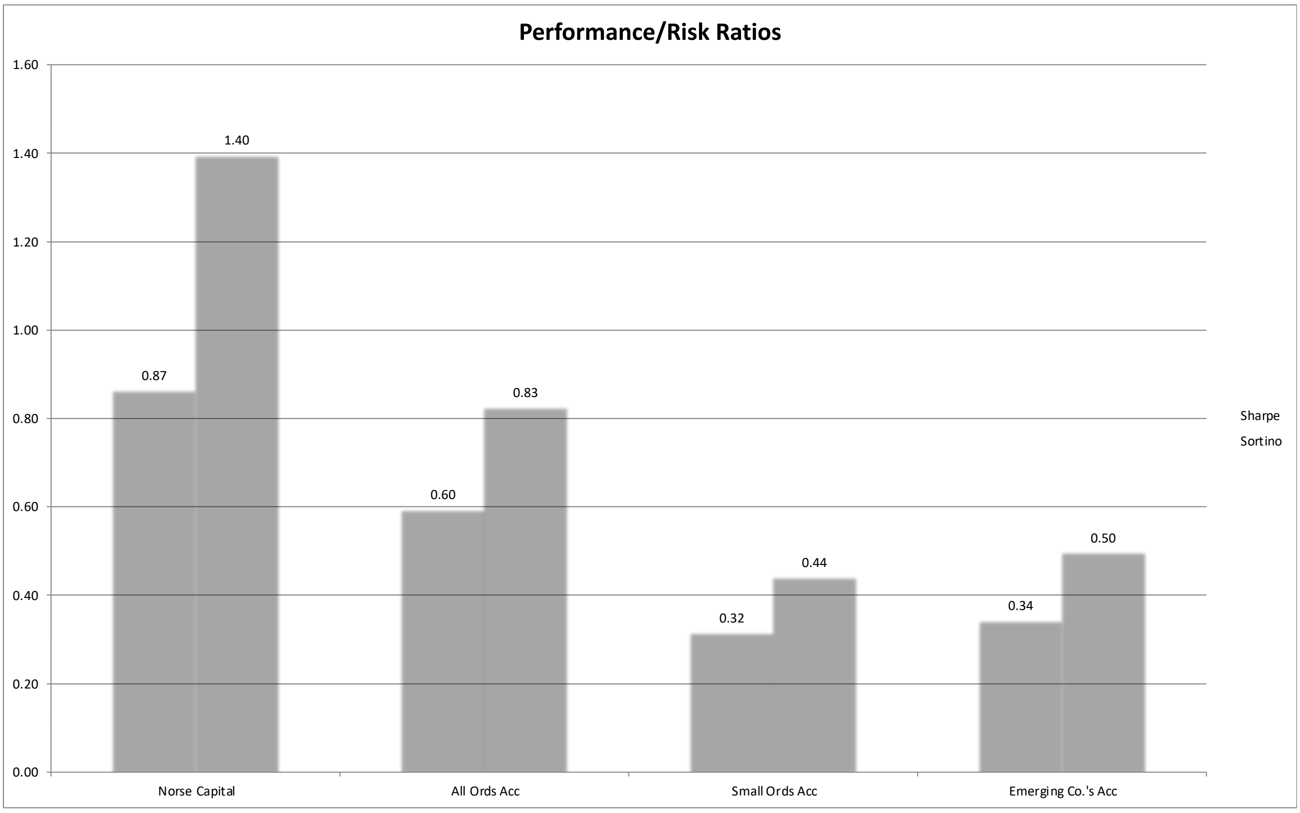
All Ords Acc
Small Ords Acc
Emerging Co.'s Acc


Performance/Risk Ratios
1.60
1.40
1.20
1.00
0.80
0.60
0.40
0.20
0.00
0.87
1.40
0.60
0.83
0.32
0.44
0.34
0.50
Norse Capital
All Ords Acc
Small Ords Acc
Emerging Co.'s Acc
Sharpe
Sortino