February 2023 Monthly Report

Returns 31-Dec-12 to 28-Feb-23

	Norse Capital	All Ords Accum	Outperformance	Small Ords Accum	Outperformance
Inception	263.95%	140.86%	123.09%	69.27%	194.68%
Inception per annum	13.55%	8.50%	5.05%	4.89%	8.66%
CY2023 (ytd)	1.19%	3.79%	-2.61%	2.61%	-1.43%
CY2022	-30.79%	-2.96%	-27.83%	-18.38%	-12.41%
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	-0.47%	-2.48%	2.01%	-3.70%	3.23%
3m	-2.85%	0.36%	-3.22%	-1.21%	-1.64%
6m	-4.95%	5.67%	-10.62%	-2.01%	-2.95%
1y	-19.63%	5.97%	-25.60%	-7.97%	-11.67%
2y pa	-10.32%	7.97%	-18.29%	-1.69%	-8.63%
3y pa	1.43%	8.50%	-7.06%	4.24%	-2.81%
5y pa	8.91%	8.05%	0.86%	3.56%	5.35%
7y pa	11.69%	10.26%	1.44%	7.69%	4.00%
10y pa	13.32%	8.10%	5.22%	4.88%	8.44%
Sharpe Ratio	0.83	0.58	1.43x	0.30	2.75x
Sortino Ratio	1.33	0.81	1.65x	0.42	3.17x
Annualised standard deviation	14.99%	14.15%		17.34%	
Highest monthly return	11.91%	10.16%		14.27%	
Largest monthly loss	-10.61%	-20.94%		-22.38%	
Largest drawdown	-36.68%	-27.33%		-29.11%	
% positive months	69.67%	65.57%		58.20%	

March already, where did the first two months of 2023 go? So far it looks like it's gone to a whipsaw market, up/down and round and round. Following on from January's bullish start to 2023, February sprinkled a dose of central bank pessimism into equity markets with a hot non-farm payrolls in the US (+517k was way higher than the expected +187k), raising fears of a higher for longer response from the Fed. For the month, the All Ords fell -2.5% and the Small Ords lost -3.7%, while in the US, the S&P 500 dropped -2.6% while the Nasdaq declined -1.1%. Our portfolio's -0.5% looks about where we'd expect for a partially hedged portfolio to outperform on a negative equity month but the return was still negative.

February was also reporting month with news out on all our ASX and most of our US equity holdings.

On the negative side, our biggest loss came from our previous largest holding PME (now in 2nd place after this month's drop and AAPL's rise), which fell -8.7%, giving back some of the previous month's +21% gain. Most likely the fall was from profit-taking at higher levels as the half-year results were up to PME's usual lofty standards. (To be fair, results have to continue in this vein given PME's also lofty price). Revenue rose +28.3% while NPAT rose +31.5%, a nice increase to margins despite the increased expenses this year with the return to an on-premise RSNA conference. With recent new contracts bedded in, the 2H is expected to grow on 1H and the CEO commented that PME also expects first revenues from other "ologies" (e.g. cardiology) this calendar year. A positive hopeful sign that new products/"ologies"/AI can see successful growth in the years ahead to help justify the valuation.

A down month too for RPM Global with the shares dropping -12.3%, continuing an almost straight-line decline so far this year. While maintaining FY23 EBITDA guidance at $14.2m (a big jump up from FY22), revenue guidance was adjusted down by ~-4.5% as RUL is finding it "…difficult to hire staff… limiting the company's services revenue growth" and "…the company is having to use subcontractors which is pushing up the company's third-party costs." Presumably this will also be a headwind to margins, even though EBITDA guidance has been maintained.

Finally (on the negative side), Cogstate (CGS) shares dropped -21.6% as it turned out a potential takeover suitor had withdrawn, followed by a downgrade to FY23 results and guidance. The most disappointing aspect was that the takeover news seemed to leak like a sieve with the shares ramping higher on increased volumes when (in hindsight) a takeover was in prospect, then dumping even more when the suitor withdrew and ahead of negative results and guidance. Protestations pointing the finger elsewhere to the contrary, not a good look for management. In isolation, the results themselves while not positive, would have been understandable: that contracted revenue that was expected to fall into FY23 has been delayed (but not lost) into FY24 and later due to a slower than expected ramp in clinical trials. So, results that don't break the thesis but a bad taste in the mouth from the takeover/non-takeover shenanigans.

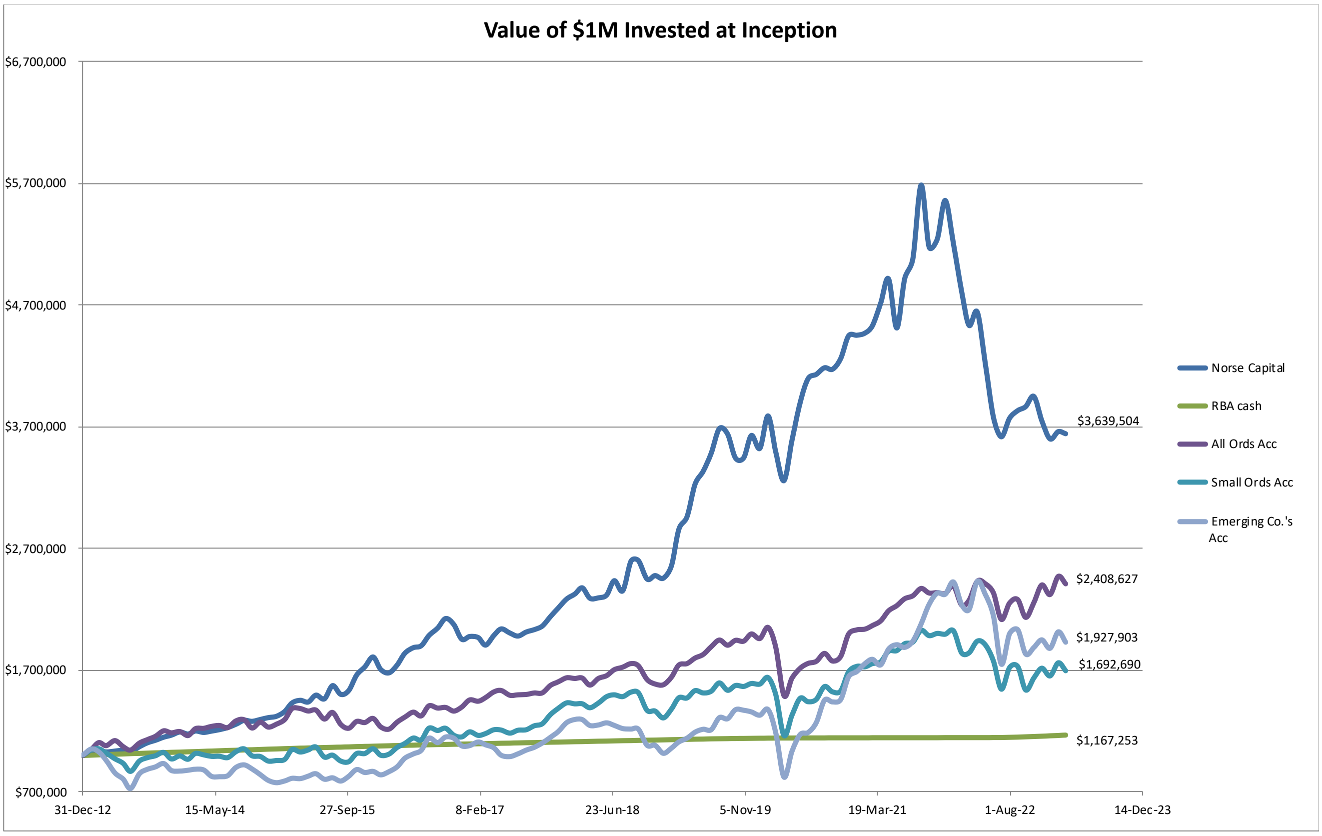
On the positive side of the ledger, our enterprise software basket (currently a ~15.2% weighting), added +1.2% to results. Stellar reports from AYX (+17.7%) and TTD (+10.4%) responsible for the bulk of the gains. We previously held the data analytics software company Alteryx (AYX) in its heyday before exiting the position as the company faltered in its attempted transition from on-premise to the cloud. We re-entered in 2022 with new management and the shares trading at substantially lower levels. Perhaps one of the rare turnaround candidates that (so far) looks like it actually is turning around. A series of positive quarterly reports exceeding expectations with the latest showing ARR +31% with revenue at $301m vs expectations of $279m and adjusted EPS of +84c vs expectations of +51c and importantly guidance also exceeding expectations. This for a stock trading a bit over ~5x EV/rev. In a similar vein, digital advertising software/marketplace specialist the Trade Desk (TTD) has also had a series of stellar quarterly reports exceeding expectations. The shares have been lumped in with others in the advertising space, getting sold off on expectations of typically reduced ad spend in a difficult macroeconomic environment. However their business continues to shine, with revenue +24% for the quarter vs pcp (or +32% for the FY) vs the likes of both Google and Meta at -4% and OCF growing at +45%. The company continues to take share and grow in a massive potential ad market with its leadership in the Connected TV ad space and customer ROI proposition proving critical despite current economic headwinds in that market.

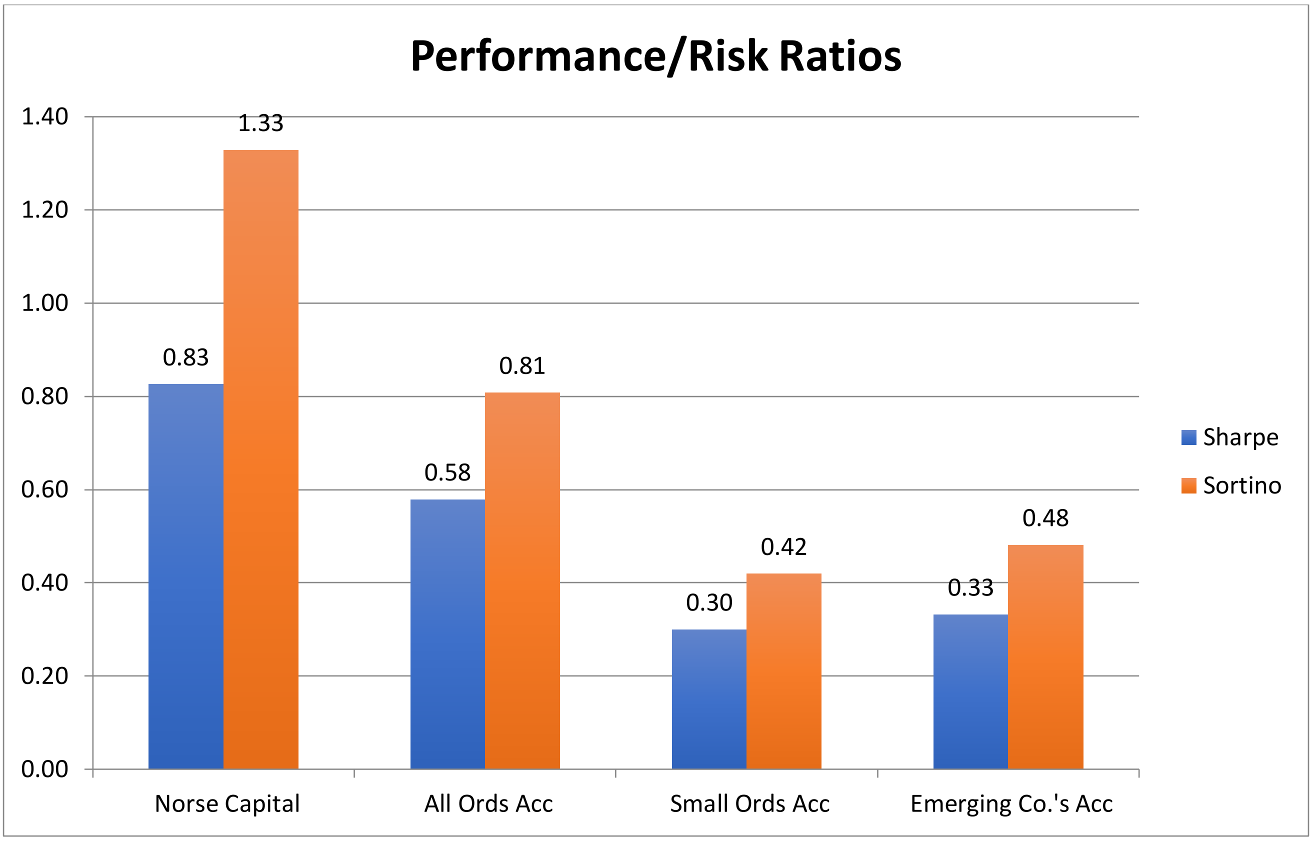
The -4.6% drop in the AUD (taking back the previous months +3.5% jump) added just shy of +2% to the portfolio while shorts and hedges benefitted the portfolio by +0.25%.

Portfolio Holdings:

Cash:	38.5% (AUD and USD)
Non-AUD exposure:	34.8%
Longs:	82.5%
Shorts:	-30.8%
Options delta:	0.0%
Net exposure:	51.7%
Top 5 equities (alphabetical):	AAPL, PME, RMD, RUL, TTD

Markedly shorter than last month with net exposure dropping to the low 50%s vs end-January's low 70%s. An option exercise plus we sold out of our SHOP exposure following disappointing guidance and trimmed some of our DDOG position as their consumption model faces headwinds in the current environment. We also reinstated our INTC short when the shares actually traded higher following a poor quarterly result.




Performance/Risk Ratios
1.40
1.20
1.00
0.80
0.60
0.40
0.20
0.00
1.33
0.83
0.81
0.58
0.42
0.30
0.48
0.33
Norse Capital
All Ords Acc
Small Ords Acc
Emerging Co.'s Acc
Sharpe
Sortino