



## August 2023 Monthly Report

Returns 31-Dec-12 to 31-Aug-23

	Norse Capital	All Ords Accum	Outperformance	Small Ords Accum	Outperformance
Inception	284.80%	148.27%	136.52%	70.80%	214.00%
Inception per annum	13.46%	8.39%	5.07%	4.74%	8.72%
CY2023 (ytd)	6.98%	6.99%	0.00%	3.54%	3.44%
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	-1.60%	-0.74%	-0.86%	-1.31%	-0.30%
3m	5.08%	4.21%	0.87%	2.22%	2.87%
6m	5.73%	3.08%	2.65%	0.90%	4.83%
1y	0.49%	8.92%	-8.43%	-1.12%	1.61%
2y pa	-17.69%	2.33%	-20.02%	-8.14%	-9.55%
3y pa	-2.73%	10.54%	-13.27%	3.00%	-5.73%
5y pa	8.20%	7.19%	1.01%	2.40%	5.81%
7y pa	9.45%	8.65%	0.80%	5.15%	4.30%
10y pa	13.30%	8.18%	5.11%	5.73%	7.56%
Sharpe Ratio	0.82	0.57	1.45x	0.29	2.88x
Sortino Ratio	1.33	0.80	1.67x	0.40	3.32x
Annualised standard deviation	14.75%	13.88%		17.02%	
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	68.75%	64.84%		57.81%	

Looks like my consolidation call in last month's missive has proven prophetic with equity markets declining in August following three prior consecutive positive months. Given the positive tone so far in 2023, the

-1.8% pullback in the S&P500 and the -2.2% pullback in the Nasdaq, along with -0.7% for the All Ords and -1.3% for the Small Ords seems unremarkable. Our -1.6% falls between the Aussie and US indices; in fact, the mid-month pullback was quite a bit higher before recuperating by month-end.

The biggest loss in August came from our US enterprise software basket which cost the portfolio ~-2.6% with individual components ranging from -29.9% for AYY (which we jettisoned post results) to a slight positive for CRWD. Earnings season (for all bar ZS which reported in early September) for the most part showed positive green shoots albeit with profit-taking following previous positive share-price momentum. The consumption-based names like DDOG and SNOW showed green shoots vs a year of optimisation headwinds: DDOG posted its 2<sup>nd</sup> highest ever quarterly bookings amid continued profitability and rising FCFs while beating expectations with +25.3% revenue growth and adj EPS of +36c vs +29c expected. The shares fell -17.3% with lowered full-year revenue guidance but higher EPS guidance. Meanwhile SNOW product revenue grew +37%, topping expectations and posting +25c EPS vs expectations for +10c. However, the shares dropped -11.7% in August as the company only maintained full-year guidance. That said, there was a positive tone in their conference call at the prospect of data platforms becoming a necessity to feed AI models. Both these examples highlight how our basket components are demonstrating increasing profitability and FCFs.

The other main loss on the month came from our top 5 holding RMD which dropped -24.2% in August (plus some more so far in September). Results showed some margin compression due to product mix with chip supply shortages leaving unmet demand. However, the main reason for the drop was not to do with the latest results but rather to the short-thesis caused by the rise in the public consciousness of GLP-1 and GIP/GLP-1 agonists, the anti-obesity drugs known by Ozempic/Wegovy and Mounjaro. As a long-term appreciative holder of RMD, my customary behaviour of recent years has been to peruse RMD's reports and put the shares safely back in the bottom drawer. These anti-obesity drugs do have me questioning their potential risk to RMD's long-term business with perhaps up to 70% of sleep apnea cases driven in some part by obesity/overweight and these drugs showing up to ~16%/26% reductions in body weight in trials. That said, there is some way to go before these drugs become widespread (although the potential benefits to society could be immense). Questions yet to be answered include: What percentage of overweight sleep apnea patients could/would go off CPAP

machines with what percentage of weight loss? What about long-term side effects including body composition changes for a drug that has to be continued for life? How much can costs drop from current levels around USD\$1.5k/month for weekly self-administered injections? For now, the ~one-third drop in share price to me represents more than enough of a haircut to hold the shares while having to assess the risks going forwards.

On the positive side of the ledger our ALU holding rallied +26.7% as revenue increased +19.2%, EBITDA +20.3% with margins increasing 200 bps to 37% with guidance of +20-23% revenue growth. The shares are now well past the prior 2021 takeover offer from Autodesk of \$40/share, management confidence in the business proving well-founded. A pity my confidence in the business didn't have me with a higher weighting and selling a sixth of the position in 2020 at much lower levels.

Our shorts and hedges added ~+0.3% as our put spreads on half our AAPL position fortuitously ended almost precisely on full value while we also captured ~half the value from some of our QQQ put spreads. The almost -3.5% drop in the AUD added close to +1.6% to returns. We used the fall in the currency to cover more of our AUD position to be just over 60% hedged via currency futures.

### **Portfolio Holdings:**

Cash:	18.3% (AUD and USD)
Non-AUD exposure:	27.5%
Longs:	88.2%
Shorts:	-9.7%
Options delta:	2.4%
Net exposure:	80.9%
Top 5 equities (alphabetical):	AAPL, PME, RMD, RUL, TTD

Our net exposure has increased as we took profit on some expiring put spreads (as noted above). Our remaining put spreads are currently out-of-the-money so we will look at replacing them opportunistically.

