NORSE CAPITAL

November 2023 Monthly Report

Returns 31-Dec-12 to 30-Nov-23

	Norse Capital	All Ords Accum	Outperformance	Small Ords Accum	Outperformance
Inception	304.23%	144.02%	160.21%	65.87%	238.35%
Inception per annum	13.64%	8.02%	5.62%	4.35%	9.30%
CY2023 (ytd)	12.38%	5.15%	7.23%	0.56%	11.83%
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	10.89%	5.19%	5.70%	7.04%	3.86%
3m	5.05%	-1.71%	6.76%	-2.88%	7.93%
6m	10.39%	2.42%	7.97%	-0.73%	11.12%
1y	7.90%	1.68%	6.22%	-3.19%	11.09%
2y pa	-14.69%	2.36%	-17.04%	-8.77%	-5.92%
3y pa	-3.10%	6.93%	-10.02%	-0.48%	-2.62%
5y pa	10.30%	8.98%	1.31%	4.03%	6.27%
7y pa	10.94%	8.28%	2.66%	5.39%	5.56%
10y pa	13.23%	7.48%	5.75%	5.53%	7.69%
Sharpe Ratio	0.82	0.54	1.52x	0.26	3.16x
Sortino Ratio	1.34	0.75	1.79x	0.36	3.71x
Annualised standard deviation	14.97%	13.90%		17.09%	
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	67.94%	64.12%		57.25%	

Firstly, a note that December's (and hence 2023's year-in-review) report might possibly be delayed until late in January/early February as I am going to revisit the scene of my ski accident in France where I fractured the neck of my femur roughly a year ago. Perhaps madness but also a chance to exorcise any lingering mental demons. Fingers crossed…

Anyway, a big turnaround for equity markets following three negative months in a row. The presumed catalyst to spark the rally from (arguably) oversold levels was the release of US CPI with that measure of inflation coming in flat (i.e. 0%) at a headline level for October or +3.2% over the preceding 12 months. Core CPI was also lower than expected, unchanged for the month, up +4% over the year. Coupled with PPI also lower than expectations, the market moved to increase the odds/number of rate cuts in 2024 and the US 10-year yield fell roughly -50bps (-0.5%) on the month. As a result, the All Ords climbed +5.2% and the Small Ords +7.0% while in the US the S&P500 added +8.9% and the Nasdaq +10.7%. Pleasingly, our portfolio managed to outpace those indices with a +10.9% rise in October.

Our biggest loss on the month came from the +4.2% rise in the Aud-Usd, costing the portfolio -2.1% on the month. We have hedged just shy of 55% of our FX exposure via currency futures. In addition, we have our 65c calls mentioned in last month's missive (and now rolled out to February 2024) covering another ~18% of our exposure, which would take us to just shy of 73% hedged if exercised. Of note, our Aud-Usd exposure increased with November's rise in the value of our US equity positions, a result that we are very happy to take.

Our other notable loss on the month came from our shorts and hedges which cost the portfolio ~-0.8%. We started rebuilding our shorts and hedges as the market rose, albeit too quickly. (I've yet to master 20/20 hindsight trading, having bought back the shorts too soon on the way down and now shorting them too early on the way up). Still, the trades were profitable and currently outright shorts "only" make up ~-6.1% of the portfolio.

On the positive side of the ledger, our US enterprise software basket was the biggest contributor in October, adding +4.5% to the portfolio. Individual names ranged from -0.7% for TTD to +24.5% for ZS, +29.3% for SNOW, +34.1% for CRWD and +43.1% for DDOG, with all companies releasing quarterly earnings reports:

-our cybersecurity stocks CRWD and ZS both exceeded revenue and EPS expectations. CRWD increased ARR +34.6% to take ARR over $3b while posting positive **GAAP** (not just adjusted) earnings for the 3rd straight report, including turning GAAP positive at the operating level (previously positive thanks to earned interest). ZS posted +40% revenue growth and +131% EPS growth. Both did show cautious billings guidance reflecting still-present economic headwinds albeit not reflected in my preferred ARR measure (yet?). Arguably so far more a function of contract duration as the incentive to prepay for longer contracts diminishes with higher interest rates. Future reports will show how much translation there is into potentially slowing ARR and/or how much renews at the maturities of these shorter contracts. Revenue growth is still decelerating, in large part a function of the sheer scale of their ARR.

-DDOG beat on revenue +25% at $547.5m and +45c adjusted EPS and raised guidance to see the shares spike >+25% on release and >+43% over the month with signs of moderation in cloud optimisation from their customers which had been a headwind for most of the past year. (As a reminder DDOG charges on a consumption-based model). Management was positive in their commentary, remarking that current revenue growth has been above trends (i.e. stronger than their raised guidance) and interestingly, ~2.5% of revenue now comes from generative AI companies.

-our other consumption-based holding SNOW posted +34% product revenue (vs. +28.5% guidance) to near $700m for the quarter and +25c EPS (vs +16c expected) while also raising guidance; encouraging signs their optimisation headwinds are abating. Despite slowly decelerating revenue (at scale), SNOW is still targeting $10b annual revenue by FY2029. Their data platform also stands to benefit from generative AI models which need to ingest huge amounts of data in training and production modes.

-TTD beat on both top and bottom lines, posting +25% revenue and +28c adjusted EPS (+40%) and +7c GAAP EPS vs -4c pcp. However, a lower than expected +18% revenue guide for next quarter took the shares down (although subsequently recovered to almost flat for the month).

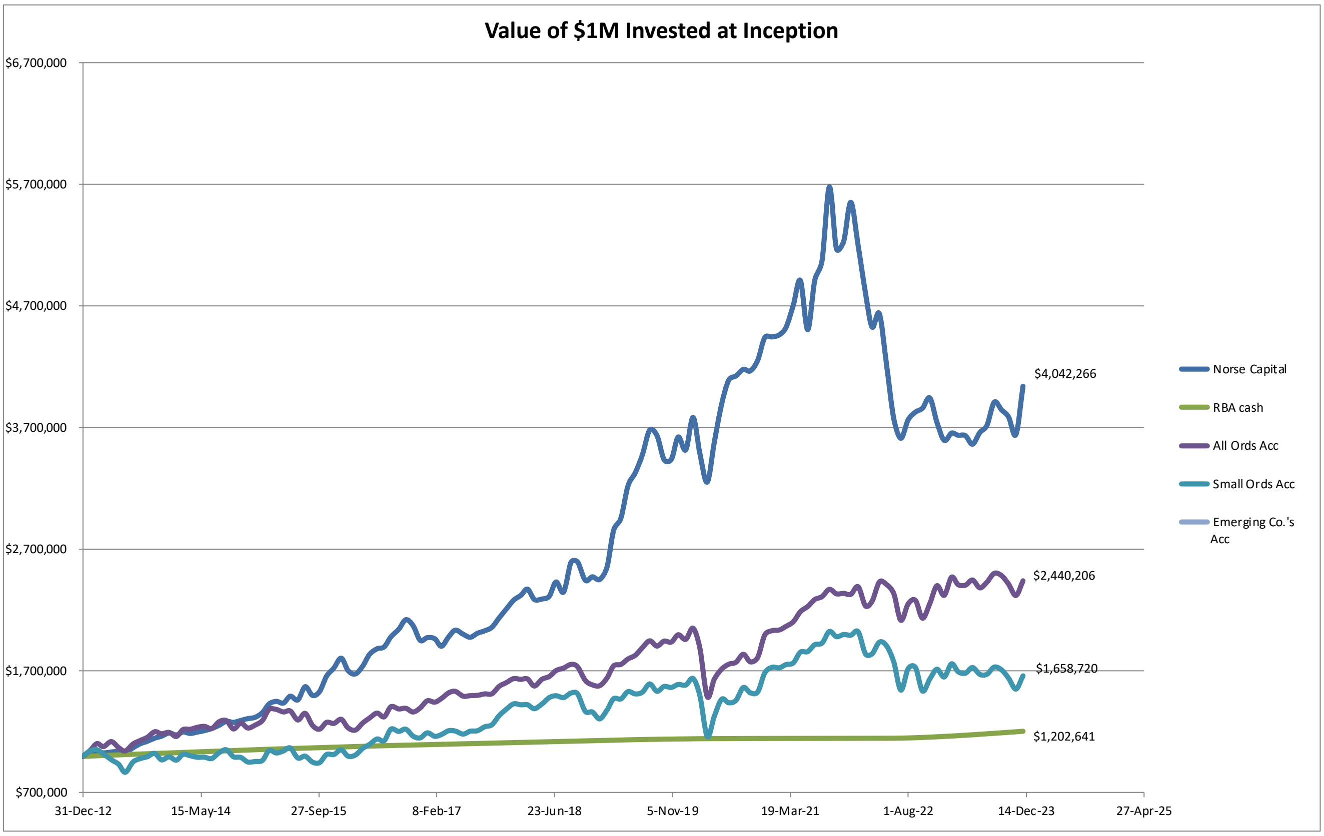
A common theme amongst our basket holdings earnings reports shows these enterprises whose products are basically platforms can withstand headwinds better than their point-solution peers. I.e. whether in cybersecurity, data, digital advertising or observability, consolidating multiple products onto single platforms reduces overall costs and complexity while increasing functionality and usability, translating into increased market share at the expense of competitors. In addition, all of our basket holdings continue to show strong FCF margins in the high 20% to almost 40% ranges. We trimmed another ~11% of our TTD position prior to earnings near $80 and we sold out of our small DDOG and ZS call option positions (from stock replacement trades done late in 2021) after their share price spikes following earnings.

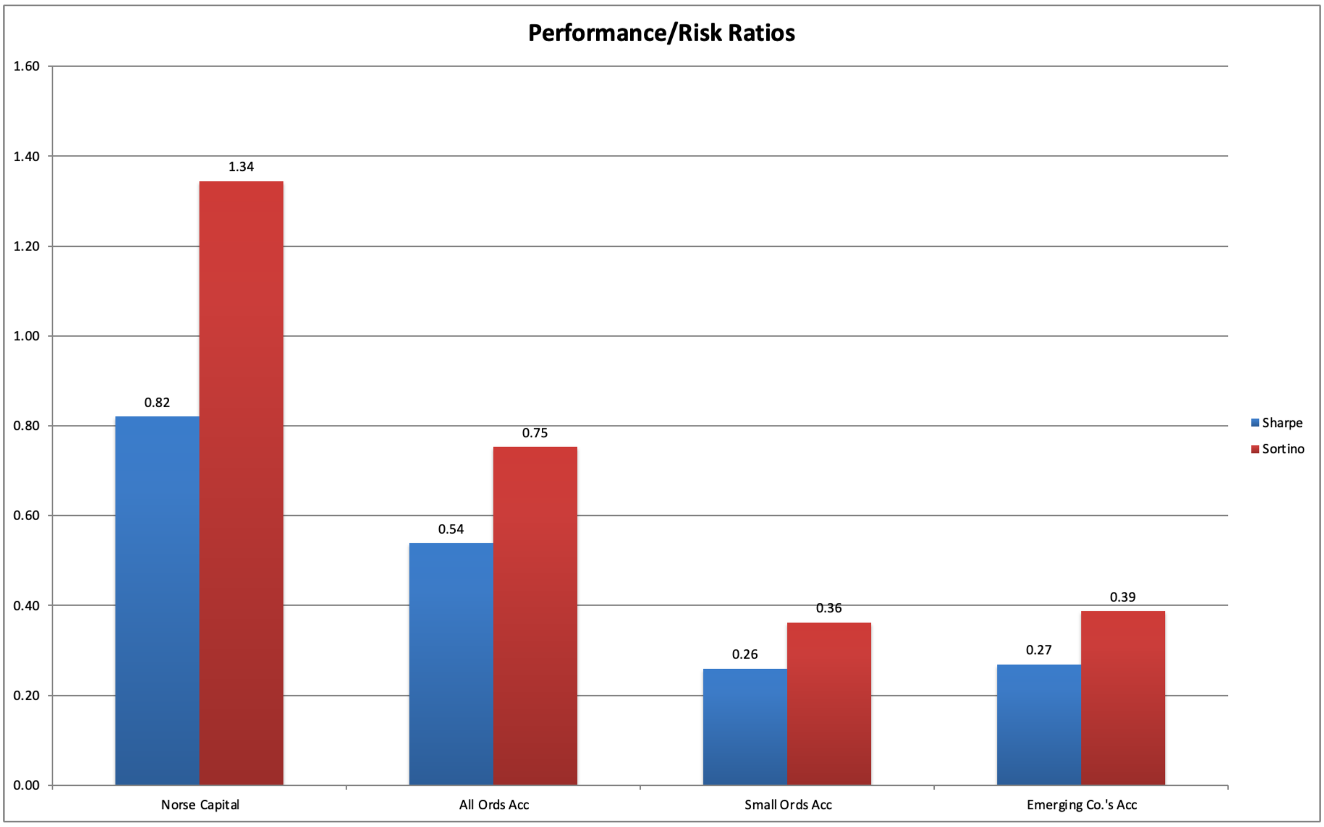
Other notable gainers in November include PME +18.6% on the month and reaching all-time highs just shy of $90 and AAPL +11.2% on the month after meeting revenue expectations at -0.7% and +13.2% GAAP EPS. Importantly, services were the bright spot, +16.3% to a new record now representing near 25% of revenue and almost 40% of gross profit, thanks to an all-time high active installed devices base > 2 billion. We trimmed another ~8% of PME near $86. In hindsight, should never ever have sold any PME. "At least" it is still a ~12% position.

Portfolio Holdings:

Cash:	14.1% (AUD and USD)
Non-AUD exposure:	22.2%
Longs:	88.8%
Shorts:	-6.1%
Options delta:	-3.3%
Net exposure:	79.4%
Top 5 equities (alphabetical):	AAPL, CRWD, PME, RUL, TTD

A slightly higher cash position as we trimmed some positions as mentioned, despite which our longs have increased thanks to positive performance. Our net exposure is ~ 7% shorter over the month as I have been adding to shorts and option hedges as the market has risen. The former via QQQ shorts, the latter having flipped our options delta shorter by almost -5% as I have been adding puts and put spreads in QQQ and SPY as well as specific put spreads that cover our AAPL position as well as half our RMD position. Also of note, following another +34.1% rise in November, CRWD has pushed RMD out of the top 5, despite the latter also rising +11.7% in the month. As mentioned in previous reports, RMD has seen a significant fall in recent months with the rise of GLP obesity drugs in the public consciousness.


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
27-Apr-25
$4,042,266
$2,440,206
$1,658,720
$1,202,641
Norse Capital
RBA cash
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
0.82
1.34
0.54
0.75
0.26
0.36
0.27
0.39
Norse Capital
All Ords Acc
Small Ords Acc
Emerging Co.'s Acc
Sharpe
Sortino