



## YEAR 2020

## COMMENTS

St. Petri Capital is a long-short thematic hedge fund. The investment process focuses on structural changes and their implications for companies' cash flows. The fund uses operational investment themes to identify disrupters (long) and disrupted companies (short). The investment process is unchanged since the mid-1990s.

During 2020, the fund delivered a positive return of 98.1%<sup>1</sup>. The fund made a positive contribution of 130.9%<sup>2</sup> on the long side and lost 6.4%<sup>2</sup> on short positions. The fund recorded only positive months in 2020. During the most critical period of the year, from 19th of February through 18th of March, where the European markets experienced maximum drawdown of 35.3%, the fund recorded a small negative return of 70bp. Since then, performance progressed positively throughout the remainder of the year. The other big event occurred at the beginning of November, where positive vaccine news triggered a massive growth-to-value rotation. The fund was positioning for this event since end-of-summer. Despite being initially down in early November, the month finished on a positive note.

The fund has had an average net-long exposure of 34.5%<sup>3</sup>. All the outperformance within the long positions can mainly be attributed to two themes: Online Retail Transition (+78.9%), where we maintained on average a net-long exposure of 15.8%, and Internet of Things (+14.1%), likewise with an average net-long exposure of 15.8%. The COVID-19 pandemic accelerated "stay-at-home" related themes within these two theme clusters. Sector wise, the main contributors were Consumer Discretionary (+76.7%) and Information Technology (+26.1%). Within Information Technology, the fund maintained, on average, a net-long position of 21.5%, whereas within the Consumer Discretionary sector, the fund had on average a net-long position of 15.1%. Looking at 2020 absolute winners, the main contribution came from companies like Westwing, Home24 & HelloFresh within the Online Retail Transition theme. On the short side, the Low Volatility Exuberance theme was the main negative contributor (-5.9%). The companies within this theme continue to be driven by ultra-low interest rates. Despite the negative contribution, we maintain our conviction and exposure towards this theme.

Top stock contributors were: long on Westwing Group (+3413bp), Home24 (+1954) and HelloFresh (+1030), where growth was accelerated by the COVID-19 pandemic as people were confined to work from their homes; long on Lenzing (+389bp), within the Sustainability Wave theme; the company was re-rated due to its exposure to sustainable pulp raw materials used in the manufacturing of textile fibers. In addition, during 2020, we did close one of our more spectacular short positions, Wirecard (+179bp). The fund has been short on Wirecard since mid-2018, and it has indeed been a volatile position, which by mid-summer proved our suspicion of fraud to be right. On the negative side were: short on Tesla (-511bp); despite Tesla being positively exposed to environment related themes, it is awfully expensive and approaching exuberant valuation levels. We will continue to short Tesla, as we expect rising Electrical Vehicle competition, and return to more reasonable valuation levels. Short on UBER (-321bp) and short on Pandox (-252bp): We continue to be skeptical regarding UBER's ability to become a profitable transportation and food-delivery platform. Pandox invests, manages, and operates hotel properties primarily in Scandinavia. We maintain our short positions in both companies going forward. In the Pandox case, we believe that the overcapacity in the industry is structural. In addition, the company's valuation will be negatively correlated with rising interest rates, which is our base-case scenario.

We monitor the risk profile of the fund carefully and, given the current expectations, we are satisfied with the fund's characteristics. Correlation, since inception, with the overall market remains low at 0.23, Standard Deviation (annualized) at 11.8 (vs. market at 19.2), VaR 95% (ex-Post) at -0.88% and Max Drawdown last year was at -5.7%. We continue to be cautious on the outlook going forward, as we are approaching the end of an (historically long) economic cycle, high indebtedness and interest rate levels that are already unnaturally low. We have started to position the portfolio for the re-emergence of inflation, resulting in higher yields.

<sup>1</sup> After all costs.

<sup>2</sup> Before all costs.

<sup>3</sup> Average short and long positions of 59.4% and 93.9%, respectively.

## STATISTICAL SUMMARY

<b>RETURN<sup>1</sup></b>	<b>ST. PETRI L/S<sup>2</sup></b>	<b>INDEX<sup>3</sup></b>
Total Return	124,67	-1,78
Maximum Return	3,79	8,18
Minimum Return	-2,39	-11,61
Mean Return (Annualized)	214,58	3,09
Relative Total Return	126,45	
Mean Excess Return (Annualized)	205,18	
Bear Mean Excess Return (Annualized)	7492,20	
Bull Mean Excess Return (Annualized)	-80,26	
Maximum Drawdown	-5,73	-35,48
Maximum Drawdown Length	14,00	20,00
Maximum Increase	125,20	46,69
Maximum Recovery Period	22,00	14,00
Maximum Relative Drawdown	-0,16	
Maximum Relative Drawdown Length	10,00	
Maximum Relative Recovery Period	44,00	
Recovery Period from Maximum Drawdown	8,00	
Recovery Period from Maximum Relative Drawdown	38,00	
<b>RISK</b>	<b>ST. PETRI L/S<sup>2</sup></b>	<b>INDEX<sup>3</sup></b>
Standard Deviation (Annualized)	16,29	27,96
Downside Risk (Annualized)	11,40	21,82
Kurtosis	0,51	9,97
Skewness	0,11	-1,30
Semivariance (Annualized)	16,28	32,18
VaR 95% (ex-post)	-1,21	-3,19
VaR Gaussian	-1,34	-2,84
Tracking Error (Annualized)	29,37	
Bear Tracking Error (Annualized)	27,44	
Bull Tracking Error (Annualized)	25,27	
<b>RISK/RETURN</b>	<b>ST. PETRI L/S<sup>2</sup></b>	<b>INDEX<sup>3</sup></b>
Sharpe Ratio		
Sortino Ratio Vs Riskfree	7,79	0,08
Jensen Alpha	7,79	0,07
Information Ratio	126,64	
Modigliani RAP	4,16	
Sortino Ratio vs Index	2,16	
Treynor Measure	7,50	
Bear Information Ratio	10,75	
Bear Jensen Alpha	76,93	
Bear Sortino Ratio vs Index	3,03	
Bull Information Ratio	146,18	
Bull Jensen Alpha	-2,72	
Bull Sortino Ratio vs Index	559,13	
Alpha	-4,16	
Beta (ex-post)	0,31	
Correlation	0,12	
R-Squared	0,20	
Bear Alpha	0,04	
Bear Beta	0,08	
Bear Correlation	0,08	
Bear R-Squared	0,14	
Bull Alpha	0,02	
Bull Beta	0,74	
Bull Correlation	-0,14	
Bull R-Squared	-0,14	
Capture Ratio	0,02	
Bull Capture Ratio	0,49	
Bear Capture Ratio	0,96	
	-0,06	

<sup>1</sup> All returns in DKK.

<sup>2</sup> Returns before all costs.

<sup>3</sup> For comparison reasons we use Bloomberg Europe 500.

## THEMATIC EXPOSURE <sup>4</sup>

Internet of Things	15,82
Online Retail Transition	15,76
Sustainability Wave	8,72
Distribution to Decline	-2,64
Black Energy Extinction	-3,57
Low Volatility Exuberance	-18,26

## PERFORMANCE DECOMPOSITION BY THEMES <sup>6, 7</sup>

Online Retail Transition	78,99
Internet of Things	14,05
Green Energy Wave	8,46
Distribution to Decline	0,18
Digital Platform Dominance	0,00
Low Volatility Exuberance	-5,99

## SECTOR EXPOSURE (NETTO) VS. PERFORMANCE ATTRIBUTION <sup>1, 2, 3</sup>

	ST. PETRI L/S <sup>2</sup>	CONTRIBUTION
<b>TOTAL</b>	100,00	124,67
Consumer Discretionary	15,12	76,65
Information Technology	21,54	26,03
Materials	8,20	10,68
Health Care	4,75	6,67
Communication Services	-2,46	1,83
Industrials	-9,52	1,45
Real Estate	-7,28	1,03
Financials	5,45	0,17
Not Classified <sup>8</sup>	67,75	0,15
Utilities	0,02	0,11
Consumer Staples	-3,57	-0,10

## PERFORMANCE DECOMPOSITION BY LONG/SHORT

	LONG	SHORT	TOTAL
2020 <sup>1, 2, 5</sup>	130,94	-6,43	124,67

<sup>1</sup> All returns in DKK.

<sup>2</sup> Returns before all costs.

<sup>3</sup> For comparison reasons we use Bloomberg Europe 500.

<sup>4</sup> Top three netto exposure (L/S) by theme pr. 31th December 2020. Average % Weight.

<sup>5</sup> Cash had a positive contribution of 16bp.

<sup>6</sup> Top and bottom contributors.

<sup>7</sup> Total no. of positions pr. 31st Dec 2020 were 61 (35 long & 26 short).

<sup>8</sup> Cash, Cash equivalents & Gold.