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ST. PETRI CAPITAL

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MONTHLY REPORT

*July 2022*

**Comments**

During July the fund had a return of -4.81%<sup>1</sup>. There was a negative contribution of -9.07% points from short positions and a positive contribution of 3.14% points<sup>2</sup> from long positions and 1.21% points from currencies. The fund has faced some headwinds due to the significant market rotation that began around mid June. Since then, equity markets have been rising and bond yields falling. The equity rally has been driven primarily by an outperformance of US growth stocks, and there has been quite a reversal in the market as the best performers lately have been the stocks which have fallen the most this year. In general, some of the riskiest areas of the market have made a comeback and even bitcoin has risen more than 20%. The significant change in sentiment is caused by a softening of inflation expectations leading investors to anticipate a less hawkish FED. Because of falling oil and commodity prices the market seems to believe that the FED is nearing the end of their hiking cycle and markets are already discounting cuts in interest rates next year. We think markets are getting a bit ahead of themselves, and although we also expect inflation to come down the coming quarters it will take longer than currently expected to get inflation back to 2.5%. Historically there has never been a significant fall in inflation from such elevated levels without a more meaningful recession than what we are seeing today.

The largest negative contributor in July was the theme Low Volatility Exuberance, as the fund’s short positions in interest rate sensitive stocks did not perform well in a risk on environment with falling interest rates. The Real Income Destruction theme where the fund is short consumer related stocks was also a negative contributor as consumer stocks rebounded during the month. The Green Energy Wave was the best performing theme driven by long positions in the solar stocks SMA Solar and Meyer Burger. The theme Digital Experience also did well due to the investment in Tobii who announced in July that Sony had selected their eye tracking technology for the new virtual reality headsets.

Although there are still headwinds to economic growth and earnings going forward, we have increased the net exposure in the fund during July mainly by reducing some short positions. We added a bit to the position in Hello Fresh and we expect to add more long positions in the coming months as many of the stocks we like have become too undervalued.

**Statistical Summary**

**Return & Risk Statistics (%)**

Return/Risk	ST. PETRI L/S <sup>3</sup>	INDEX <sup>4</sup>
Return (July)	-4.81	7.52
YTD	-1.21	-9.13
Since inception	86.50	16.17
Annualized Return (since inc.)	15.26	3.47
Annualized Standard Deviation	12.75	18.13
VaR 95% (July)	1.18	
Correlation w. Index (since inc.)	0.25	

**Fund in numbers**

AUM	304 DKKm
Average # of positions	60
	Short (#) 28
	Long (#) 32
Net long (July) <sup>6</sup>	1.84%
Largest sector exposure (long)	Materials (20.12%)
Largest sector exposure (short)	Real Estate (-16.38%)

<sup>1</sup> Net of all costs  
<sup>2</sup> Gross of all costs  
<sup>3</sup> Returns net of all costs  
<sup>4</sup> MSCI Europe  
<sup>5</sup> Top three net exposures as per July 29, 2022  
<sup>6</sup> Short and long positions of 63.63% and 65.47%, respectively  
<sup>7</sup> Gross top and bottom contributors as per July 29, 2022

**Thematic Exposure<sup>5</sup>**

Long position	weight, %
Sustainability Wave	13.77
Green Energy Wave	13.03
Internet of Things	6.51
Short position	
Low Volatility Exuberance	-29.44
Real Income Destruction	-18.43
Digital Platform Dominance	-3.96

**Thematic contribution<sup>7</sup>**

Top contributor	return, %
Green Energy Wave	1.41
Digital Experience	1.21
Sustainability Wave	0.88
Bottom contributor	
Low Volatility Exuberance	-4.30
Real Income Destruction	-1.71
Digital Platform Dominance	-1.52

