
ST. PETRI CAPITAL

QUARTERLY REPORT
Q2 2022

Comments

During Q2, the fund delivered a return of 2.53%¹. Long positions had a negative contribution of -17.69% points, and short positions contributed 21.00% points². The fund performed well in April and May as contributions from our short positions outweighed the negative contributions from our long positions. During those months even materials, our largest long exposure, held up pretty well despite of the risk off environment in the market. However, June was more challenging as recession fears overtook monetary tightening fears leading to big falls in commodity prices and an underperformance of stocks in the materials sector. As we had been worrying about a recession since the start of the year, we expected this could be a drag on mining stocks and we attempted to hedge the exposure by reducing some of our positions and more importantly building up a significant short in consumer related stocks in the new theme Real Income Destruction. During Q2 the theme became the second largest short exposure and end of June the fund had a roughly 20% short in consumer stocks. Although the theme has performed well, especially in June, it was not enough to counter the fall in materials, and besides this many of our more cyclical industrial stocks also took a hit in June. On a positive note, the Online Retail Transition theme which has been a big drag on performance all year seemed to finally take a break in the last part of Q2 and hopefully some of our stocks are nearing a bottom after falling more than 60% this year.

Since end of March the fund went from being net long 18,7% points to net short 3,82% points end of June as we brought our long positions down in line with the shorts. We have begun to add some new stocks as well as adding to some existing holdings, but it is still too soon to increase risk materially in the portfolio. For stock pickers like St. Petri, it is tiresome that markets are increasingly being driven by monetary policy and geopolitics, but the last 13 years of unconventional monetary policy have created so many imbalances globally that need to adjust which point to a bumpy road ahead. Markets may have begun to price in a little less hawkish FED, but the ECB is hopelessly behind and there is an increasing likelihood of a conflict between Northern and Southern Europe due to the ECBs focus on stabilizing the periphery instead of fighting the damaging inflation. Add to that the risk to earnings, the risk of Russia turning off gas to Europe and fact that it will take longer than expected to get inflation to bearable levels and it becomes hard to believe risk assets have bottomed.

Statistical summary

Return & Risk Statistics (%)		
Return	ST. PETRI L/S ⁴	INDEX ⁵
Q2	2.53	-10.19
YTD	3.78	-15.49
LTM	-6.64	-8.96
Since inception	95.92	8.04
Avg. Yearly Ret. (since inc.)	16.90	1.81
Risk		
Annualized Standard Deviation	9.93	18.78
VaR 95%	1.02	
Maximum drawdown (Q2)	2.81	12.77
Maximum drawdown (since inc.)	16.23	35.45
Risk/Return		
Sharpe ratio (Q2)	0.30	-0.52
Sharpe ratio (since inc.)	7.59	0.47
Correlation w. Index (Q2)	-0.06	
Correlation w. Index (since inc.)	0.21	
Fund in numbers		
AUM	304 DKKm	
Average # of positions	74	
	Short (#)	39
	Long (#)	35
Net long (Q2)	0.72%	
Largest sector exposure (long)	Materials (21.05%)	
Largest sector exposure (short)	Real Estate (16.18)	

¹ Net of all costs.
² Gross of all costs.
³ Short and long positions of 65.10% and 65.82%, respectively.
⁴ Returns net of all costs
⁵ Index is MSCI Europe.
⁶ Top three net exposures during the quarter
⁷ Top and bottom contributors during the quarter

Thematic Exposure ⁶	
Long position	weight (%)
Sustainability Wave	13.79
Green Energy Wave	11.69
Security Revolution	8.53
Short position	
Low Volatility Exuberance	-28.19
Real Income Destruction	-17.61
Distribution to Decline	-3.57

Thematic Contribution ⁷	
Top contributor	return (%)
Low Volatility Exuberance	10.56
Digital Platform Dominance	3.10
Real Income Destruction	1.80
Bottom contributor	
Green Energy Wave	-2.81
Digital Experience	-2.41
Internet of Things	-2.28

