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ST. PETRI CAPITAL

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MONTHLY REPORT

*September 2022*

**Comments**

During September, the fund had a return of 0.9%<sup>1</sup>. There was a negative contribution of -6.92% points from long positions and a positive contribution of 8.17% points<sup>2</sup> from short positions. Stock markets in Europe and the US fell 6% and 10% respectively in September and bonds sold off materially. This was primarily due to the FED Chair Jerome Powell sticking to his very hawkish stance on monetary policy combined with a deteriorating macro-outlook. The sell off in markets accelerated end of month because of fears surrounding Credit Suisse’s capital and liquidity position and trouble in the UK where significantly rising bond yields led to an intervention from the Bank of England.

Rising bond yields were supportive of the Low Volatility Exuberance theme, where short positions in interest rate sensitive stocks performed well. The fund’s short exposure to real estate and construction stocks in Sweden continues to be one of the funds best performing areas this year, and we are now beginning to see real cracks in the sector. These companies have in the past benefitted from easy and cheap access to capital, and now with interest rates rising and real estate prices falling the most leveraged players in the field are feeling the pressure from investors and credit agencies. We are very attentive on our short exposure as these stocks have experienced a meaningful rerating over the last 12 months, however currently we still see further downside.

Negative contributions to performance came from the themes the Green Energy Wave and the Sustainability Wave. These themes are quite tilted towards more cyclical industrial and commodity related businesses, which have been underperforming due to a combination of falling growth and an increasing pessimism around the whole European industrial space because of energy costs and fears about potential energy shortage. Although St. Petri is taking the situation in Europe very seriously, both in terms of a potentially deep recession and a huge hit to corporate earnings, we believe that valuations of many European industrial businesses are becoming more interesting from a long-term perspective. We haven’t done much in the area yet, but we have been increasing our exposure to attractively priced industrial enablers of the green transition and adding very slightly the exposure to German stocks. The allocations have been hedged by increasing our short positions in selected areas and the overall risk in terms of net exposure in the portfolio has come down since August.

**Statistical Summary**

**Return & Risk Statistics (%)**

Return/Risk	ST. PETRI L/S <sup>3</sup>	INDEX <sup>4</sup>
Return (September)	0.9	-6.38
YTD	-2.87	-19.32
Since inception	83.36	3.15
Annualized Return (since inc.)	14.22	0.68
Annualized Standard Deviation	12.67	18.05
VaR 95% (September)	-1.03	
Correlation w. Index (since inc.)	0.21	

**Fund in numbers**

AUM	300 DKKm
Average # of positions	70
	<i>Short (#)</i> 32
	<i>Long (#)</i> 38
Net long (September) <sup>6</sup>	5.58%
Largest sector exposure (long)	Materials (20.34%)
Largest sector exposure (short)	Real Estate (-15.94%)

<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 September 30, 2022

<sup>6</sup> Short and long positions of 64.88% and 70.46%, respectively

<sup>7</sup> Gross top and bottom contributors as per September 30, 2022

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

Long position	weight, %
Sustainability Wave	16.26
Green Energy Wave	14.67
Internet of Things	6.26
Short position	
Low Volatility Exuberance	-30.92
Real Income Destruction	-16.03
Digital Platform Dominance	-5.05

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

Top contributor	return, %
Low Volatility Exuberance	5.20
Real Income Destruction	1.80
Distribution to Decline	0.38
Bottom contributor	
Green Energy Wave	-1.82
Sustainability Wave	-1.27
Digital Experience	-0.79

