
ST. PETRI CAPITAL

MONTHLY REPORT

October 2022

Comments

During October, the fund delivered a return of 0.2%¹. There was a positive contribution of 3.45% points from long positions and a negative contribution of 3.29% points² from short positions.

In October, bond yields contracted helping stock markets make a comeback in both Europe and the US. European stocks rallied and returned 6.22% (MSCI Europe) despite record high Eurozone inflation and a sharp slowdown- and bleak outlook for GDP growth. The US also posted strong gains for October on hopes of a Fed pivot with the Dow finishing its best month since 1976 gaining 13.95%. The European Central Bank announced a 75bps rate hike increasing the benchmark to 1.5%, a level not seen since 2009. While not indicating the level of future rate hikes, the ECB added that the *normalization* process is not over yet.

The Low Volatility Exuberance theme underperformed contributing with -2.59% points. Performance was mainly driven by our short exposure to real estate and long duration stocks that rebounded in October, driven by hopes of a Fed pivot and falling yields. These stocks have experienced a significant rerating in the past 12 months, but we still see further downside to current valuations. Sustainability Wave was the best performing theme in October contributing 1.39% points mainly driven by Imerys, who announced a large lithium exploitation project in France - a significant step towards the green energy transition.

October marked another one of this year’s bear market rallies, but we expect more pain is in store for markets before we experience a pivot from central banks. We are experiencing interest rate- and inflation levels not seen for decades and will have to consider and adjust our perception accordingly. We believe we are entering a new paradigm marked by higher cost of debt and redeployment of capital towards the green transition. Combined painting a gloomy outlook for corporate spending and private consumption. Although, data points to a depressing outlook, we expect an easing of inflationary pressure and a peak in interest rates in Spring 2023. Although, interest rates might peak, a period of QT will have direct impact on markets as central banks will no longer act as buyers of last resort. We expect this will lead to a steeper curve in coming years as yields will be driven by credit risk, growth, and inflation expectations.

Statistical Summary

Return & Risk Statistics

Return/Risk	ST. PETRI L/S ⁴	INDEX ⁵
Return (October)	0.20	6.22
YTD	-2.68	-12.24
Since inception	84.72	25.06
Avg. Yearly Return (since inc.)	14.13	4.93
Standard Deviation (annualized)	9.93	16.50
VaR 95% (October)	1.10	
Correlation w. Index (since inc.)	0.21	

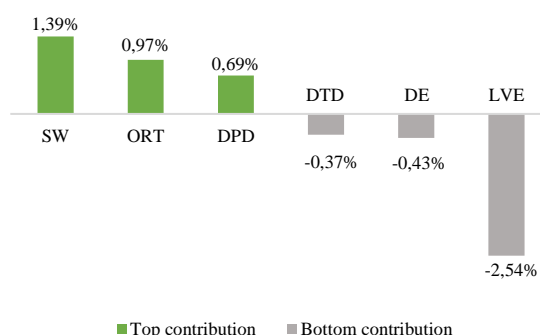
Fund in numbers

AUM	300 DKKm
Average # of positions	66
	<i>Short (#)</i> 36
	<i>Long (#)</i> 30
Net long (October)	12.79
Largest sector exposure (long)	Materials (21.04)
Largest sector exposure (short)	Real Estate (-17.02)

Thematic Exposure⁶

Long position	weight, %
Sustainability Wave	17.42
Green Energy Wave	17.07
Internet of Things	6.13
Short position	
Low Volatility Exuberance	-31.83
Real Income Destruction	-11.43
Digital Platform Dominance	-4.29

Thematic contribution⁷



- SW: Sustainability Wave
- ORT: Online Retail Transition
- DPD: Digital Platform Dominance
- DTD: Distribution to Decline
- DE: Digital Experience
- LVE: Low Volatility Exuberance

¹ Net all costs.

² Gross of all costs.

³ Short and long positions of 62.47% and 75.26%, respectively

⁴ Returns net of all costs

⁵ MSCI NDR Europe

⁶ Top three net exposures as per 31 October 2022

⁷ Gross top and bottom contributors as per 31 October 2022