

YEAR 2022

COMMENTS

St. Petri Capital is a partner-owned, long-short thematic equity 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 mid-1990s.

During 2022, the fund increased 4.6%.¹ Long positions contributed negatively with 23.6%-points², whereas short positions contributed positively with 32.3%-points³.

Going into the year we maintained a cautious view. Our main thesis was that the re-emergence of inflation, combined with historically low interest rates and likewise historically high indebtedness, would disrupt areas of the stock market that is long-duration in nature, highly valued and sensitive to rising rates. 2022 was characterized by the steepest increases in bond yields over the past 30 years.

Throughout the year, our main long themes were the Green Energy & Sustainability Waves. Both themes are heavily anchored within Materials and Industrials – sectors that typically benefit from increased pricing power as capital spending increase. On the short side, most of the exposure was allocated towards Low Volatility Exuberance theme, which is mostly exposed to highly valued companies that tend to underperform when interest rates increase as well as Inflation Wave theme, i.e., companies that will be pressured by increasing cost-of-living faced by private consumers.

The fund has had an average net-long exposure of 7.9% during the year – the lowest average level since inception. The positive performance within the short positions can mainly be attributed to the Low Volatility Exuberance theme, where the fund has had an average net-short exposure of 28.9% and the theme contributed with 8.7%. The second-best performer was the Green Energy Wave theme, with a net-long exposure of 14.3% and a positive contribution of 6.5%. Sector wise, the main contributors were Industrials with positive contribution of 7.1% and net-short exposure of 1.6%, as well as Real-Estate with contribution of 5.5% and net-short exposure of 15.9%. The main negative contribution came from Artificial Intelligence theme (-4.8%), where the fund had a net-long exposure of 2.4%. Second worst-performing theme was the Online Retail Transition (-3.7%) with net-long exposure of 1.6% where many retail companies that benefitted from "Stay-at-Home" during Covid, retreated. Sector wise, the main negative contributions came from Health Care (-5.4%) and net-long position of 1.9%, and Consumer Staples (-4.8%) and net-short exposure of 0.4%.

We monitor the risk profile of the fund carefully and given current expectations, we are satisfied with the fund's characteristics. Portfolio correlation with other asset classes remain very low (<0.2). In addition, VaR (ex-Post) also remains at satisfactory levels. Despite increasing the risk profile of the portfolio towards the end of year by mainly increasing net-long exposure through additions within Green Energy & Sustainability Waves, we continue to be quite cautious. The global economy faces another year with geopolitics as the all-dominant factor. It continues to create unfilled security vacuums and uncertainty about the future. Moreover, it provides more fuel for deglobalization. At the same time, western central banks are in the process of normalizing monetary policy, where the monetary policy decision makers are no longer willing to finance the public sector because inflation has become a hindrance. It will increase real interest rates and put a damper on economic growth and returns on assets in 2023 and the years ahead. We will continue to be long themes within Materials and Industrial which are expected to benefit from increased investments into physical assets catalyzing Green Energy Transition and Sustainability investments. Low Volatility and Real-Income Destruction themes continues to be our largest pools of short ideas where we expect continued significant downside risk.

¹ After all costs.

² Before all costs.

³ Average short and long positions of 63.7% and 71,6%, respectively.

STATISTICAL SUMMARY

RETURN¹	ST. PETRI L/S²	INDEX³
Total Return	8,72	-9,77
Maximum Return	2,14	4,73
Minimum Return	-3,72	-3,71
Mean Return (Annualized)	13,52	-11,18
Relative Total Return	18,50	
Mean Excess Return (Annualized)	27,80	
Bear Mean Excess Return (Annualized)	2.370,41	
Bull Mean Excess Return (Annualized)	-93,09	
Maximum Drawdown	-8,03	-20,00
Maximum Drawdown Length	61,00	191,00
Maximum Increase	10,92	16,16
Maximum Recovery Period	126,00	
Maximum Relative Drawdown	-0,15	
Maximum Relative Drawdown Length	41,00	
Maximum Relative Recovery Period	83,00	
Recovery Period from Maximum Drawdown	65,00	

RISK	ST. PETRI L/S²	INDEX³
Standard Deviation (Annualized)	11,87	19,04
Downside Risk (Annualized)	8,90	13,54
Kurtosis	2,56	1,26
Skewness	-0,64	0,05
Semivariance (Annualized)	12,89	19,45
VaR 95% (ex-post)	-1,10	-1,82
VaR Gaussian	-1,17	-1,97
Tracking Error (Annualized)	20,65	
Bear Tracking Error (Annualized)	14,45	
Bull Tracking Error (Annualized)	17,44	

RISK/RETURN	ST. PETRI L/S²	INDEX³
Sharpe Ratio	0,78	-0,44
Sortino Ratio Vs Riskfree	0,72	-0,43
Jensen Alpha	10,17	
Information Ratio	0,93	
Modigliani RAP	0,23	
Sortino Ratio vs Index	1,49	
Treynor Measure	0,87	
Bear Information Ratio	61,63	
Bear Jensen Alpha	15,24	
Bear Sortino Ratio vs Index	61,60	
Bull Information Ratio	-4,89	
Bull Jensen Alpha	127,36	
Bull Sortino Ratio vs Index	-7,42	
Alpha	0,04	
Beta (ex-post)	0,11	
Correlation	0,1706	
R-Squared	0,03	
Bear Alpha	0,25	
Bear Beta	0,32	
Bear Correlation	0,32	
Bear R-Squared	0,11	
Bull Alpha	0,22	
Bull Beta	-0,11	
Bull Correlation	-0,12	
Bull R-Squared	0,01	
Capture Ratio	-0,01	
Bull Capture Ratio	0,16	
Bear Capture Ratio	-0,17	

¹ All returns in DKK.

² Returns before all costs.

³ For comparison reasons we use Bloomberg Europe 500.

THEMATIC EXPOSURE ⁴

SW (Sustainability Wave)	16,20
GEW (Green Energy Wave)	14,31
IOT (Internet Of Things)	6,07
DPD (Digital Platform Dominance)	-4,13
RID (Real Income Destruction)	-12,43
LVE (Low Volatility Exuberance)	-28,88

PERFORMANCE DECOMPOSITION BY THEMES ^{6, 7}

LVE (Low Volatility Exuberance)	8,66
GEW (Green Energy Wave)	6,54
DPD (Digital Platform Dominance)	5,59
DE (Digital Experience)	-3,64
ORT (Online Retail Transition)	-3,69
AI (Artificial Intelligence)	-4,80

SECTOR EXPOSURE (NETTO) VS. PERFORMANCE ATTRIBUTION ^{1, 2, 3}

	ST. PETRI L/S	CONTRIBUTION
TOTAL	100,00	8,08
Industrials	-1,61	7,03
Real Estate	-15,91	5,46
Consumer Discretionary	-10,22	5,45
Financials	0,88	3,82
Not Classified ⁸	90,00	2,28
Communication Services	-2,53	1,42
Utilities	1,23	-0,12
Materials	21,96	-2,62
Information Technology	14,73	-4,44
Consumer Staples	-0,41	-4,79
Health Care	1,87	-5,41

PERFORMANCE DECOMPOSITION BY LONG/SHORT

	LONG	SHORT	TOTAL
2022 ^{1, 2, 5}	-23,56	32,27	8,08

¹ All returns in DKK.

² Returns before all costs.

³ For comparison reasons we use Bloomberg Europe 500.

⁴ Top three netto exposure (L/S) by theme. Average % weight, during 2022.

⁵ Cash had a negative contribution of 63bp.

⁶ Top and bottom contributors.

⁷ Total no. of positions pr. 31st Dec 2022 were 60 (32 long & 28 short).

⁸ Cash and cash equivalents.