ST. PETRI CAPITAL

Q2 REPORT
2023

Comments

During Q2, the fund delivered a negative return of -1.93%[1]. Long positions had a positive contribution of 0.45%-points, short positions contributed negatively -1.14%-points and cash had a negative contribution of -0.71%-points[2,3]. The fund underperformed significantly in April losing money on both sides, while the market was up a few percentage points driven by better-than-expected Q1 earnings. Investors tried to process conflicting economic data of easing headline inflation and a resilient economy in terms of a strong labor market and increasing consumer confidence throughout May. June witnessed a strong surge in US equities propelled by the leading stocks in major indexes capitalizing on the artificial intelligence trend, while European equities were more muted. As such the valuation gap between US and Europe has been driven even further, with European equities trading at a more than 30% discount to US on a 12-momth forward P/E basis.

The main positive theme contributions came from *Artificial Intelligence*, AI (+1.72%), where the fund maintained a net long exposure of 3.44% and Green Energy Wave (+1.31%), where the fund had a net long exposure of 13.57%. Performance in the AI theme came primarily from our position in Kalray, which was up 80% in the quarter. In GEW performance was evenly divided among most of our long exposure within this theme.

Main negative contribution came from Sustainability Wave (-1.89%) as a result of poor performance from all names within the theme.

The Swedish real estate fairytale of the last 30 years showed further cracks this quarter as the largest public housing provider SBB was downgraded to junk status by S&P which had a spill-over effect to the other names in the sector. As thoroughly laid out in our monthly report for May 2023, we still believe the Swedish real estate stocks has significant downside risk from here.

The overarching buzzword of Q2 was *"Artificial Intelligence"* and the expected efficiency gains this seemingly quantum leap in technology may bring. The large tech giants, saw strong performances on the back of this, and as such most gains in the major US indexes in the quarter can be accredited to seven stocks. The strong rally observed across major global markets in the first half of 2023 has been primarily driven by P/E expansion, raising questions about the sustainability of these gains. Strong liquidity and falling headline inflation as well as expected productivity gains from AI seems promising, however inverted yield curves, indicating potential recession in major economies, and risk of second round inflation gives cause for caution.

# Statistical summary

Return & Risk Statistics (%)

Return	ST. PETRI L/S[4]	INDEX[5]
Q2	-1.93	2.31
YTD	-4.37	11.11
LTM	-3.48	16.72
Since inception	89.10	41.97
Avg. Yearly Ret. (since inc.)	12.37	6.62
Risk		
Annualized Standard Deviation	12.23	17.19
VaR 95%	0.84	
Maximum drawdown (Q2)	2.92	3.44
Maximum drawdown (since inc.)	16.41	35.48
Risk/Return		
Sharpe ratio (since inc.)	1.01	
Correlation w. Index (Q2)	0.28	
Correlation w. Index (since inc.)	0.22	
Fund in numbers		
AUM	300 DKKm	
Average # of positions	56	
Short (#)	25	
Long (#)	31	
Net long (Q2)	24.61%	
Largest sector exposure (long)	Materials (19.95%)	
Largest sector exposure (short)	Real Estate (16.35%)	

Thematic Exposure[6]

Long position	weight (%)
Sustainability Wave	14.40
Green Energy Wave	13.57
Transition Essential Resources	11.39
Short position	
Low Volatility Exuberance	-27.17
Real Income Destruction	-11.45
Digital Platform Dominance	-4.81

Thematic Contribution[7]

Top contributor	return (%)
Artificial Intelligence	1.72
Green Energy Wave	1.31
Low Volatility Exuberance	1.08
Bottom contributor	
Sustainability Wave	-1.89
Internet of things	-1.14
Transition Essential Resources	-1.13

St. Petri L/S

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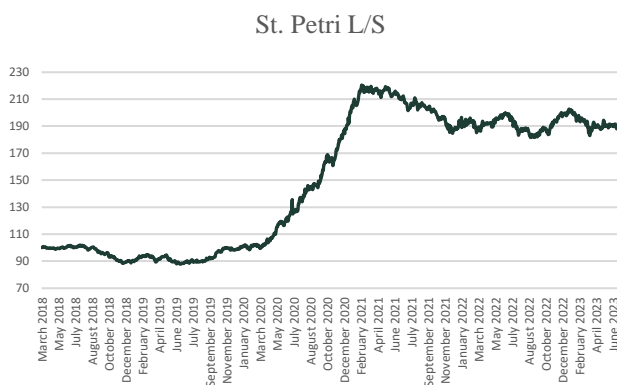
[1] Net of all costs
[2] Gross of all costs
[3] Short and long positions of 51.99% and 76.6%, respectively
[4] Returns net of all costs
[5] MSCI Europe NDR
[6] Top three net exposures as per 30 June 2023
[7] Top and bottom contributors as per 30 June 2023