
ST. PETRI CAPITAL

MONTHLY REPORT

August 2023

Comments

During August, the fund delivered a negative return of -0.47%¹. There was a negative contribution of 3.61%-points² from long positions, a positive contribution of 4.08%-points² from short positions, and cash and equivalents had a negative contribution of 0.52%-points.

Global equity markets were negatively affected by continued poor macro economic data out of China. Ever more data points towards a weak recovery, despite increasing efforts to stimulate the economy. We believe that the Chinese economy might be facing more structural problems, underlined by already quite high debt levels. This resulted in a moderately negative August for most major indexes halting the strong rally of previous months. The central banks are facing a delicate balancing act, with the “risk of doing too little and risk of doing too much” as Jerome Powell said at the Jackson Hole symposium in late August. We believe, given inflationary factors such as, but not excluded to; demographic headwinds, increased defense spending and the costly green transition, that rates will remain *Higher for longer*, which will have significant implications for many industries and business models in the coming years.

The *Green Energy Wave* theme (GEW) underperformed contributing with -1.81%-points. The poor performance was driven primarily by three names, of which two is related to PV solar energy; Meyer Burger Technology (down 25% in August) and SMA Solar (down 14%). There was increased concern in August that Chinese competitors is further flooding the European market with low price/quality products, resulting in significant pressure throughout the solar value chain. European policymakers must act sooner rather than later with effective countermeasures, as we cannot rely on Chinese made products for critical infrastructure, such as PV power. Meyer Burger, the only western technologically autonomous and scalable solar cell manufacturing company, has already started focusing more on the US market as a response to slow European countermeasures.

Low Volatility Exuberance (LVE) and *Online Retail Transition* (ORT) was the best performing themes in August, contributing with 1.80%-points and 1.59%-points, respectively. LVE includes our short positions within Swedish construction companies, which saw steep declines in share prices on the back of tough quarterly reporting. Performance in ORT was driven by a further share price increase in HelloFresh, returning another 15% this month.

Finally, to further sharpen our thematic definition we have decided to split the LVE theme in two; *Balance Sheet Restructuring* theme (BSR) specifying our short investment thesis on the Swedish real estate sector and *Low Volatility Exuberance* theme (LVE) concerning companies with business models that were viable due to the “free money” regime of the last decade.

Statistical Summary

Return & Risk Statistics

Return/Risk	ST. PETRI L/S ⁴	INDEX ⁵
Return (August)	-0.47	-2.44
YTD	-5.60	10.55
Since inception	86.66	41.26
Annualized returns (since inc.)	11.70	6.32
Standard Deviation (LTM)	10.44	13.63
VaR 95% (August)	0.83	
Correlation w. Index (since inc.)	0.22	

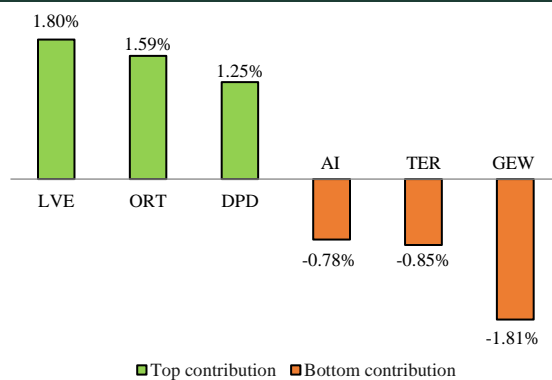
Fund in numbers

AUM	300 DKKm
Average # of positions	60
	<i>Short</i> (#) 29
	<i>Long</i> (#) 31
Net long (August)	27.03
Largest sector exposure (long)	Information Technology (19.6)
Largest sector exposure (short)	Real Estate (-16.69)

Thematic Exposure⁶

Long position	weight, %
Green Energy Wave	19.93
Sustainability Wave	13.32
Online Retail Transition	10.41
Short	
Balance Sheet Restructuring	-19.10
Real Income Destruction	-16.55
Low Volatility Exuberance	-9.76

Thematic Contribution⁷



¹ Net of all costs

² Gross of all costs

³ Short and long positions of 58.70% and 85.73%, respectively

⁴ Returns net of all costs

⁵ MSCI Europe NDR

⁶ Top three net exposures as per 31 August 2023

⁷ Gross top and bottom contributors as per 31 August 2023

LVE: Low Volatility Exuberance
 ORT: Online Retail Transition
 DPD: Digital Platform Dominance
 AI: Artificial Intelligence
 TER: Transition Essential Resources
 GEW: Green Energy Wave