ST. PETRI CAPITAL

MONTHLY REPORT

September 2023

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Comments

During September, the fund delivered a negative return of -1.06%[1]. There was a negative contribution of -4.67%-points[2] from long positions, a positive contribution of 2.57%-points[2] from short positions, and cash and equivalents had a positive contribution of 0.72%-points.

In September, the broader market reacted to the persistent threat of prolonged elevated rates. This realization gained momentum as inflation continued to prove resilient, and central banks, despite signs of economic weakness, remained resolute in communicating their commitment to steering it back toward the 2% target. The *'higher for longer'* scenario, a stance we've advocated since the onset of the central banks' hiking cycle 18 months ago, is now gradually taking hold. Consequently, September unfolded as a bleak period for equities, marked by a decline in all major indexes. Bond markets also experienced turbulence, with the long-end of the yield curve witnessing a significant rise.

The *Artificial Intelligence* theme (AI) underperformed, contributing -1.73%-points. This decline was primarily influenced by the lackluster performance of our two chip-related positions, Kalray (down 26% in September) and Alphawave (down 22%). Both companies reported disappointing or cautious outlook for the second half of the year. On the back a strong performance earlier in 2023, driven by increased investor interest in AI, these setbacks were enough to trigger significant pullbacks in their share prices. The heightened investor expectations, coupled with any signs of decelerating growth, magnified the impact. It's worth noting that our confidence in the role these companies play in the long-term potential of AI technology remains steadfast, and we maintain our exposure despite the anticipated decelerating growth in the second half of the year.

The *Real Income Destruction* (RID) theme emerged as the best performer in September, contributing 1.17%-points. RID encompasses our short positions within the Luxury sector, which, despite a robust start to the year, is beginning to reveal vulnerabilities. Sentiment surrounding European Luxury giants is turning negative, evident in the deterioration of share prices from all-time highs. Given the current macroeconomic environment, persistent pressure on consumers, particularly impacting the 'aspiring luxury' segment, and the lingering relatively high valuations, we anticipate further derating for these companies.

With escalating geopolitical tensions, a looming threat of recession in both the US and the Eurozone (although the timing remains uncertain), and an unprecedentedly rapid rise in long yields, we identify a range of potential risk factors for equity markets. In response, we've prudently adjusted our exposure, strategically reducing our net-long position to approximately 20%. This adaptive approach aligns with our commitment to navigating the dynamic market landscape in the face of evolving risks and uncertainties.

Statistical Summary

Return & Risk Statistics

Return/Risk	ST. PETRI L/S[4]	INDEX[5]
Return (September)	-1.06	-1.56
YTD	-6.60	8.83
Since inception	84.69	39.05
Annualized returns (since inc.)	11.32	5.93
Standard Deviation (LTM)	10.34	12.75
VaR 95% (September)	0.94	
Correlation w. Index (since inc.)	0.22	

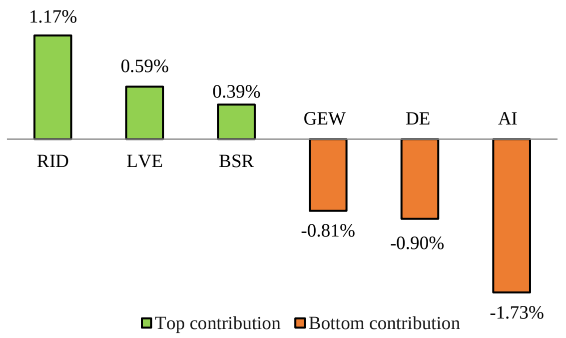
Thematic Exposure[6]

Long position	*weight, %*
Green Energy Wave	16.81
Sustainability Wave	13.04
Online Retail Transition	12.20
Short	
Balance Sheet Restructuring	-20.04
Real Income Destruction	-16.01
Low Volatility Exuberance	-11.18

Fund in numbers

AUM	300 DKKm
Average # of positions	62
Short (#)	*32*
Long (#)	*30*
Net long (September)	20.37
Largest sector exposure (long)	Information Technology (16.15)
Largest sector exposure (short)	Cons. Disc. (-16.30)

Thematic Contribution[7]



[1] Net of all costs
[2] Gross of all costs
[3] Short and long positions of 61.52% and 81.89%, respectively
[4] Returns net of all costs
[5] MSCI Europe NDR
[6] Top three net exposures as per 29 September 2023
[7] Gross top and bottom contributors as per 29 September 2023

RID: Real Income Destruction
LVE: Low Volatility Exuberance
BSR: Balance Sheet Restructuring
GEW: Green Energy Wave
DE: Digital Experience
AI: Artificial Intelligence