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ST. PETRI CAPITAL

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Q3 REPORT  
2023

**Comments**

Throughout Q3, the fund experienced a negative return of -2.33%<sup>1</sup>. Long positions had a negative contribution of -3.78%-points, while short positions contributed positively 0.85%-points and cash and equivalents had a positive contribution of 0.87%-points<sup>2,3</sup>. The quarter began with a slight underperformance in July, as our long positions struggled to keep pace with losses on the short side amid a significant market rally driven by optimism about a soft or potentially no landing. The strong global equity rally, however, took a downturn in August due to adverse macroeconomic data from China and investor caution surrounding the further path of central banks. September continued this trend, marking another negative month for equities, particularly impacting long duration assets. Bond markets also experienced a decline, driven by rapidly rising yields in the long end, raising concerns about the 'higher for longer' scenario surrounding interest rates.

The main positive theme contributions came from *Low Volatility Exuberance*, LVE (+2.32%-points), where the fund has a net short exposure of 9.8%, and *Online Retail Transition*, ORT (+2.26%-points), where the fund has a net long exposure of 10.7%. The positive performance in the LVE theme stemmed from our strategic short positions within the Swedish construction market, where three of our positions experienced a significant drop in share prices, each by at least 30% during the quarter. The substantial contribution from ORT is primarily attributed to our position in HelloFresh, which, despite a recent pullback in share price, delivered a robust quarter.

The primary detractors in Q3 were the *Green Energy Wave* (GEW) theme, resulting in a negative contribution of -2.58%-points, and the *Artificial Intelligence* (AI) theme, contributing -2.14%-points. The significant negative impact from GEW was attributed to our PV-supply chain related positions, which experienced substantial losses in share prices. This decline was influenced by the European PV-market facing increasing pressure from Chinese competition. For a more detailed analysis of this situation, we recommend referring to the comments provided in the August 2023 monthly report. The Artificial Intelligence theme's negative contribution was primarily driven by the poor performance of 'chip-designers' Kalray and Alphawave.

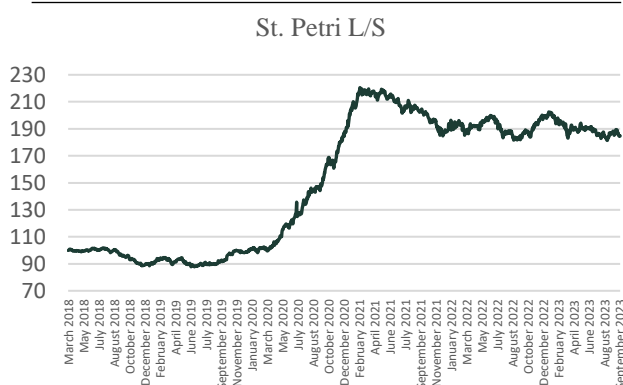
As the 'higher for longer' scenario gains credibility, there is a growing realization that equities may face a derating, given the need to price in a sustained elevated cost of capital. The prospect of this shift prompts reflection on the fondly remembered zero-rate world. As we conclude the third quarter, a fitting quote from a recent Bloomberg article resonates: “Now, as we near the final months of 2023, investors are realising that maybe the zero-rate world they loved so dearly is never coming back, and that “higher for longer” means “back to the old normal.”

**Statistical summary**

Return & Risk Statistics (%)		
Return	ST. PETRI L/S <sup>4</sup>	INDEX <sup>5</sup>
Q3	-2.33	-2.06
YTD	-6.60	8.83
LTM	0.72	19.22
Since inception	84.69	39.05
Avg. Yearly Ret. (since inc.)	11.32	5.93
Risk		
Annualized Standard Deviation	12.12	16.96
VaR 95%	0.94	
Maximum drawdown (Q3)	4.01	4.73
Maximum drawdown (since inc.)	16.41	35.48
Risk/Return		
Sharpe ratio (since inc.)	0.93	
Correlation w. Index (Q3)	0.42	
Correlation w. Index (since inc.)	0.22	
Fund in numbers		
AUM	300 DKKm	
Average # of positions	61	
	<i>Short (#)</i>	31
	<i>Long (#)</i>	30
Net long (Q3)	25.37%	
Largest sector exposure (long)	Information Tech (18.56%)	
Largest sector exposure (short)	Real Estate (17.18%)	

Thematic Exposure <sup>6</sup>	
Long position	weight (%)
Green Energy Wave	19.01
Sustainability Wave	13.65
Online Retail Transition	10.70
Short position	
Balance Sheet Restructuring	-19.90
Real Income Destruction	-16.26
Low Volatility Exuberance	-9.84

Thematic Contribution <sup>7</sup>	
Top contributor	return (%)
Low Volatility Exuberance	2.32
Online Retail Transition	2.26
Real Income Destruction	1.40
Bottom contributor	
Green Energy Wave	-2.58
Artificial Intelligence	-2.14
Transition Essential Resources	-2.07



<sup>1</sup> Net of all costs  
<sup>2</sup> Gross of all costs  
<sup>3</sup> Short and long positions of 59.64% and 85.01%, respectively  
<sup>4</sup> Returns net of all costs  
<sup>5</sup> MSCI Europe NDR  
<sup>6</sup> Top three net exposures as per 29 September 2023  
<sup>7</sup> Top and bottom contributors as per 29 September 2023