
ST. PETRI CAPITAL

MONTHLY REPORT

October 2023

Comments

During October, the fund delivered a negative return of -1.70%¹. There was a negative contribution of -6.78%-points² from long positions, a positive contribution of 5.74%-points² from short positions, and cash and equivalents had a negative contribution of 0.65%-points.

The broader equity market continued the downward trajectory from the previous months, with major indices entering contraction territory from July highs. The prevailing negative sentiment on equities, fuelled by concerns over the 'higher for longer' scenario, combined with conflicting data from the US economy and heightened tensions in the Middle East following the terrorist attack by Hamas, is instilling nervousness among investors. This apprehension is not unfounded, considering the multitude of uncertainties in play. The second half of October witnessed Q3 reports, revealing a significant share of companies falling short of revenue and earnings expectations, particularly in Europe as opposed to the US.

The *Online Retail Transition* theme (ORT) faced headwinds, contributing -2.88%-points to the overall underperformance. This downturn was predominantly driven by a pullback in HelloFresh's share price, following a Q3 reporting that disappointed on the decline in the active customer base. While our belief in HelloFresh's long-term potential remains strong, we acknowledge the potential impact of a weakening consumer and a looming recession on their short-term growth and profitability targets. Accordingly, we've prudently adjusted our exposure. In addition, the *Personal Healthcare* theme (PHC) also had a negative impact, contributing -1.42%-points in October. This was primarily instigated by a sharp decline in Vivoryon, triggered by an initiation from a French broker anticipating poor results from the phase 2b study, scheduled for release in Q1 2024

The *Balance Sheet Restructuring* (BSR) theme emerged as the best performer in October, contributing 1.78%-points. BSR comprises our short positions within the Swedish real-estate sector. We have previously delved into this theme, outlining our rationale for anticipating further declines in some of these names, despite already significant drops in share prices. Some of these companies might appear attractively priced compared to the previous 10-15 years, however we do not see the "low interest rate and abundant liquidity"-environment of the last 10-15 years returning any time soon, why a relative valuation might be misleading under current circumstances.

As stated last month the escalating geopolitical tensions, a looming threat of recession in both the US and the Eurozone (although the timing remains uncertain) and a range of other potential risk factors for equity markets is cause for caution. In response, we've prudently adjusted our exposure further, strategically reducing our average net-long position of October to approximately 10%. Toward the month's end, we took further steps to bring down the net-long exposure even closer to zero. With the multitude of factors at play, it feels like several balls are juggling in the air. The risk of one of them dropping is significant.

Statistical Summary

Return & Risk Statistics

Return/Risk	ST. PETRI L/S ⁴	INDEX ⁵
Return (October)	-1.70	-3.57
YTD	-8.19	4.94
Since inception	81.55	34.08
Annualized returns (since inc.)	11.04	5.28
Standard Deviation (LTM)	10.32	12.38
VaR 95% (October)	0.92	
Correlation w. Index (since inc.)	0.22	

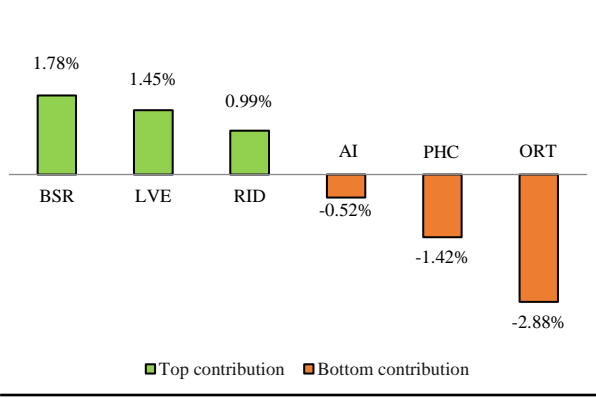
Thematic Exposure⁶

Long position	weight, %
Green Energy Wave	15.66
Sustainability Wave	13.07
Online Retail Transition	8.61
Short	
Balance Sheet Restructuring	-19.70
Real Income Destruction	-16.03
Low Volatility Exuberance	-13.31

Fund in numbers

AUM	300 DKKm
Average # of positions	62
	Short (#) 32
	Long (#) 30
Net long (October)	10.54
Largest sector exposure (long)	Materials (16.13)
Largest sector exposure (short)	Real Estate (-18.87)

Thematic Contribution⁷



¹ Net of all costs
² Gross of all costs
³ Short and long positions of 64.94% and 75.48%, respectively
⁴ Returns net of all costs
⁵ MSCI Europe NDR
⁶ Top three net exposures as per 31 October 2023
⁷ Gross top and bottom contributors as per 31 October 2023

BSR: Balance Sheet Restructuring
 LVE: Low Volatility Exuberance
 RID: Real Income Destruction
 AI: Artificial Intelligence
 PHC: Personal Healthcare
 ORT: Online Retail Transition