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ST. PETRI CAPITAL

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MONTHLY REPORT

*November 2023*

**Comments**

During November, the fund delivered a negative return of -5.74%<sup>1</sup>. There was a positive contribution of 3.55%-points<sup>2</sup> from long positions, a negative contribution of -9.47%-points<sup>2</sup> from short positions, and cash and equivalents had a positive contribution of 0.75%-points.

A substantial rally engulfed both equity and bond markets as better-than-expected data signaled a cooling inflation, suggesting that the elusive soft landing orchestrated by the Fed and ECB might indeed be on the horizon. This, in turn, implies a potential pause in the central banks' interest rate hikes and subsequently rate cuts. Currently, the market is pricing in the likelihood of the first rate cut around April 2024, with five 25 bps cuts anticipated before 2025. The impact of this relief-led rally resonated particularly strong in interest-sensitive sectors of the equity market, particularly in Real Estate and other long-duration assets.

The November landscape brought challenges for the portfolio, with the *Balance Sheet Restructuring* theme (BSR) emerging as the worst performer, contributing -3.58%-points to the overall underperformance. This decline was fueled by a robust rebound in the share prices of Swedish Real Estate companies, against which we hold short positions. Notably, these stocks surged more than 20% in November, creating a substantial headwind for our performance. The rally was attributed to optimism surrounding potential rate cuts in the first half of 2024 and a stronger SEK, coupled with the fact that many of these names were trading at suppressed levels, having already experienced roughly 50% YTD decline prior to the rally. While we maintain our belief in the 'Real Estate downturn story,' we've chosen to significantly reduce our exposure in this area to navigate potential volatility in the next 6-12 months. The *Online Retail Transition* theme (ORT) also faced headwinds, contributing -2.75%-points. This was driven by a further pullback in HelloFresh's share price, triggered by a profit warning just three weeks after the Q3 reporting, and a strong share price performance in one of our short positions within the theme.

The *Green Energy Wave* theme (GEW) was the best performing theme, contributing 2.59%-points in November, on the back of a strong month across the majority of our positions within the space.

The recent performance has been undeniably dissatisfactory, particularly marked by significant underperformance on our short side of the portfolio. Our, in hindsight, too negative stance on the market throughout much of 2023, November included, proved challenging. Starting November with a net long position of approximately 10%, our long positions struggled to keep pace with the rally, especially against our interest rate-sensitive short positions. Furthermore, the small cap bias of our long positions have been a drag in a market that has favored the safe-haven of *size* all year. Economic indicators are signaling a slowing economy and easing inflation pressures, heightening the possibility of a soft landing. In response to these shifting dynamics, and despite potential curveballs like geopolitical risks and a deeper-than-expected recession or hard landing scenario, we've adjusted our net long exposure to reflect a slightly more constructive view.

**Statistical Summary**

**Return & Risk Statistics**

Return/Risk	ST. PETRI L/S <sup>4</sup>	INDEX <sup>5</sup>
Return (November)	-5.74	6.44
YTD	-13.46	11.69
Since inception	71.13	42.71
Annualized returns (since inc.)	9.74	6.34
Standard Deviation (LTM)	10.44	12.08
VaR 95% (November)	1.18	
Correlation w. Index (since inc.)	0.22	

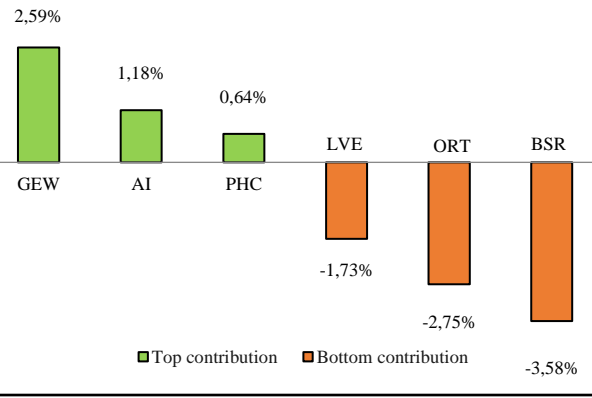
**Fund in numbers**

AUM	280 DKKm
Average # of positions	57
	<i>Short (#)</i> 28
	<i>Long (#)</i> 29
Net long (November)	26.72
Largest sector exposure (long)	Materials (16.40)
Largest sector exposure (short)	Consumer Disc. (-18.16)

**Thematic Exposure<sup>6</sup>**

Long position	weight, %
Green Energy Wave	15.75
Sustainability Wave	11.13
Personal Healthcare	7.86
Short	
Real Income Destruction	-16.38
Balance Sheet Restructuring	-15.01
Low Volatility Exuberance	-7.68

**Thematic Contribution<sup>7</sup>**



<sup>1</sup> Net of all costs  
<sup>2</sup> Gross of all costs  
<sup>3</sup> Short and long positions of 53.13% and 73.29%, respectively  
<sup>4</sup> Returns net of all costs  
<sup>5</sup> MSCI Europe NDR  
<sup>6</sup> Top three net exposures as per 30 November 2023  
<sup>7</sup> Gross top and bottom contributors as per 30 November 2023

GEW: Green Energy Wave  
 AI: Artificial Intelligence  
 PHC: Personal Healthcare  
 LVE: Low Volatility Exuberance  
 ORT: Online Retail Transition  
 BSR: Balance Sheet Restructuring