
ST. PETRI CAPITAL

MONTHLY REPORT

December 2023

Comments

During December, the fund delivered a positive return of 1.79%¹. There was a positive contribution of 3.69%-points² from long positions, a negative contribution of -2.16%-points² from short positions, and cash and equivalents had a positive contribution of 0.05%-points.

The December market momentum carried forward the November equity rally, fueled by growing optimism around a potential soft landing and positive sentiment regarding anticipated rate cuts in 2024. This optimism gained further traction with dovish remarks from Fed Chair Jerome Powell, leading the market to price in up to six rate cuts in 2024, with the first expected as early as March. Mirroring the trends noted in November, long-duration assets and interest-sensitive sectors experienced significant gains. This late 'Christmas Rally' served as 'icing on the cake' to a surprising year, marked by exceptionally strong returns for major indexes.

Despite a significant reduction in exposure at the beginning of the month, the Balance Sheet Restructuring theme (BSR) once again emerged as the worst performer in December, contributing -0.79%-points to the overall performance. Given the short-dominated nature of this theme, our positions were impacted by the continued market rally. However, the damage was mitigated as we prudently reduced or closed positions within the theme, as detailed in the November report. The Real Income Destruction theme (RID), another short-dominated theme facing challenges during the rally, had a negative contribution of -0.77%-points. The Green Energy Wave theme (GEW) was the best performing theme, contributing 0.90%-points in December. This contribution was evenly spread across our positions within the space.

The strategic adjustments executed throughout December, notably scaling back our short positions, resulted in a net long exposure of 48.9% by the end of the month. While these measures helped us recoup a small portion of the year's losses, we disappointingly closed the year down 11.90% for 2023. Sounding like a broken record, we in hindsight recognize that we have been too negative on the market throughout the year, expecting a recession that has not materialized, (yet). Looking ahead to 2024, a key question looms regarding the timing and severity of such a potential recession. Additionally, our small-cap bias proved to be a significant headwind in a market favoring the safety of large-cap names throughout the year. Consequently, our long positions, contributing 3.87%-points to performance in 2023, were unable to offset the losses from our short positions, contributing -13.50% for the year.

As we conclude this report, we've made the decision to transition to a quarterly and yearly reporting cadence, aligning more closely with our long-term investment strategy. This adjustment allows us to focus our resources further towards the fund's performance. Going forward, we remain committed to transparency and will continue to provide a monthly fact sheet featuring key performance metrics on our website.

Statistical Summary

Return & Risk Statistics

Return/Risk	ST. PETRI L/S ⁴	INDEX ⁵
Return (December)	1.79	3.71
YTD	-11.90	15.83
Since inception	74.19	48.00
Annualized returns (since inc.)	9.93	6.91
Standard Deviation (LTM)	10.52	11.40
VaR 95% (December)	1.07	
Correlation w. Index (since inc.)	0.22	

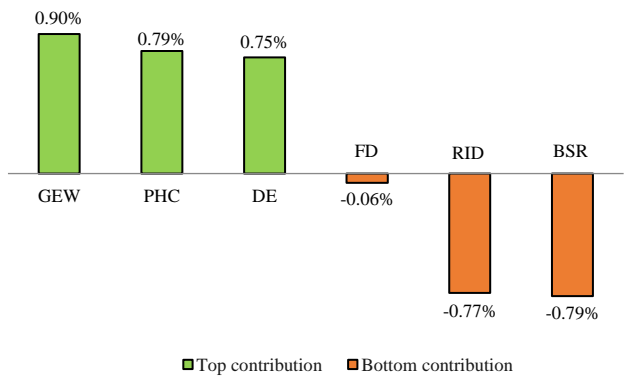
Fund in numbers

AUM	262 DKKm
Average # of positions	46
	<i>Short (#)</i> 15
	<i>Long (#)</i> 31
Net long (December)	48.86
Largest sector exposure (long)	Information Tech (19.84)
Largest sector exposure (short)	Consumer Disc. (-7.25)

Thematic Exposure⁶

Long position	weight, %
Green Energy Wave	16.85
Sustainability Wave	10.21
Personal Healthcare	7.87
Short	
Real Income Destruction	-8.89
Balance Sheet Restructuring	-4.5

Thematic Contribution⁷



¹ Net of all costs

² Gross of all costs

³ Short and long positions of 19.66% and 68.52%, respectively

⁴ Returns net of all costs

⁵ MSCI Europe NDR

⁶ Top three net exposures as per 29 December 2023

⁷ Gross top and bottom contributors as per 29 December 2023

- GEW: Green Energy Wave
- PHC: Personal Healthcare
- DE: Digital Experience
- FD: Financial Disintermediation
- RID: Real Income Destruction
- BSR: Balance Sheet Restructuring