ST. PETRI CAPITAL

Q4 REPORT
2023

Comments

Throughout Q4, the fund faced headwinds, experiencing a negative return of -5.68%[1]. Long positions contributed positively with 0.45%-points, while short positions had a negative impact of -5.89%-points. Cash and equivalents provided a slight boost with a positive contribution of 0.17%-points.[2,3]. The quarter kicked off with a market pullback driven by concerns of a 'higher for longer' scenario impacting both bond and equity markets. However, this sentiment swiftly shifted to a risk-on rally in November and December, concluding the year on an exceptionally strong note for most markets. This robust year-end rally, ignited by better-than-expected inflation and job market data, reflected investor optimism that central banks might achieve the near-impossible task of orchestrating a soft landing, leading to anticipated rate cuts in early 2024.

The main positive theme contributions came from *Green Energy Wave*, GEW (+3.00%-points), where the fund had a net long exposure of 16.05%, and *Artificial Intelligence*, AI (+0.74%-points), where the fund has a net long exposure of 6.06%. The positive performance in the GEW theme was largely driven by our strategic position within the subsea operations space, benefiting from substantial earnings upgrades spurred by heightened demand related to offshore wind activities. Similarly, the positive contribution from the AI theme was primarily attributed to a strong quarter for Dassault Systemes, experiencing an approximate 25% surge.

The primary detractors in Q4 were the Digital Platform Dominance (DPD) theme, resulting in a negative contribution of -5.61%-points, and the Balance Sheet Restructuring (BSR) theme, contributing -2.59%-points. The substantial negative impact from DPD can be traced back to the considerable share price decline of HelloFresh, down almost 50% in the quarter due to weaker-than-expected Q3 reporting and a subsequent profit warning. Of particular concern was the profit warning's focus on the US meal kit business, currently priced for limited growth at these levels. We will closely follow the Q4/2023 report and Q1 numbers, as we expect a potential rebound in active customers. Additionally, we are quite optimistic on the growth prospect from the Ready-to-eat (RTE) business ramping up in 2024 and 2025. As such, we have decided to keep our exposure to HFG. The negative contribution from the BSR theme is primarily attributed to our interest-sensitive short positions within Swedish real estate, which experienced significant share price appreciations across the board during the year-end rally.

The adjustments executed throughout the quarter, notably scaling back our short positions, resulted in a net long exposure of 48.9% by the end of the quarter. We disappointingly closed out 2023 down 11.90% for the year. 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.

Statistical summary

Return & Risk Statistics (%)

| Return	ST. PETRI L/S[4]	INDEX[5]
Q4	-5.68	6.44
YTD	-11.90	15.83
LTM	-11.90	15.83
Since inception	74.19	48.00
Avg. Yearly Ret. (since inc.)	9.93	6.91
Risk		
Annualized Standard Deviation	12.16	16.88
VaR 95%	1.07	
Maximum drawdown (Q4)	8.67	5.07
Maximum drawdown (since inc.)	19.08	35.48
Risk/Return		
Sharpe ratio (since inc.)	0.82	
Correlation w. Index (Q4)	0.24	
Correlation w. Index (since inc.)	0.22	
Fund in numbers		
AUM	260 DKKm	
Average # of positions	57	
Short (#)	31	
Long (#)	26	
Net long (Q4)	24.62%	
Largest sector exposure (long)	Information Tech (15.96%)	
Largest sector exposure (short)	Cons. Disc. (14.61%)	

Thematic Exposure[6]

Long position	weight (%)
Green Energy Wave	16.05
Sustainability Wave	11.47
Transition Essential Resources	7.95
Short position	
Real Income Destruction	-13.78
Balance Sheet Restructuring	-13.19
Low Volatility Exuberance	-3.97

Thematic Contribution[7]

Top contributor	return (%)
Green Energy Wave	3.00
Artificial Intelligence	0.74
Sustainability Wave	0.49
Bottom contributor	
Digital Platform Dominance	-5.61
Balance Sheet Restructuring	-2.59
Real Income Destruction	-0.87

St. Petri L/S
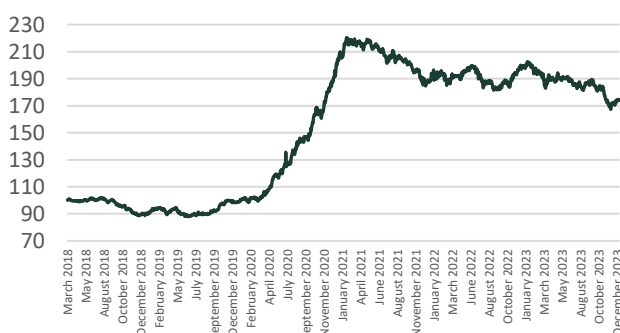
[1] Net of all costs
[2] Gross of all costs
[3] Short and long positions of 46.14% and 70.76%, respectively
[4] Returns net of all costs
[5] MSCI Europe NDR
[6] Top three net exposures as per 29 December 2023
[7] Top and bottom contributors as per 29 December 2023