SHEPHERD ENERGY GAS PORTFOLIO

MONTHLY REPORT January 2021. Performance: -0,67% (est.)

Shepherd Energy Gas Portfolio	Jan	Feb	March	April	May	June	Jul	Aug	Sept	Oct	Nov	Dec	Year end
2019							2,07%	3,39%	-1,37%	1,04%	-0,32%	2,75%	7,71%
2020	-0,30%	0,74%	1,91%	0,71%	1,72%	-0,24%	0,38%	-0,91%	-0,16%	-0,45%	-0,12%	-1,77%	1,46%
2021	-0,67%												-0,67%

Returns are from the Shepherd Energy gas portfolio that started trading at ICE in July 2019. The gas portfolio is being implemented into the strategy of Shepherd Energy portfolio. All figures in this report are gross from management fees and for guidance only. Annual standard deviation calculated from July 2019.

1 The Portfolio

Shepherd Energy Gas Portfolio is managed by Shepherd Energy AB, a securities company licensed and supervised by the Swedish Financial Supervisory Authority (Finansinspektionen).

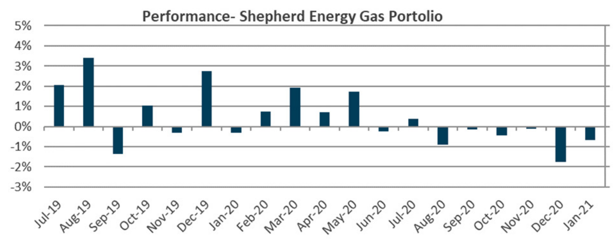
The Portfolio uses standardised futures and forwards, where all contracts are subject to clearing at the Intercontinental Energy Exchange, ICE. The Portfolio can use leverage and establish long and short positions.

The objective of the Portfolio is to achieve a high risk-adjusted return in combination with a low correlation to traditional stock and bond markets. The target is to generate an average yearly return of 15-20 percent with a Sharpe ratio > 1. The Portfolio is based on Shepherd Energy's fundamental analysis and long in-depth knowledge of the Gas Markets, where data is quantified to generate strategies. Of special interest is when the in-house analysis shows a price- and value divergence with a favourable risk/reward to build strategies on.

Due to volatility higher than the average of the bond and stock market regarding the European Gas Market, the Portfolio Managers apply a well-structured management process, focusing on risk- and money management. All the strategies have predefined stop-losses.

2 Performance

Shepherd Energy Gas Portfolio	
Return January 2021	-0,67%
Return last 12 months	1,08%
Net return since start-up	8,55%
Index value since start-up	108,55
Annulized Standard deviation	4,85%
Downside risk	1,93%
Average Margin to equity January	0,64%
Max Margin to equity January	1,22%
Min Margin to equity January	0,41%
Correlation MSCI World	-0,07
Yearly Rate of Return	5,32%
Sharpe Ratio	1,10
Sortino ratio	2,75
Sharpe ratio/Maximum draw down	1,32
Biggest monthly draw down	-1,77%
Longest draw down duration	6
Number of winning months	9
Number of losing months	10



3 Market comment

The bull run in European Gas that started mid-December, turned into a short squeeze with gas gaining and then falling 50% in the second week from a short capitulation on Jan 11/12. The original December move up was triggered by extreme cold in Asia and subsequent diversion of LNG which was relatively easily coped with by healthy storage, the further Jan impetus mainly came from a much heralded stratospheric warming event leading to a split in the polar vortex. As the associated SW cold weather failed to appear bears came out again and then with lingering weather fears were rapidly forced out despite this cold never materialising. Risk control on the spike led to a small loss as with several later failed breakout attempts we were a little slow to discard our protection.

We had some exposure to the squeeze from a Mar/Apr short spread which we entered into at what prior to the spike were record levels of around 8p and these spreads are now around 3p as the market moved to more normal metrics. Gas continues to fall and ended down for January as the excesses of the Christmas rally are unwound and post-holiday liquidity returns. With a cold European winter flattering demand alongside the diversion of LNG to Asia, storage has fallen to a still healthy 52% full. Looking forward with the collapse in Asian LNG pricing, LNG should return to Europe in large quantities by March limiting upside potential with pandemic demand destruction becoming more apparent. Of note to the contrarian side is the Carbon market which has supportive fundamentals. Pricing remains heavily above Henry Hub and oil traditional references however and carbon would be more supportive of demand longer term where we maintain length for this reason.

4 Contacts

Phone: + 46 8 466 04 40
Email: info@shepherd.se
Internet: www.shepherd.se
Portfolio Manager: Ben Ketley
Compliance officer: Johan Grenefalk, WesslauSöderqvist Law