

## Fund Manager's comment

## Performance

Adrigo Small & Midcap L/S rose by 11.65% in April, net of fees.

The Fund's holdings in Bonesupport (medtech) and Dometic (leisure products) provided the biggest contributions to returns. Among the Fund's smaller positions, we noted good percentage gains in Veoneer (automotive safety) and Byggmax (building supplies). The Fund's short positions impacted performance negatively in aggregate.

Adrigo Small & Midcap L/S has returned 21.5% since inception, net of fees. In the same period, the benchmark STIBOR 1M rate has returned -0.7% and the Carnegie Small Cap Return Index Nordic has gained by 9.0%.

## Market Comment

The Carnegie Small Cap Return Index Nordic rose by 11.53% in April. Equity markets rebounded very strongly as additional economic stimulus packages were announced. At the end of April, several countries communicated about when we might see their economies returning to more normal conditions. Increased clarity was likely a contributing factor for the strong return in April.

The Swedish stock market underperformed its Nordic peers, where the Finnish and Norwegian outperformed. We noted a stronger return within Swedish small caps compared to larger Swedish enterprises. Oil and gas exposed entities rebounded and outperformed, whilst financials underperformed.

## Outlook

Focus of Investment:

Adrigo Asset Management

We continued to be active in finding mispriced shares. During latter part of March and beginning of April we initiated a larger position in Dometic. The stock was badly hit during the March downturn, as concerns regarding falling earnings and balance sheet risk were contributing causes. We have been following the company and the entire leisure industry closely in recent years and the industry had momentum going into the Covid-19 outbreak. US inventory levels of recreational vehicles and boats have come down significantly, high consumer confidence of course partly driven by lower interest rates and in addition, a general trend towards outdoor living have driven end customer demand.

Key and Risk figures	30/04/20	1 M	12 M	Since Start
NAV, SEK	121.48			
Performance, %		11.65	-7.19	21.48
STIBOR 1M, %		0.01	-0.07	-0.74
Std deviation*, %			23.93	17.98
Sharpe ratio			-0.30	0.44
Net exp. to eq. %	49.0			
Annualized				

Adrigo Small & Midcap L/S is a hedge fund focusing on investments in Nordic equities and equity-related instruments in the segment of small and medium-sized companies.

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Dometic currently operates with relatively high financial leverage, but we believed that the market discounted an extremely negative outlook for the coming years. Dometic has previously shown that they can adjust their production when sales are falling, which Dometic also showed during the first quarter. The report was generally in line with expectations, but management's comment on a renewed banking agreement calmed the market and the share rebounded strongly during April. The coming quarters will show declining sales, but there is long-term value potential a few years out. We do see the long-term potential but we have reduced our position significantly due to the strong appreciation during the month.

During April, the majority of Nordic large cap entities have reported their Q1 earnings. Analysts' expectations have come down significantly going into the earning season, and the reports have generally been better than expected, with positive earnings estimate revisions. It is strikingly often however, that we are questioning the market's optimism due to the increased uncertainty in the coming quarters. In addition, Q1, especially for Swedish entities, was driven by currency effects and a favorable sales mix due to lower auto sales, which supported operating margins. In order to defend the rebound, market participants must believe in a strong recovery during the second half of 2020 and a normalization in 2021. Nordic corporates have on the other hand been conservative about 2020, and often removed its guidance. Equity markets will most likely be driven by additional monetary stimulus announcements and updates regarding Covid-19, but it is undoubtedly so that market expectations and thus the potential downside has increased.

At the time of writing, Berkshire Hathaway's AGM is ongoing, whereby we would like to highlight Charlie Munger's advice of having more realistic expectations about the future for happiness in in life. Covid-19 and its implications may have long-lasting negative effects on the economy, the question remains whether the stock market has today discounted an overly optimistic scenario. We continue to be active on the long and short side in order to find mispriced stocks, and finally we would like to thank our co-investors for your continued trust!



Source: Adrigo Asset Management

Initial minimum SEK 50.000, thereafter minimum SEK 10.000.

Skandinaviska Enskilda Banken AB (publ)

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Performance, %	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec	YTD
2020	4.04	-9.92	-11.79	11.65									-7.70
2019	8.73	2.71	0.74	0.86	0.53	-2.61	4.16	-9.63	2.11	2.40	2.66	1,65	14.09
2018	-3.65	-0.22	-2.53	5.24	4.12	3.86	0.79	0.25	6.61	0.75	0.67	-6.70	8.69
2017											2.65	3.40	6.14
Portfolio Managers: Launch date:	Staffan Östlin (CIO) Johan Eriksson 2017-11-01						Objective: Strategy:		High absolute return at a lower risk than the overall equity market. Adrigo Small & Midcap L/S is long/short hedge fund with a long bias. We put emphasi on fundamental research, stock picking approach.				
Current fees:	Subscription fee 0% Redemption fee 0%					Trading Day:		Fund units of Adrigo Small & Midcap L/S are open for subscription and redemption the last banking day every month.					
Redemption fee 0% Fixed management fee 1% Performance related management fee 20% of total return exceeding STIBOR 30 days rate after deduction of fixed fee ('high water mark').						NAV-	NAV: NAV is calculated on the last ban the fifth banking day thereafter.			ng day of each mo	th and published	at th	

Deposit:

Adrigo Small & Midcap L/S is managed by East Capital Asset Management S.A., portfolio manager is Adrigo Asset Management, a division of East Capital Financial Services AB, corporate identity no. 556988-2086. Adrigo Hedge is a so called "Specialfond" according to the Swedish Act (2013:561) of Managers of Alternative Investment Funds and the Swedish Financial Supervisory Authority's Instructions (FFFS 2013:10) relating to Managers of Alternative Investment Funds and does not comply with the provisions of the UCITS Directive. For full information please see Adrigo Asset Management's website, www.adrigo.se.

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