

# Adrigo Small & Midcap L/S

November 2017

## Fund Manager's comment

### Performance

Adrigo Small & Midcap L/S rose by 2.65% in November, net of fees.

The biggest contributions came from our holdings in **Wallenius Wilhelmsen** (logistics), **Modern Times Group** (media), **Grieg Seafood** (fish farming) and **Flex LNG** (natural gas transport). Amongst smaller holdings in the Fund we noted good percentage gains in **Capio** (hospitals/care) and **Loomis** (cash handling). The Fund's short positions, ie negative exposure to stock markets, provided strong positive contributions to the month's total returns.

Adrigo Small & Midcap has returned 2.65% since inception, net of fees. In the same period, the benchmark STIBOR 1M rate has returned -0.04 % and the Carnegie Small Cap Return Index Nordic has fallen by 2.9%.

### Market Comment

Carnegie's Small Cap Return Index Nordic fell by 2.9 % in November.

During the month the trend continued with a high number of IPO's in the Nordic small and mid cap universe. Thus, the risk appetite and excess liquidity in the equity market has been at elevated levels which is further reflected in a high number of equity placings from both Private equity companies, and other large shareholders.

### Outlook

Global economic growth remains at a high level as evidenced by both feed-back from listed companies and from economic statistics. This should mean more pronounced risks for higher interest rates, but signals from both the ECB and the Swedish Riksbank are that such rate hikes are relatively distant still.

The Fund's strategy is to have a handful of core holdings where each position is allowed a relatively high portfolio weight, and where our time horizon is very long term. This is combined with a number of holdings in smaller companies where we see a considerable long term potential, plus a more dynamic part of the portfolio. We expect this combination will provide strong opportunities for excess returns, even in tougher times.

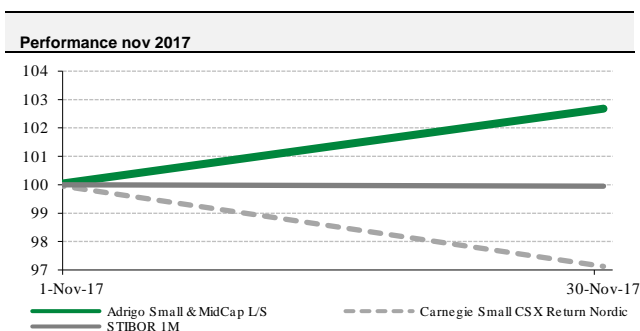
Amongst the Fund's bigger positions, we note **Momentum Group** (industrial sales), **Bergman & Beving** (technical trade), **Wallenius Wilhelmsen** (logistics), **Recipharm** (pharmaceutical) and **Modern Times Group** (media). These are companies where we see a very large potential for strong profit improvements ahead.

**Momentum Group**, which was dividded out from **Bergman & Beving** in the summer should raise margins considerably in the forthcoming years. In addition, we see potential for improved capital efficiency which according to management will raise the ratio of operating profit to working capital from below 25% today, to its targeted level above 45%. Notably, the company is hardly covered by brokers and banks, which strengthens our case further.

**Wallenius Wilhelmsen** is the result of a full merger of Wallenius and Wilhelmsen recently, following a long cooperation between the companies, dating back to 1999. Synergies from the merger are expected to be around USD 100 million and we see the potential for the very strong cash flows to be invested into land based logistics. This should lead to a multiple expansion which adds to the potential since forecast earnings (by analysts) are probably on the low side currently. Poor liquidity in the shares have hampered interest in the past, but the merger has doubled the free float in the share, which should raise interest for the shares.

Key and Risk figures	30/11/17	1 M	Since Start
NAV, SEK	102,65		
Performance, %		2,65	2,65
STIBOR 1M, %		-0,04	-0,04
Std deviation*, %			
Sharpe ratio			
Net exp. to eq. %	43,5		

\* Annualized



Source: Adrigo Asset Management

Performance, %	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec	YTD
2017											2,65		2,65

Fund Information Adrigo Small & Midcap L/S		Fund Manager:	Staffan Östlin	Focus of Investment:	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.
Fund Management Company:	Adrigo Asset Management AB Grev Turegatan 14, 114 46 Stockholm Tel +46 8 505 88700 Fax +46 8 505 88770 www.adrigo.se	Objective:	High absolute return at a lower risk than the overall equity market.	Strategy:	Adrigo Small & Midcap L/S is long/short hedge fund with a long bias. We put emphasis on fundamental research, stock picking approach.
Launch date:	2017-11-01	Trading Day:	Fund units of Adrigo Small & Midcap L/S are open for subscription and redemption on the last banking day every month.	NAV:	NAV is calculated on the last banking day of each month and published at the latest on the fifth banking day thereafter.
Current fees:	Subscription fee 0% 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").	Deposit:	Initial minimum SEK 50,000, thereafter minimum SEK 10,000.	Custodian:	Skandinaviska Enskilda Banken AB (publ)