

PERFORMANCE

Adrigo Small & Midcap L/S Class A fell 3.67% and Class C fell 3.67% in September net of fees. As of September, Class A is down 1.52% in 2022. The Carnegie Small Cap Return Index Nordic fell 12.12% in September and is down 31.15% in 2022.

The fund's smaller holding, **Bioarctic** (biotechnology), and larger holding, **Camurus** (pharmaceuticals) provided good contributions to our return. Our short book provided good returns and our active trading contributed handsomely. However, our negative exposure could not compensate for our mid-sized holdings which led to a negative return in September.

Adrigo Small & Midcap L/S Class A has returned 76.6% since inception, net of fees. The compounded return has been 12.3% since inception. In the same period, the benchmark STIBOR 1M rate has returned -0.7% and the Carnegie Small Cap Return Index Nordic has a gain of 41.2%.

MARKET COMMENT

Global interest rates continued to rise during the month, and the central banks have raised their interest rates to ease inflationary pressures.

We note that the USD has continued to trade strongly against the EURO and even stronger against the GBP. The GBP has lost some 20% of its value against the USD over the last 12 months. The Bank of England (BoE) has decided to intervene to "restore orderly market conditions". The BoE will acquire long-term government bonds and stated it will be ready to do what it takes to deliver on its objectives. These actions show the vulnerability of higher interest rates in a highly leveraged economy.

During September, we noted how Swedish real estate companies had difficulties refinancing their bonds, and companies that did get significantly higher margins. Currently, we often see margins above the underlying asset yield requirements. Highly leveraged companies, and their main owners, have undoubtedly an uncertain future ahead. Potential systemic risks are evident.

THE COMPANIES

Camurus held a capital markets day (CMD) in September. Camurus reiterated its overall message although slightly upgrading its long-term targets for the long-acting opioid dependency drug *Buvidal*, and highlighted its R&D pipeline. The market evidently liked Camurus' message as the share price rose some 10% the same day. We are optimistic that the market rollout of *Buvidal* in Europe, Australia, and the Middle East will continue strongly. We believe it is likely that Camurus will reach 3 bn SEK in sales from these markets alone. In addition, we see a US approval for its partner in 2023. A US launch will more than double the peak sales potential. We continue to find the share attractively valued as the market does not discount the US approval nor the R&D pipeline at the current share price.

Bioarctic announced that its partner, Eisai, reached positive results from their phase 3 trial in Alzheimer's disease. We had reduced our position significantly in September, but Bioarctic provided a solid contribution despite being a minor position. We divested the position post the announcement and await additional data, which will be presented in November.

Markets have contracted, so what is the potential downside from current levels? If we study our small-cap indices, last time the market discounted higher interest rates, i.e., December 2018, there is some 25% downside accounting for stronger balance sheets (excl. real estate companies) and some EPS growth over the last four years. History tells us that the stock market does not move linearly; bounces will come. Central banks will continue to set the tone for the upcoming six months. We continue to be bottom-up investors focusing on company-specific triggers. However, we must study macro events to move swiftly and navigate a melancholy market that one could compare to Eurhythmics' tune "*Here comes the rain again*".

Finally, we thank you for your trust and see good return opportunities in the future.

VISITS DURING THE MONTH

Two of our largest holdings, Bonesupport and Camurus, held capital market days. The number of attendees was high, likely due to increased interest from larger institutions. Both companies have been significantly de-risked over the last year, and the presentations confirmed our view.

We also met with Pierce, a leading e-commerce company retailing motorcycle parts and accessories. The stock has been hammered over the last year, and the company had to strengthen the balance sheet early this summer. The company is not out of the woods yet, but with limited financial risk, we think the stock offers good risk/reward.

LARGEST CONTRIBUTORS

- ▶ Camurus – Pharmaceuticals
- ▶ Short – Index Future (SE)
- ▶ Bioarctic – Biotechnology
- ▶ Short – Shipping (DK)
- ▶ Short – Industrial (DK)

Portfolio management



Staffan Östlin
Portfolio Manager and CIO
+46 73 337 83 44
staffan.ostlin@adrigo.se
In the industry since 1987



Johan Eriksson
Portfolio Manager
+46 73 337 83 24
johan.eriksson@adrigo.se
In the industry since 2016

Fund information

Launch date	2017-11-01
ISIN	SE0010440735
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").

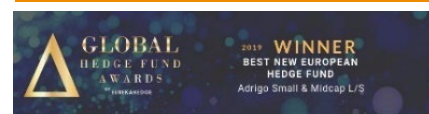
Deposit: Initial minimum SEK 1000.

Risk and reward profile



Important information:

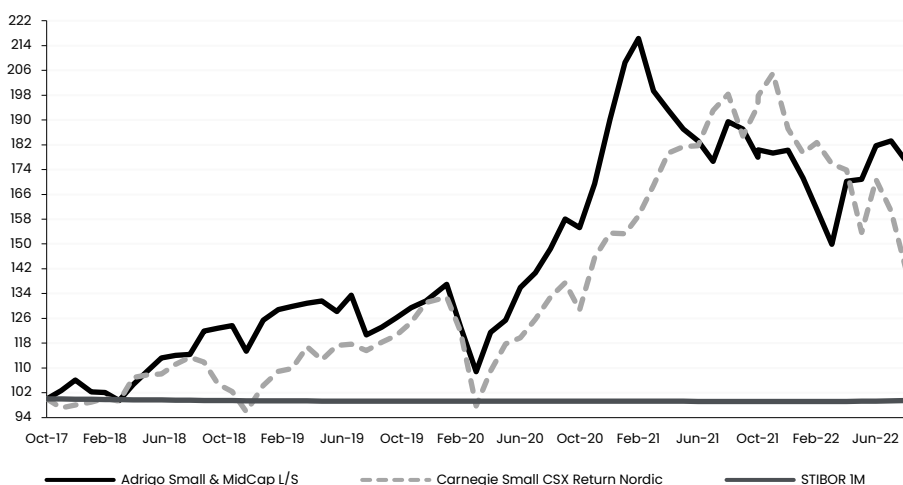
Investment in funds always involves some kind of risk. Past performance is no guarantee for future performance. Fund units may go up or down in value and may be affected by changes in exchange rates. Investors may not get back the amount invested. Full information on Adrigo funds, such as the prospectus, key investor information documents (KIID) and financial reports is available on adrigo.se.



ADRIGO SMALL & MIDCAP L/S

September 2022

Performance Nov 2017 – Sep 2022



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.

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.

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.

Deposit

Initial minimum SEK 1000.

Custodian

Skandinaviska Enskilda Banken AB (publ)

Portfolio manager

Adrigo Asset Management, a division of East Capital Financial Services AB, corp. identity no. 556988-2086.

Management company

East Capital Asset Management S.A.

Contact

Kungsgatan 33, 111 93 Stockholm, Sweden
Tel +46 (0)8 505 887 00
www.adrigo.se

Key and Risk figures	30/09/22	1 M	12 M	Since inception
NAV Class A, SEK	176.56			
NAV Class C, SEK	2 164.86			
Performance, % *		-3.67	-5.61	76.56
STIBOR IM, %		0.14	0.15	-0.66
Std deviation, % *, **			20.15	19.09
Sharpe ratio *			-0.28	0.64
Net exp. to eq. %	50.6			

*Refers to Class A **Annualized

Performance, %	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec	YTD
2022 Class C					12.87	0.32	5.08	0.72	-3.67				15.45
2022 Class A	0.56	-5.01	-5.90	-7.01	13.56	0.40	6.36	0.85	-3.67				-1.52
2021	9.67	3.71	-7.87	-3.09	-3.15	-2.04	-3.61	7.21	-1.24	-4.86	1.31	-0.57	-5.74
2020	4.04	-9.92	-11.79	11.65	3.21	8.42	3.53	5.51	6.47	-1.81	9.16	12.25	44.53
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

Source: Adrigo Asset Management

Important Information:

Adrigo funds are Alternative Investment Funds (so called "specialfond") according to the Swedish Act (2013:561) of Managers of Alternative Investment Funds and are therefore not to be considered as UCITS funds. Adrigo funds are only directed at institutions and other professional investors and are not subject to the same regulatory framework as those funds which are adapted to retail investors. Investments in funds always involve risks. Past performance is no guarantee for future performance. Fund units may increase or decrease in value and may be affected by changes in exchange rates and other factors. Investors may not get back the amount invested. Before investing, please read the fund regulations and the information memorandum carefully. For full information, such as the information memorandum, key investor information documents (KIID) and financial reports please see www.adrigo.se.

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