



## Fund Manager's comment

### Performance

Adrigo Small & Midcap L/S rose by 8.42% in June, net of fees.

The Fund's larger holdings in **Bonesupport** (medtech) and **Bergman & Beving** (technical trade) provided good contributions to returns. Among the Fund's mid-sized positions, we noted good gains in **Enea** (software) whilst we noted good percentage gains in **Kalera** (horticulture) and **Azelio** (energy storage). The Fund's short positions impacted performance negatively in aggregate.

Adrigo Small & Midcap L/S has returned 35.9% 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 19.7%.

### Market Comment

The Carnegie Small Cap Return Index Nordic rose by 1.XX% in June. Equity markets were strong during the initial weeks of June but reverted as the confirmed COVID-19 cases set new records in the US. Nordic equity markets were up by a percent, but we noted an intra-monthly spread of about 10% in June. Nordics *Industrials* outperformed whilst *Consumer goods* underperformed.

### Outlook

**Enea** has been a holding since inception. We have previously mentioned its transformation from a consultancy firm to a global software company with strong market positions. The new management team has continued to refine Enea towards cyber security, data traffic management, and 5G. In June, Enea announced a 5G order from a Tier 1 German telecom operator and in April they received an order from a US-based operator. Enea's competence is primarily within the core network, where larger investments are expected during the latter part of 2020. Today, it is the radio infrastructure, in which Enea does not have the same strong position, where most investments are taken place. We believe these orders, at this early stage, validates Enea's product offering within 5G. In the short term, earnings will be hampered by a decline in sales within its *Key Accounts* i.e. Ericsson and Nokia, business segment. If one expands the

investment horizon one or two years out, Enea will have continued to drive its high margin recurring revenue and have a solid position within 5G. We still find the valuation very attractive and see great value potential.

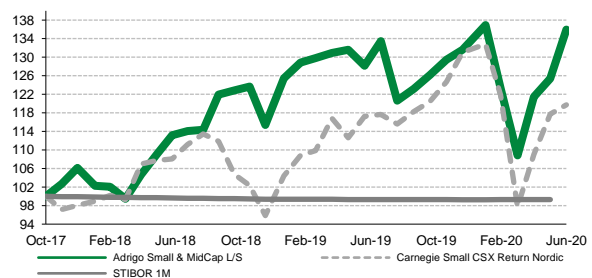
We initiated a position in **Kalera** in late March. Kalera operates vertical hydroponic salad farms. Hydroponic farming is a method of growing plants in mineral nutrient solutions in water instead of soil. Kalera opened its first large-scale facility in Orlando, Fla. earlier in March and will expand to additional US cities near term. About 90% of all salad consumed in the US are farmed in California or Arizona, two states where water is scarce and long-distance shipping required. Kalera's water consumption is about 10% of conventional farming and since Kalera's technology enables locally produced greens, the CO2 footprint is substantially less, and the products have longer shelf life. Inhouse farming eliminates the use of pesticides since there will not be any pests present. We are very impressed by the management team and its go-to-market strategy.

**Azelio** has developed a thermal energy storage system where a Stirling engine converts stored heat into electricity. Azelio's technology is suitable as a backup system for customers with unstable electricity networks or located off-grid. The company has produced hundreds of Stirling engines over the years and today Azelio performs a verification project in Morocco. Azelio has signed MoUs representing a potential order value of above SEK 12 bn. The verification study, which is expected to be finalized in 2021, is important for these projects to receive funding. The energy storage market is in its infancy, our assessment is that there will be several storage technologies in the future. We believe Azelio can gain market share in customer segments where storage needs are slightly lower and where diesel generators work as a back-up. Volume production is expected in 2021 and we argue that the share is attractive at current levels.

In July, most of the Nordic corporates will report their half-year results where we believe guidance will be in focus. Market expectations are high and there is an apparent risk for disappointments if corporates are unable to provide adequate information about the second half of 2020.

Key and Risk figures	30/06/20	1 M	12 M	Since Start
NAV, SEK	135.94			
Performance, %		8.42	6.08	35.94
STIBOR 1M, %		0.00	-0.05	-0.73
Std deviation*, %			25.46	19.95
Sharpe ratio			0.24	0.65
Net exp. to eq. % Annualized	54.9			

Performance Nov 2017 – June 2020



Source: Adrigo Asset Management

Performance, %	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec	YTD
2020	4.04	-9.92	-11.79	11.65	3.21	8.42							3.92
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

<b>Fund facts</b>		
<b>Portfolio Managers:</b>	Staffan Östlin (CIO) Johan Eriksson	<b>Strategy:</b> Adrigo Small & Midcap L/S is long/short hedge fund with a long bias. We put emphasis on fundamental research, stock picking approach.
<b>Launch date:</b>	2017-11-01	<b>Trading Day:</b> Fund units of Adrigo Small & Midcap L/S are open for subscription and redemption on the last banking day every month.
<b>Current fees:</b>	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").	<b>NAV:</b> NAV is calculated on the last banking day of each month and published at the latest on the fifth banking day thereafter.
<b>Focus of Investment:</b>	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.	<b>Custodian:</b> Skandinaviska Enskilda Banken AB (publ)
<b>Objective:</b>	High absolute return at a lower risk than the overall equity market.	<b>Portfolio manager:</b> Adrigo Asset Management, a division of East Capital Financial Services AB, corp. identity no. 556988-2086.
<b>Deposit:</b>	Initial minimum SEK 50,000, thereafter minimum SEK 10,000.	<b>Management company:</b> East Capital Asset Management S.A.

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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](http://www.adrigo.se).

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