



Fund Manager's comment

Performance

Adrigo Small & Midcap L/S fell by 9.63% in August, net of fees.

The Fund's holdings in **Momentum Group** (industrial distribution) contributed positively whilst the Fund's other large positions underperformed. Above all, the Fund's Norwegian exposure had a significant negative contribution in August. Among the Fund's smaller positions, we noted good percentage gains in **K2A** (residential properties). The Fund's short positions impacted performance negatively in aggregate.

Adrigo Small & Midcap L/S has returned 20.6% 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 15.6%.

Market Comment

The Carnegie Small Cap Return Index Nordic fell by 1.75% in August. Oil prices (Brent) fell by 6.6% during the month.

The overall broader Nordic stock market indices were weak during the initial weeks but bottomed out in mid-August and finished the month strongly. Defensive sectors like pharmaceuticals developed strongly, while oil and gas exposed companies underperformed.

The US-China trade war continued to affect the financial markets in August. Macro data from China were weaker than expected. US ISM Manufacturing was also weaker than expected, although still above 50 hence indicating continued expansion. The European equivalent still indicates contraction.

US and European long-term interest rates continued to fall during August. The US Fed indicated at the Jackson Hole policy meeting that they are ready to cut rates further if necessary.

Outlook

During August, **Enea** (software) completed a share issue (in order to repay an outstanding bond) which led to a weak share price development during the month. In recent years, Enea has made several acquisitions that have broadened the product portfolio and reduced the dependency on Ericsson and Nokia. We expect more value-adding acquisitions, which will have a positive impact on cash flows going forward. We increased our ownership in the equity issue.

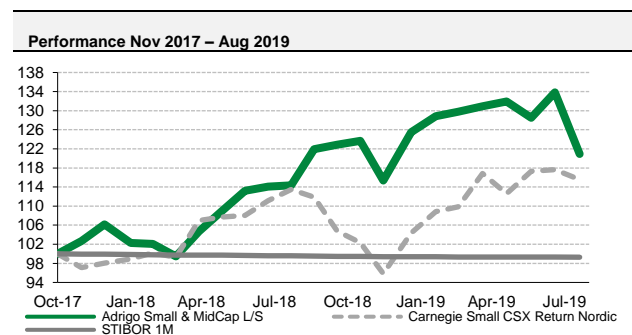
Finally, we must comment on the Fund's performance in August, the worst month for the Fund since inception. One month is a short period of time to assess returns, yet the result is far from acceptable.

As we eluded to initially, our Norwegian holdings have burdened the performance especially **Flex LNG** (LNG shipping) and **Northern Drilling** (oil service). We know from experience that the Norwegian stock market is volatile (e.g. Flex LNG was one of our top performers in July) and that the oil price has a great impact on the market sentiment. Nevertheless, we were unable to parry our long book performance. Fundamentally, the outlook for FLNG and NODL have not changed during the period and our assessment is that it is the short-term sentiment that has caused to share price declines. In addition, we also noted an extremely weak report from **B2 Holding** (debt collector), which also resulted in the CEO being terminated. Although B2 was a minor position it had a significant impact on our return and the position is now divested.

Besides the Norwegian exposure, our return was also negatively affected by the Enea equity issue, but also an announced issue in a minor holding which resulted in a significant negative share price reaction. We have again reviewed our larger holdings and do not believe that the outlook for these has changed in the negative direction. We, therefore, look forward to the autumn with confidence and are firmly convinced that we can generate excess returns over time.

Key and Risk figures	30/08/19	1 M	12 M	Since Start
NAV, SEK	120.62			
Performance, %		-9.63	5.47	20.62
STIBOR 1M, %		-0.01	-0.27	-0.70
Std deviation*, %			17.72	14.55
Sharpe ratio			0.34	0.78
Net exp. to eq. %	49.0			

Annualized



Source: Adrigo Asset Management

Performance, %	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec	YTD
2019	8.73	2.71	0.74	0.86	0.53	-2.61	4.16	-9.63					4.56
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

Fund Information Adrigo Small & Midcap L/S	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 Manager: Staffan Ostlin Johan Eriksson	Objective:	High absolute return at a lower risk than the overall equity market.
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	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.
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").	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 50,000, thereafter minimum SEK 10,000.
	Custodian:	Skandinaviska Enskilda Banken AB (publ)