

ADRIGO SMALL & MIDCAP L/S

December 2020

Performance

Adrigo Small & Midcap L/S rose by 12.25% in December and rose 44.5% in 2020, net of fees.

The Fund's larger holdings in **Atlantic Sapphire** (salmon farming) and **Bergman & Beving** (technical trade) provided good contributions. Among the mid-sized positions, we noted good gains in **Kahoot** (game-based e-learning), **Kalera** (horticulture), and **Azelio** (energy storage) whilst we noted good percentage gains in **CDON** (online retail) and **Bioservo Technologies** (medtech). The Fund's short positions impacted performance negatively in aggregate.

Adrigo Small & Midcap L/S has returned 90.2% since inception, net of fees. In the same period, the benchmark STIBOR 1M rate has returned -0.8% and the Carnegie Small Cap Return Index Nordic has gained by 53.5%.

Market Comment

The Carnegie Small Cap Return Index Nordic rose by 5.48% in December and 17.1% in 2020. All Nordic stock markets rose in December, where we noted that small caps outperformed larger corporates. The oil price rose by some 8% and the SEK continued to appreciate against the USD and EUR. We noted public offers in Recipharm and Tikkurila in December.

Outlook

We succeeded very well with our stock picking in 2020. Of our approx. 30 long positions, just over a handful rose by more than 100%. Paid subscribers increased significantly for **Kahoot** and the share rose by 330%. **Bonesupport's** share increased by 140% due to successful commercialization esp. in the US. **Q-Linea** closed a partnership with Thermo Fisher for its ASTar instrument, and the share rose close to 200%. **Vaccibody** published several important studies and closed a significant development and commercialization agreement with Roche. The share rose some 300% in 2020. These companies have been in our portfolio for several years and show the importance of a long-term perspective. At the same time, the return from our dynamic portfolio, where the horizon is much shorter, has also been satisfying.

The risk appetite is undeniably high. In the US, SPACs are listed at a high pace with high demand. In the Nordics, acquisitions have been highly appreciated by the market, where the gaming sector leads the bonanza. Focus has shifted from the next game launch or key titles' sales development, to instead being all about how many acquisitions will be made near term.

The strategy is brilliant from an accounting point of view as goodwill is not amortized on a straight-line basis and we note a favorable allocation of the acquired intangibles as well. Instead, the auditor must derive each studio's contribution for an impairment test, probably a difficult task due to consolidation and integration. In contrast, capitalized game development costs must be depreciated. The acquirers also prefer to measure its cash flow before M&A costs, which is obviously recurring, or cash paid for the acquired studios. If companies now acquire their pipeline, should one not adjust the cash flow? The market has obviously accepted a "have your cake and eat it too"-concept.

An annual dilution of 15 - 20% is not unreasonable as the acquisitions are partly share financed and we must not forget to add the earnouts. Inclusion of earnouts in the debt burden is however often missed by analysts as management simply do not include it themselves. Finally, investors must know that "organic growth" is not an IFRS measure and enables charismatic CEOs to define and interpret as they may see it fit.

We have been cautious investing in gaming and acquisition driven companies in general. In a zero-interest rate environment, it is of course more difficult to increase sales organically, but we do not believe that serial acquirers should trade at higher multiples than the stock market. Regarding gaming companies, we have difficulties to fully understand market expectations at larger gaming releases, both in terms of sales performance and gaming experience. The latter a risk which does not always seem obvious we argue.

We note that investors often act differently in the pharma sector regarding larger M&A. The acquirer is usually traded down initially. Uncertainty and complexity regarding integration of R&D often being the reason. Drug discovery and game development is of course on different levels of complexity, but nevertheless it is personnel-intensive and corporate culture is of importance. We think it is a sound investment strategy to analyze and consider M&A critically and not consolidate new, unknown companies from day one.

We still find companies where we believe that market expectations seem low despite the overly highly priced market, and small caps continue to reward bottom-up investors. We look forward to 2021 and would like to thank our co-investors for your trust and wish you a successful 2021!

Portfolio management



Staffan Östlin

Portfolio Manager and CIO



Johan Eriksson

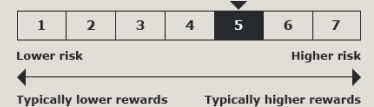
Portfolio Manager

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 50.000, thereafter minimum SEK 10.000.

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.

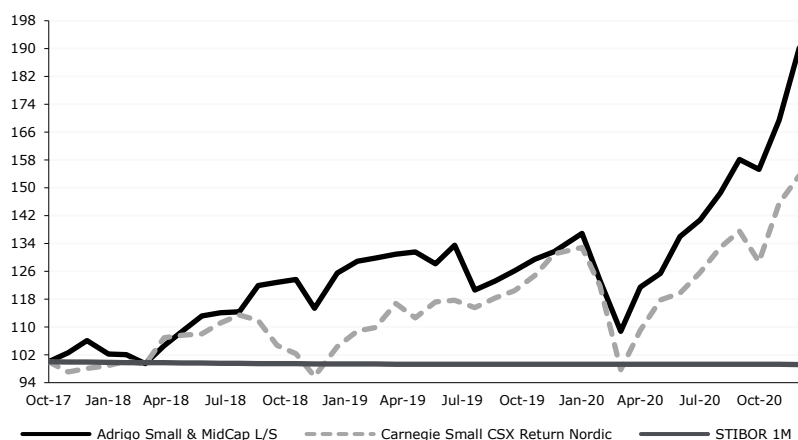


ADRIGO SMALL & MIDCAP L/S

December 2020

Performance

Nov 2017 – Dec 2020



Portfolio Managers

Staffan Östlin (CIO)
Johan Eriksson

Launch date

2017-11-01

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").

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 50.000, thereafter minimum SEK 10.000.

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.

Key and Risk figures	30/12/20	1 M	12 M	Since inception
NAV, SEK	190.21			
Performance, %		12.25	44.53	90.21
STIBOR 1M, %		-0.01	-0.01	-0.76
Std deviation*, %			26.72	18.65
Sharpe ratio			1.67	1.21
Net exp. to eq. %	59.2			

*Annualized

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	3.53	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. The availability of Adrigo funds may be limited or restricted in some countries. Detailed Information about where the funds are registered and what types of distribution are permitted can be obtained from Adrigo Asset Management. The information about Adrigo funds is only directed at those investors located where Adrigo is authorized to make this information available, and is not intended for any use which would be contrary to local law or regulation. Consequently, the Adrigo funds may not be offered, sold or distributed in these countries unless such offer, sale or distribution is made in accordance with any applicable exemption from any registration requirements provided by the local securities laws and regulations. Prospective investors should inform themselves as to: (a) the legal requirements within their own jurisdictions for the purchase and holding of shares; (b) any foreign exchange restrictions which may affect them; and (c) the income and other tax consequences which may apply in their own jurisdictions relevant to the purchase, holding or disposal of shares.