

# Adrigo Small & Midcap L/S

April 2018

## Fund Manager's comment

### Performance

Adrigo Small & Midcap L/S rose by 5.24% in April, net of fees.

The Fund's holdings in **Recipharm** (pharmaceutical manufacturing) and **Atlantic Sapphire** (salmon farming) provided the biggest contributions to returns. Among the Fund's smaller positions we noted good percentage returns from **Leröy Seafood** (salmon farming) and **Bergman & Beving** (technical trade). The Fund's short positions, with negative exposure to stock markets, impacted performance negatively in aggregate.

Adrigo Small & Midcap L/S has returned 4.7% since inception, net of fees. In the same period, the benchmark STIBOR 1M rate has returned -0.3% and the Carnegie Small Cap Return index Nordic has returned 6.9%.

### Market Comment

In April, the Carnegie Small Cap Return Index Nordic rose by 7.7%.

During the month, most of the Nordic corporates published their Q1 2018 reports. The stock market reactions to the reports were in many instances significant, and often negative. Focus appears to have been moved from current earnings onto future outlook and order intake. We continue to expect volatile stock markets on the back of geopolitical concerns and uncertainties over future interest rates.

The Swedish Central Bank, 'Riksbanken', left repo rates unchanged in April, and postponed prospects of a rate increase towards the end of 2018. The Swedish Krona has weakened considerably and since year end it has fallen by around 8% against the Euro. On the back of this announcement, we expect the SEK to remain weak.

### Outlook

In 2017, the Fund made an initial investment in **Atlantic Sapphire** (salmon farming). The company has for several years carried out land-based salmon farming in its pilot production plant in Denmark. Since last summer, the company is constructing a large-scale production plant outside Miami, Florida, with a capacity of producing 90 000 tonnes by 2026.

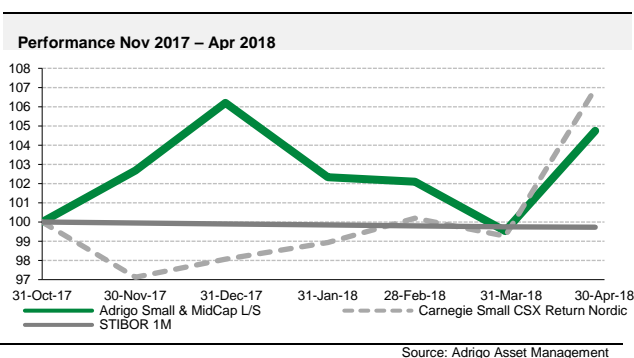
We visited the Danish plant in April, together with a small group of investors, and the meeting with the company's co-founder and CTO provided us with a very good impression. We also met the CEO and other co-founders for in-depth discussions. In conjunction with the investor meetings, an equity issue of NOK 600 m was made, to complete the initial phase of the US production plant. The shares have performed well since our initial investment and we have now raised the holding from a minor to a medium-sized position.

When the Florida expansion has been completed, Atlantic Sapphire will be the only major salmon farming company which has organic farming without any negative impact on the wild salmon. Furthermore, the company has won numerous awards for its salmon's taste and quality. Today, salmon is delivered from the Danish plant to several top restaurants in the US and to the American delicatessen chain Dean & DeLuca.

In May, we will see many more reports for the first quarter. We will continue to monitor these reports, to gauge the fundamental development of the companies, as well as the stock market reactions. Our focus on companies with low valuation risk and earnings risk, coupled with a change trigger, means that we feel confident to be able to generate good returns even in more volatile markets.

Key and Risk figures	30/04/18	1 M	Since Start
NAV, SEK	104.67		
Performance, %		5.24	4.67
STIBOR 1M, %		-0.04	-0.27
Std deviation*, %			
Sharpe ratio			
Net exp. to eq. %	35.9		

\* Annualized



Performance, %	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec	YTD
2018	-3.65	-0.22	-2.53	5.24									-1.38
2017											2.65	3.40	6.14

<b>Fund Information Adrigo Small &amp; Midcap L/S</b>	
<b>Fund Manager:</b>	Staffan Östlin
<b>Fund Management Company:</b>	Adrigo Asset Management AB Grev Turegatan 14, 114 46 Stockholm Tel +46 8 505 88700 Fax +46 8 505 88770 www.adrigo.se
<b>Launch date:</b>	2017-11-01
<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>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>Objective:</b>	High absolute return at a lower risk than the overall equity market.
<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>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>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>Deposit:</b>	Initial minimum SEK 50,000, thereafter minimum SEK 10,000.
<b>Custodian:</b>	Skandinaviska Enskilda Banken AB (publ)