



# Adrigo Small & Midcap L/S December 2019

## Fund Manager's comment

### Performance

Adrigo Small & Midcap L/S rose by 1.65% in December, net of fees.

The Fund's holdings in **Atlantic Sapphire** (salmon farming) and **Recipharm** (pharmaceutical manufacturing) provided the biggest contributions to returns. Among the Fund's smaller positions, we noted good percentage gains in **Kahoot** (game-based digital learning) and **Calliditas Therapeutics** (biotechnology). The Fund's short positions impacted performance negatively in aggregate.

Adrigo Small & Midcap L/S has returned 31.6% 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 31.1%.

### Market Comment

The Carnegie Small Cap Return Index Nordic rose by 5.08% in December.

The overall Nordic stock market finished 2019 strongly, where small and mid-sized entities outperformed larger companies. The oil price (Brent) rose by some 9% in December.

The Swedish Central Bank, 'Riksbanken', raised the repo rate from -0.25% to 0% in December ending a five-year period of negative interest rates. However, the government agency 'Swedish National Institute of Economic Research' criticized the decision highlighting rising unemployment and inflation to remain well below the Riksbank target in the years ahead.

Long-term interest rates continued to rise during the month where we noted gains in the US, German, and Swedish ten-year government bonds rate. In addition, we further noted a continuous strengthening of the Swedish Krona in comparison to the USD and EUR.

We saw several profit warnings in December, which in general were company-specific, but retail was over-represented as an industry.

### Outlook

The stock market of 2019 marks one of the better during the last 20 years. The fourth quarter was exceptionally strong despite weaker macro statistics. The question remains if the market has discounted a business cycle bottom to aggressively and thus entering 2020 with high expectations on the earnings growth.

Contributing factors for the strong equity markets are low-interest rates and monetary stimulus. In late December 2018, expectations were that there would be two interest rate hikes in the US in 2019. The result, however, was no hikes instead the US Fed cut the policy rate three times during the second half of 2019. The Fed also cut back on monetary stimulus during the first part of the year but reversed course during the autumn and started again to expand its balance sheet. In 2020, no interest rate hikes are expected and the "organic growth" of the balance sheet will most likely continue. Any tightening of monetary stimulus should be clearly negative for equity markets.

Our full-year return for 2019 ended at 14.1%. A return, considering the market, we are not satisfied with. Equity market conditions were harsh demonstrated by sharp turns and high volatility, where the sharp rise in the autumn made our short portfolio more difficult to manage. Historically, we have been successful with our shorts, but during the fall we were unsuccessful paring the upturn and thus lost too much on the short holdings. However, we believe today's short portfolio should be successful in a more "normalized" stock market environment where companies' ability to increase their earnings should be decisive for share price outcomes.

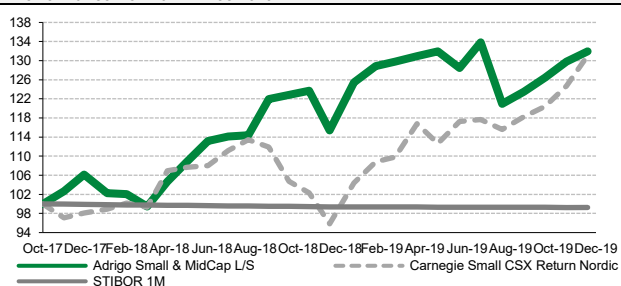
We enter 2020 with a long portfolio where the larger positions have good valuation support with an expected above-market earnings growth. We will continue to meet a lot of companies and work hard in order to generate good returns for our co-investors going forward.

Finally, we would like to thank you for your support and wish you all a happy new year!

Key and Risk figures	30/12/19	1 M	12 M	Since Start
NAV, SEK	131.61			
Performance, %		1.65	14.09	31.61
STIBOR 1M, %		-0.02	-0.16	-0.76
Std deviation*, %			14.96	13.44
Sharpe ratio			0.97	1.05
Net exp. to eq. %	49.3			

\* Annualized

Performance Nov 2017 – Dec 2019



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	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

Fund Information Adrigo Small & Midcap L/S		Focus of Investment:
<b>Fund Manager:</b>	Staffan Ostlin Johan Eriksson	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>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>Objective:</b> High absolute return at a lower risk than the overall equity market.
<b>Launch date:</b>	2017-11-01	<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>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>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)