

# Adrigo Small & Midcap L/S

February 2018

## Fund Manager's comment

### Performance

Adrigo Small & Midcap L/S fell by 0.22% in February, net of fees.

The Fund's holding in **Lerøy Seafood** (salmon farming) and **Outotec** (mining equipment) provided the most favourable contributions to the Fund's returns. Amongst the smaller holdings we noted good percentage gains in **Enea** (software) and **Avance Gas** (transportation/LPG).

Short positions, ie with negative exposure, impacted returns negatively in aggregate.

Adrigo Small & Midcap L/S has returned 2.0% since inception, net of fees. In the same period, the benchmark STIBOR 1M has returned -0.2% and the Carnegie Small Cap Return index has returned 0.2%.

### Market Comment

The Carnegie Small Cap Return Index Nordic rose by 1.3% during the month.

February saw sharp stock market declines around the world initially. The falls appear to have been triggered by inflation statistics in the US which caused concern for higher interest rates. In the latter part of the month, however, markets stabilised again and stock markets regained a big part of the downturn.

### Outlook

The Swedish Krona weakened dramatically in February. Signals from the 'Riksbank' that it will be some time before we will see interest hikes again should mean that the Krona will remain weak for a considerable time ahead.

The full year reports from the cyclical companies pointed mostly to continued strong global demand. On that note, it was interesting to see that the mining industry is raising investments yet again, after several years of very low activities.

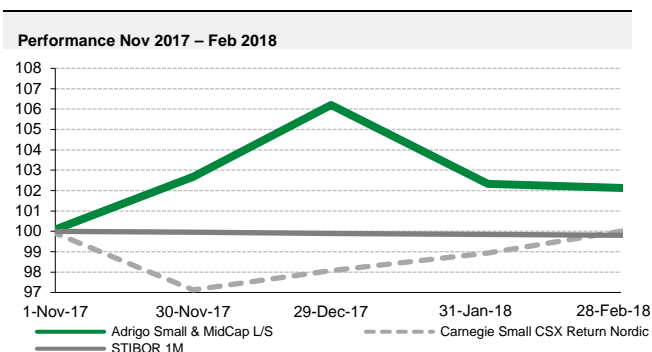
Amongst our larger holdings we saw strong earnings from **Momentum** (trading) where margins within its Tools division improved sharply. However, this was not caused by the economic recovery, but by its internal efforts to raise efficiencies. The company should be on track to reach its profitability target of return on working capital of 45% (from 24% currently) within a few years time.

**Recipharm** (pharmaceutical production) had a challenging year in 2017 when several large investment projects were delayed and more expensive than originally planned. After the third quarter, investors' confidence had been blown away completely, but the fourth quarter marked a recovery by the company. We expect strong earnings growth in the forthcoming years.

**Bravida** (installation/services) showed a strong underlying margin in Q4. In addition, the integration of last year's big Norwegian acquisition, Oras, is ahead of schedule. The company has continued to execute on its M&A strategy recently and with the benefit of larger scale the company should be able to reach its target of operating margins in excess of 7%.

Key and Risk figures	28/02/18	1 M	Since Start
NAV, SEK	102.04		
Performance, %		-0.22	2.04
STIBOR 1M, %		-0.04	-0.18
Std deviation*, %			
Sharpe ratio			
Net exp. to eq. %	42.0		

\* Annualized



Performance, %	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec	YTD
2018	-3.65	-0.22											-3.86
2017											2.65	3.40	6.14

<b>Fund Information Adrigo Small &amp; Midcap L/S</b>		<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>Fund Manager:</b>	Staffan Östlin	<b>Objective:</b>	High absolute return at a lower risk than the overall equity market.
<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>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>Deposit:</b>	Initial minimum SEK 50,000, thereafter minimum SEK 10,000.
		<b>Custodian:</b>	Skandinaviska Enskilda Banken AB (publ)