

# ADRIGO SMALL & MIDCAP L/S

September 2021

## Performance

Adrigo Small & Midcap L/S fell by 1.24% in September, net of fees.

The Fund's larger holding in **Kahoot** (e-learning) provided good contributions but **Bonesupport** (medtech) weighed negatively on the Fund's performance during September. Among the mid-sized positions, were good gains in **Kalera** (horticulture) and in the smaller positions, there were good percentage gains in **Initiator Pharma** (biotechnology) and **Alternus Energy** (solar power producer). The Fund's short positions impacted performance positively in aggregate.

Adrigo Small & Midcap L/S has returned 87.1% 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 a gain of 84.8%. Adrigo Small & Midcap L/S has had a return of 18.3% over the last 12-month period.

## Market comments and outlook

The Carnegie Small Cap Return Index Nordic fell by 6.9% in September. All Nordic stock markets fell during September, and both the Finnish and Swedish markets underperformed. Nordic small caps underperformed larger entities (OMXN40), which fell 3.8% during the month.

In September, **Bonesupport** announced that its pivotal US trial did not reach conclusive results as the drop-out rate was too high (18% in the active arm and 9% in the control group). Management stressed that covid-19 most likely affected the likelihood of patients to follow up. However, they also discussed that patient benefit, i.e., recovery, could have been a contributing factor. We argue it is highly unlikely that an unsatisfied patient with an infectious leg would not return to the hospital for a follow up appointment. Despite that we limited the loss by active trading, the share price decline of 50% significantly affected September's performance.

It is worth highlighting that the product (Cerament G) has been used in a European setting for over ten years with outstanding results, validated both clinically and in scientific journals. The next trigger is FDA's response regarding Bonesupport's De Novo application for Cerament G in the indication of bone infection. Bonesupport submitted supplementary data during September, which was somewhat earlier than market expectations. The FDA has 90 days to respond. In addition, Bonesupport was granted *breakthrough device* in the indication trauma and will submit a regulatory application by the end of 2021. A possible approval will come during H2 2022 at the earliest.

The inconclusive study is a setback, but we continue to have great confidence in Bonesupport's product offering and management. During Q1 2022, Cerament G could be approved in bone infection and hopefully by year-end approved for the largest part of the market, trauma. A US approval will lead to a major revaluation of the Company. In addition, it is worth highlighting its original product, BVF, which is growing at high rates in the US and the European expansion that is progressing according to plan. Furthermore, we believe its product pipeline justifies today's market cap alone. We have increased our ownership significantly during September.

After a weaker start to 2021, the real estate sector has outperformed significantly during the summer as long-term interest rates have fallen. However, during September interest rates rose, albeit, from extremely low levels. Central banks have raised rates (e.g., Norway) or indicated future rate hikes, but it remains to be seen whether the forecasts are correct. Probably not, but the current trend is that rates have bottomed out.

During the month, Akelius Residential Property left the Swedish real estate market through one of the largest transactions in the past 20 years. In 2020, Akelius revised its business model and changed its focus from properties needing excessive renovation as "good times for upgrading such properties are over", i.e., the ROI is too low. Even if this is just one company's data point, it is worth considering the actions of one of Sweden's most prominent real estate investors. We wonder if the market's appetite for an "uncorrelated risk-free return" has gone too far. Over the years, the yield requirement has fallen in the sector, which is self-fulfilling as valuations are based on post transactions and the stock market has rewarded the "buy and renovate" real estate companies. Rising long-term interest rates and tightened monetary policy are an unpleasant combination for real estate stocks.

Finally, it is great to see that physical meetings are picking up again and we continue to see a steady stream of new companies entering the market. We have participated in a couple of the IPOs with solid returns. Our allocation has been good, which we attribute to our having a good reputation among the Nordic investment banks. We continue to work actively to generate solid absolute returns and add value for our co-investors. Thank you for your trust!

## Portfolio management



**Staffan Östlin**  
Portfolio Manager and CIO



**Johan Eriksson**  
Portfolio Manager

## Fund information

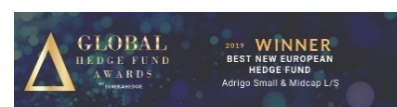
Launch date	2017-11-01
ISIN	SE0010440735
Subscription fee	0%
Redemption fee	0%
Fixed management fee	1%

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](http://adrigo.se).

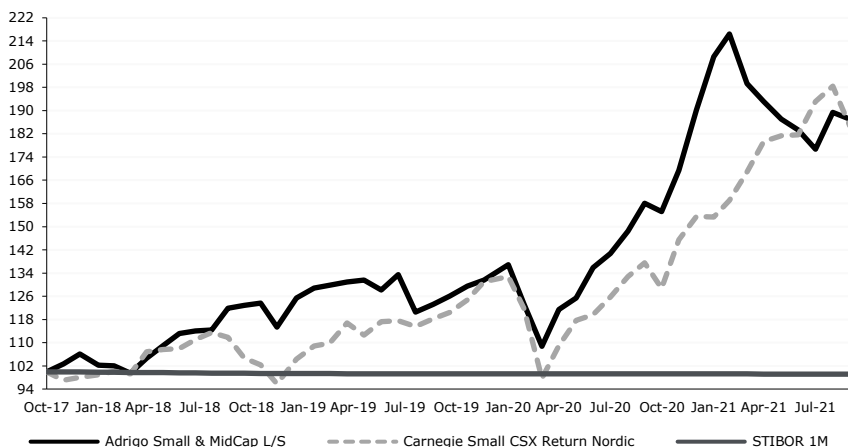


# ADRIGO SMALL & MIDCAP L/S

September 2021

## Performance

Nov 2017 – Sep 2021



### 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	30/09/21	1 M	12 M	Since inception
NAV, SEK	187.06			
Performance, %		-1.24	18.33	87.06
STIBOR 1M, %		-0.01	-0.07	-0.81
Std deviation*, %			22.54	18.82
Sharpe ratio			0.81	0.92
Net exp. to eq. %	>60.0			

\*Annualized

Performance, %	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec	YTD
2021	9.67	3.71	-7.87	-3.09	-3.15	-2.04	-3.61	7.21	-1.24				-1.66
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

### 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](http://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.

Source: Adrigo Asset Management