



Fund Manager's comment

Performance

Adrigo Small & Midcap L/S rose by 8.73% in January, net of fees.

The Fund's holdings in **Atlantic Sapphire** (salmon farming) and **Getinge** (medtech) provided the biggest contributions to returns. Among the Fund's smaller positions, we noted good percentage gains in **Veoneer** (automotive safety) and **Magseis** (marine geology). The Fund's short positions impacted performance negatively in aggregate.

Adrigo Small & Midcap L/S has returned 25.4% since inception, net of fees. In the same period, the benchmark STIBOR 1M rate has returned -0.6% and the Carnegie Small Cap Return Index Nordic has gained by 4.4%.

Market Comment

The Carnegie Small Cap Return Index Nordic rose by 8.91% in January.

2019 began with a strong stock market upturn, where Nordic small cap shares also developed strongly. In addition, oil prices rose by about 20 percent during the month.

The Federal Reserve left the benchmark rate unchanged in January. More surprisingly, however, was Fed's about-turn putting further interest rate rises on hold citing tepid inflation and an uncertain global economic outlook. The change of tone received criticism as it contrasted with the outlook given only six weeks earlier of two rate hikes during 2019.

Despite its change in tone, the Fed expects solid economic activity, a strong labour market, and inflation near its two percent target. Further, US companies have continued to report general cost inflation pressures, primarily due to higher input and personnel related costs. Cost inflation has been offset by price increases towards the end customers.

Finally, the question remains to what extent the central banks can continue to make adjustments on reported figures in order to capture the true underlying inflation.

Key and Risk figures	31/01/19	1 M	12 M	Since Start
NAV, SEK	125.43			
Performance, %		8.73	22.65	25.43
STIBOR 1M, %		-0.02	-0.46	-0.62
Std deviation*, %			14.53	13.92
Sharpe ratio				
Net exp. to eq. %	45.5			

*Annualized

Outlook

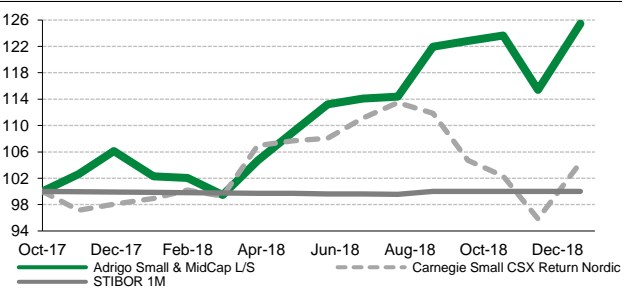
At the time of writing, we are in the middle of the earnings season. Just about 30% of US companies have reported quarterly figures. EPS growth has gone from 27% in the third quarter to 14% for the fourth quarter. The same trend is visible in the Nordic market, where we see a significant decline in the year on year earnings growth.

We also note that several sell side equity analysts have lowered their earnings estimates quite significantly for 2019 and 2020. Economic indications from e.g. China have continued to be weak and the regime has taken measures to reverse the negative trend. We now see some indications that efforts taken have resulted in desired effects.

In January, **Europris** (discount variety retailer) which is one of the fund's minor holdings, reported their earnings for the fourth quarter. The company is Norway's leading discount variety retailer with just over 250 department stores. Europris is a living proof that traditional brick and mortar retail is not dead. The company, which is managed by a cost-conscious management and has a sales-oriented organization, delivered 7% like-for-like sales growth during Q4. Last summer, Europris acquired a 20% stake in Runsvengruppen, owner of the Swedish equivalent ÖoB. Europris also has an option to purchase the remaining 80% in 2020. ÖoB has around 100 stores in Sweden and the merger is expected to result in substantial cost synergies, primarily from sourcing already in 2019. In addition, since 2013 Europris also has a sourcing joint venture with the Finnish retail chain Tokmanni. In an industry categorised by constant price pressure, large scale and joint sourcing are vital to maintaining profitability. We started buying shares after visiting the company in Oslo in December. The valuation, with an earnings multiple below ten, a solid balance sheet, and a dividend yield above seven percent, provides a very good valuation support.

Finally, we would like to thank our co-investors for your trust. It is also rewarding that other parties pay attention to our performance. In January, we received the "New Fund of the Year" award at the Eurohedge Awards in London and we continue to see good opportunities to create excess returns going forward.

Performance Nov 2017 – Jan 2019



Source: Adrigo Asset Management

Performance, %	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec	YTD
2019	8.73												8.73
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:	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.
Fund Manager: Staffan Ostlin Johan Eriksson	Objective:	High absolute return at a lower risk than the overall equity market.
Fund Management Company: Adrigo Asset Management AB Grev Turegatan 14, 114 46 Stockholm Tel +46 8 505 88700 Fax +46 8 505 88770 www.adrigo.se	Strategy:	Adrigo Small & Midcap L/S is long/short hedge fund with a long bias. We put emphasis on fundamental research, stock picking approach.
Launch date: 2017-11-01	Trading Day:	Fund units of Adrigo Small & Midcap L/S are open for subscription and redemption on the last banking day every month.
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").	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)