

ADRIGO SMALL & MIDCAP L/S

December 2021

Performance

Adrigo Small & Midcap L/S fell by 0.57% in December and fell 5.74% in 2021, net of fees. Of course we are disappointed with our performance over the last year. We have continued with our long-term strategy including meeting a vast number of companies and running a highly focused portfolio. We have generated an annual performance of some 15% since inception which is well in line with our ambition of 8-16% absolute performance.

The Fund's larger holding in **Bonesupport** (medtech) provided a good contribution to returns. Among the mid-sized positions, we noted good gains in **Arla Plast** (plastic materials). Among the smaller positions, we noted good contributions from our unlisted holding **Webrock Ventures** (investment firm). The Fund's short positions impacted performance negatively in aggregate.

Adrigo Small & Midcap L/S has returned 79.3% 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 105.0%.

Market comments and outlook

The Carnegie Small Cap Return Index Nordic rose by 3.66% in December. We noted that Nordic small-caps underperformed their large-cap peers (OMXN40), which rose by 6.23% in December. December was twofold. Initially, Nordic small caps were weak (-3.3% mid-month) but finished strongly. We noted the trading was unusually thin during the second half upturn.

In our latest monthly letter, we briefly described why we, through a directed share issue, together with Jofam, invested in Online Brands Nordic "OBAB" (e-commerce). Since the capital injection, OBAB has announced two acquisitions, KitchenLab in late November and Bread & Boxers in January. Over the years, OBAB's management team has proven to be shareholder value creators. OBAB targets niche market acquisitions with less competition and where OBAB can refine business models and scale up the business. Likely targets will be companies with sales in the SEK 20-100m range where scalability is a focus area. OBAB's model is to pay with one-third each: cash, share, and additional earn-out. As shareholders, the founder(s) and current owner have incentives to continue their growth journey within OBAB. With a turnover of approximately SEK 40m and an operating margin of 11%, Bread & Boxers is a typical example of a target. The company was founded in 2008, brought in the NY Rangers ice hockey legend Henrik Lundqvist as a partner in 2014, and has since grown its business at a high pace. However, we believe that margins will improve significantly as the sales mix changes to its own web-shop vs. third-party retailers. OBAB's tempo has been high since November, and we continue to expect additional verticals to be added in the coming year. Online Brands is at the beginning of its growth journey, the share is undiscovered, and the market cap is a moderate SEK 700m.

We have initiated a smaller position in **Securitas** (security systems/surveillance) after its intention to acquire Stanley Security was published. We view the acquisition as transformative, not only for the Company on an operational basis but also for the revaluation potential. We believe that the stock market will view Securitas with a set of fresh eyes once the equity issuance is completed. The pessimist criticizes SECU for paying a high price, which is true compared to its own multiple. The optimist values the recurring revenue, high technology content, and high entry barriers. In addition, Securitas got criticized for the buyback of a once spun-off entity, a somewhat strange critic in our view. Everything is clear in hindsight and looking back one could argue it was a less shareholder-friendly decision. The fact that the acquisition is partly financed by a rights issue has also been stated as negative. We argue that it is appropriate to let current shareholders participate at a current, somewhat depressed, share price level rather than to dilute your ownership at today's valuation.

We have once again initiated a position in **Atlantic Sapphire** (salmon farming). 2021 was a rough year, to say the least: biological challenges in the US, filter issues at their Danish plant, and to top it off, the Danish plant was destroyed in a fire. We were certainly not alone in believing that the company's lack of disclosure was horrible, and the stock market's confidence is visible in the valuation. During the autumn, ASA reports data monthly and the biological development looks promising. ASA has high value potential if the operational improvements continue.

2022 has thus far been volatile and highly valued stocks have been punished. We note that the "sharp" sell-off has led to valuations in some names coming down from obscurely high to a bit less obscurely high share price levels that we saw in October last year. The US Fed state their intention to tighten money supply and raise rates three times in 2022, while the market discounts four hikes. We continue to meet companies, be selective, look for triggers, and try to avoid being drawn into the constant short-term nonsense noise. We finally thank our co-investors for your trust and look forward to 2022 with confidence!

Portfolio management



Staffan Östlin
Portfolio Manager and CIO



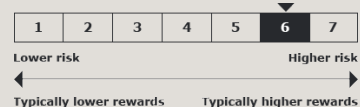
Johan Eriksson
Portfolio Manager

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 1.000.

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.

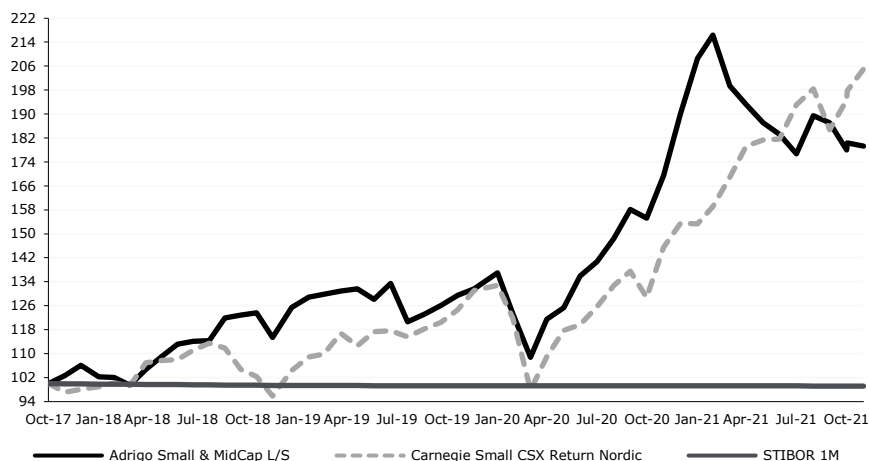


ADRIGO SMALL & MIDCAP L/S

December 2021

Performance

Nov 2017 – Dec 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 1.000.

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	30/12/21	1 M	12 M	Since inception
NAV, SEK	179.29			
Performance, %		-0.57	-5.74	79.29
STIBOR 1M, %		-0.01	-0.07	-0.83
Std deviation*, %			17.58	18.53
Sharpe ratio			-0.33	0.81
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	-4.86	1.31	-0.57	-5.74
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. 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