

Adrigo Small & Midcap L/S

Monthly Report September 2024



Navigating volatility

Performance

Adrigo Small & Midcap L/S Class A and Class C fell by 11.05% in September after fees. The Carnegie Small Cap Return Index Nordic rose by 0.93% in September.

Among the fund's larger holdings, **Himalaya Shipping** (transport), **Golden Ocean** (transport), and **Online Brands Nordic** (e-commerce) made solid contributions. Among the fund's smaller and mid-sized positions, we noted positive contributions from **Scandic Hotels** (hotels) and **Corem Property** (real estate). The fund's short positions collectively had a negative impact on returns.

Adrigo Small & Midcap L/S Class A has generated a return of 73.68% since inception, after fees. During the same period, the benchmark STIBOR 1M returned 6.32%, and the Carnegie Small Cap Return Index Nordic returned 104.2%. The average return for the fund since inception is 8.31%.

The Market and the Companies

The global stock market performed positively in August. MSCI World increased by 1.5%. S&P 500 rose by 2.1%, and EURO STOXX 50 climbed by 0.9%. Emerging markets MSCI EM rose by 5.6%. The Brazilian Bovespa fell by 3.1%, while the Indian BSE increased by 2.4%. The Russian RTS and MSCI Korea had unchanged market developments and declines respectively. In the Nordics, Sweden performed best with an increase of 1.4%, followed by Finland with a 1.3% rise, while Norway and Denmark fell by 1.6% and 10.0%, respectively.

The past few months have been quite challenging for us shareholders. We expect the fund to sometimes experience high volatility and to have months where we deviate significantly from the market. This is due to our relatively large exposure to smaller companies, where liquidity sometimes affects prices more than the fundamental developments of the companies. What we have experienced in recent months could be called a perfect storm.

We start with the stock that contributed most negatively to our returns this month. **Vicore Pharma** shocked us and the market by announcing a very large rights issue of SEK 782 million (43% of the then market value), offering shareholders the chance to subscribe for new shares at SEK 7, compared to the current price of SEK 16. The price reaction was, not surprisingly, very strong and the stock is now trading just above the issue price. The announcement came as a complete surprise, as the company conducted a SEK 500 million issue in 2023, which was supposed to cover the same studies that are now being referred to, to cover the capital needs until the first quarter of 2027. We invested in the company in the spring based on these premises. Unfortunately, the management and the board seem to have a very low understanding of how capital markets work, and this issue is a textbook example of how to destroy shareholder value in the short to medium term.

Other stocks in the portfolio that performed weakly include **Pierce Group**, **Initiator Pharma**, **OssDsign** and **Braincool**. All are less liquid, and we have not noted any fundamental news that explains the declining prices.



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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 information documents (KID) and financial reports is available on adrigo.se.

Visits during the month

Among the companies we met with are Mips, Sensime, OssDsign and Corem.

Largest contributors

- > Himalaya Shipping – transport
- > Golden Ocean – transport
- > Shorting – software
- > Scandic Hotels – hotel
- > Shorting – OMX futures

Our new holding, **Scandic Hotels**, performed well. The company's large convertible loan has now been fully converted into shares. Thus, the company can resume dividend payments, and we can also expect share buybacks to be on the agenda. The good cash flow also allows for continued expansion.

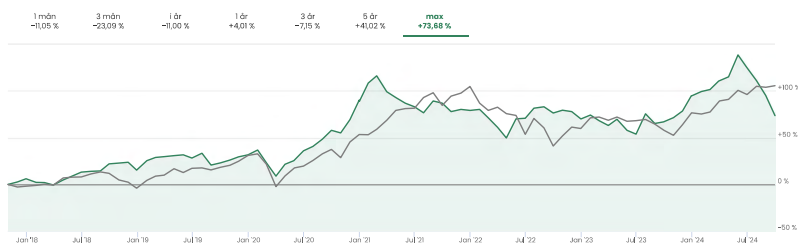
We note that the market for the software company **Enea** seems to be improving. Over the summer, the company received an order for a 5G network data layer worth USD 2.9 million from an existing tier-1 mobile operator customer in North America. In September, a contract worth USD 2 million for traffic management was signed with a customer in the Middle East. The potential contract value is USD 5.5 million over a five-year period. These two contracts underscore Enea's advanced product offerings and how attractive the company's various products are in the global market. Enea invested 25% of revenues in product development during the first half of the year (and the amortisations exceeded the capitalisations). The company aims for double-digit growth, a 35% EBITDA margin, and strong cash flows. We believe the company is well placed to achieve this. In addition, the strong balance sheet allows for niche acquisitions in addition to continued share buybacks. With a free cash flow yield of around 11% and good opportunities for both growth and margin expansion, we believe the company remains undervalued.

Initiator Pharma's stock performance this year has been disappointing. A year ago, the company reported very good results from its phase IIb study of pudafensine. This is a drug candidate for the treatment of erectile dysfunction (ED) and female sexual dysfunction (FSD). There is currently a significant percentage of men who do not respond to current alternatives such as Viagra and Cialis. Regarding FSD, there is a considerable unmet need. Initiator Pharma is currently in discussions with potential regional and global partners. We fully understand that this takes time, even though it can be frustrating when there are gaps in the flow of information.

Finally, we would like to thank our co-investors for their trust, as always. Please feel free to reach out to us with your comments or questions.

Performance

- Adrigo Small & Midcap L/S
- Carnegie Small CSX Return Nordic



November 2017 – September 2024 (Class A)

Key & Risk figures

Key & Risk figures	NAV	1M	12M	Since inception	Date
Class A, SEK	173.68				2024-09-30
Class C, SEK	2 062.07				
Performance, %*		-11.05	4.01	73.68	
STIBOR 1M, %		0.2993	329	6.58	
Std deviation, %*			23.48	19.68	
Sharpe ratio*			0.17	0.42	

*Refers to Class A

General information

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.

NAV

NAV is calculated on the last banking day of each month and published at the latest on the fifth banking day thereafter.

Portfolio manager

Adrigo Asset Management, a division of East Capital Financial Services AB, corp. identity no. 556988-2086.

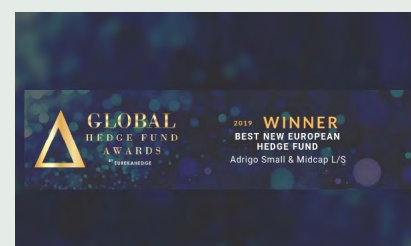
Management company

East Capital Asset Management S.A.

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Awards



Monthly performance (Class A)

%	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec	YTD
2024	2.3	1.04	4.45	2.23	10.87	-5.44	-6.43	-7.59	-11.05				-11.00
2023	2.47	-3.5	-3.08	4.11	-6.96	-2.66	14.15	-5.81	0.97	2.77	4.17	9.16	14.63
2022	0.56	-5.01	-5.9	-7.01	13.56	0.4	6.36	0.85	-3.67	1.71	-0.91	-4.34	-5.05
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	2.4	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	-6.7	8.69
2017											2.65	3.4	6.14

Monthly performance (Class C)

%	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec	YTD
2024	1.92	0.9	3.61	1.87	9.63	-5.43	-6.43	-7.59	-11.05				-13.44
2023	2.48	-3.5	-3.08	4.11	-6.97	-2.65	14.15	-5.81	0.97	2.77	4.17	8.66	14.11
2022					12.87	0.32	5.08	0.72	-3.67	1.71	-0.91	-4.34	11.31

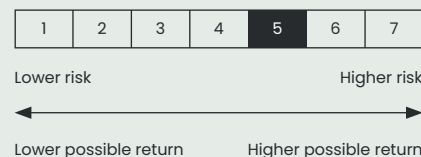
Fund facts

Fund type	Equity hedge fund
Launch date	Class A: 2017-11-01 Class C: 2022-05-02
ISIN	Class A: SE0010440735 Class C: SE0017133366
Subscription fee	0%
Redemption fee	0%
Fixed management fee*	1%
Benchmark	The fund does not follow any benchmark index
Deposit	Initial minimum SEK 1000.
Custodian	Skandinaviska Enskilda Banken AB (publ)
Trading day	Fund units of Adrigo Small & Midcap L/S are open for subscription and redemption on the last banking day every month.

*Performance related management fee 20% of total return exceeding STIBOR 30 days rate after deduction of fixed fee ("high water mark").

Risk indicator

The fund has risk class 5 out of 7, which means that it can decrease/increase sharply in value. The risk indicator assumes you keep the product for 5 years.



Important information: Adrigo Small & Midcap L/S are Alternative Investment Funds (so called "specialfond") according to the Swedish Act (2013:561) of Managers of Alternative Investment Funds. This is marketing communication. This publication is not directed at you if we are prohibited by any law in any jurisdiction from making this information available to you and is not intended for any use that would be contrary to local laws or regulations. Every effort has been made to ensure the accuracy of the information in this document, but it may be based on unaudited or unverified figures or sources. The information in this document should not be used as the sole basis for an investment. Access to our funds may be limited in some countries. Contact us for detailed information on where the funds are registered and what type of distribution is permitted. It is also important that you yourself assess whether an investment is suitable in relation to these risks as well as the possible tax and other legal consequences and restrictions that may apply to you. You should also, if necessary, consult financial, legal, and tax advisors before investing. Past performance is no guarantee for future performance. The money invested in the funds can both increase and decrease in value, and it is not certain that you will get back the entire invested capital. Full information about our funds, such as prospectus, basic facts for investors (KID) and financial information can be found on our website www.adrigo.com and can be obtained free of charge from us or our local representatives.