



Adrigo Small & Midcap L/S

Fund Manager's comment

Performance

Adrigo Small & Midcap L/S rose by 4.16% in July, net of fees.

The Fund's holdings in **Recipharm** (pharmaceutical manufacturing) and **Flex LNG** (LNG shipping) provided the biggest contributions to returns. Among the Fund's smaller positions, we noted good percentage gains in **Enea** (software) and **Bonesupport** (medtech). The Fund's short positions impacted performance favourably in aggregate.

Adrigo Small & Midcap L/S has returned 33.5% since inception, net of fees. In the same period, the benchmark STIBOR 1M rate has returned -0.7% and the Carnegie Small Cap Return Index Nordic has gained by 17.6%.

Market Comment

The Carnegie Small Cap Return Index Nordic rose by 0.32% in July.

We noted an overall negative development on the Nordic stock exchanges during July. Swedish small and medium-sized enterprises had a somewhat stronger development, whereas we noted that larger *Basic Material* companies underperformed. In general, industrial companies exposed to the automotive, electronics, and general industry have revised their near-term outlook downwards.

The ECB left the benchmark rate unchanged at the July meeting. Draghi however, highlighted a worsening European economy, especially due to manufacturing, and noted that a reasonable scenario is that the policy rate will be left unchanged or potentially lowered during the first half of 2020. Market expectations for future stimulus following ECB's presentation have increased and European government bond yields, e.g. the German ten year has continued to fall during the month.

The US Fed lowered its policy rate by 25 basis points in late July citing global uncertainty and lower capital re-investments within the manufacturing industry as underlying reasons. Although the Fed highlighted a strong US labour market as well as high consumer confidence.

Key and Risk figures	31/07/19	1 M	12 M	Since Start
NAV, SEK	133.48			
Performance, %		4.16	17.01	33.48
STIBOR 1M, %		-0.02	-0.29	-0.70
Std deviation*, %			13.85	12.33
Sharpe ratio				
Net exp. to eq. %	49.7			

Annualized

Outlook

Enea has been a holding since inception. Our initial view was that that the company had solid prospects for broadening its product portfolio and be able to grow sales with increased profitability despite a decline in sales within its *Key Accounts* i.e. Ericsson and Nokia, segment. Former CEO, Anders Lidbeck (chairman of the board since May) has transformed Enea through several acquisitions, from a consultancy business to a global software company with strong market positions in several fast-growing niches.

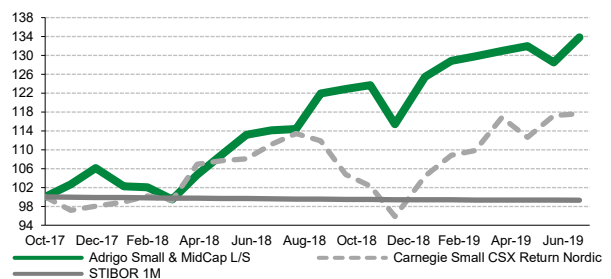
The new CEO, Jan Häglund and the Enea team delivered a very strong report. We are particularly pleased that Enea has signed the first agreement in the product area *NFV Access*, a software platform for business communication, targeting an early-stage market with a recurring revenue business model. We still find the valuation very attractive and see a continued appreciation as more investors discover the Enea share.

Bonesupport also delivered their Q2 earnings. We continue to see strong sales growth for its antibiotic eluting products in Europe, where the company is continuously expanding its sales organization which should contribute to solid growth in the future. Sales in the US also continue to progress strongly although from a low base due to the changed distribution setup. One should note that Bonesupport's antibiotic eluting products are not yet approved in the US. FDA approval for *CERAMENT G* is expected late 2021, where we see great value potential and thus a continued appreciation of the share long term.

We mentioned **Salmar** (salmon farming) in June's monthly letter, where we saw a clear appreciation potential in the share. Salmar delivered a harvest volume trading update which exceeded market expectations. The share appreciated strongly during the initial weeks of July, where we, after a 20 percent gain in a short time period, divested our holding.

We look forward to the upcoming autumn with several interesting company meetings in our calendar. Finally, we would like to thank our co-investors for your trust and wish you a pleasant summer!

Performance Nov 2017 – Jul 2019



Source: Adrigo Asset Management

Performance, %	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec	YTD
2019	8.73	2.71	0.74	0.86	0.53	-2.61	4.16						15.71
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)