



## Fund Manager's comment

### Performance

Adrigo Small & Midcap L/S rose by 3.57% in July, net of fees.

The Fund's larger holdings in **Bergman & Beving** (technical trade) and **Bonesupport** (medtech) provided good contributions to returns. Among the Fund's mid-sized positions, we noted good gains in **Kahoot** (game-based digital learning) and **Kalera** (horticulture) whilst we noted good percentage gains in and **Q-Linea** (medtech) and **Azelio** (energy storage). The Fund's short positions impacted performance negatively in aggregate.

Adrigo Small & Midcap L/S has returned 40.8% 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 25.0%.

### Market Comment

The Carnegie Small Cap Return Index Nordic rose by 4.41% in July. In July, most Nordic corporates reported their results for the second quarter. Analyst estimates had been substantially downgraded before the reports. Overall, the results have been above expectations as governmental support programs and larger, potentially temporary cost savings were contributing factors why earnings were better than expected. We noted overall positive share price reactions although automotive exposed entities stood out as overly negative.

The USD has continued to weaken against the EUR but also the SEK. This will eventually put pressure on Swedish industrials' earnings. Swedish small companies importing goods from overseas with a high degree of domestic sales should benefit in due course. SEK has also strengthened against EUR during Q2 and is now in-line on a year over year basis.

### Outlook

**Bergman & Beving's** report was in-line with our expectations, although we put little emphasis on its short-term earnings announcements, instead focusing on the long-term prospects. B&B reported strong growth in its most important business segments, *Building Materials* and *Workplace Safety* due to solid construction markets, increased demand for personal protective

equipment (PPE), and recently acquired businesses. Earnings were hampered by weaker industrial sales primarily within *Tools & Consumables* which, due to its volume dependency, had a negative effect of an estimated SEK 20m. B&B continues to execute its cost saving program (savings of 100m p.a.) and full effect should be achieved in the coming quarters. In addition, cost savings in its industrial distribution segment *Luna* continued during the quarter which should, together with the cost-saving program have incurred non-recurring costs in the quarter. We acknowledge that B&B have utilized some furloughs, but still, the underlying trend in operating costs continues to develop in the right direction.

Covid-19 will most likely push some 2020 construction starts into 2021, but the outbreak should continue to support the renovation market. PPE will most likely be in focus for the coming years, and not a one-time effect. We believe B&B have good possibilities for volume growth going forward. B&B has implemented major price increases during the past year, which together with good volume growth and a weaker USD against SEK should result in increased margins going forward. We continue to see high value potential and see both margin and multiple expansion in the coming years.

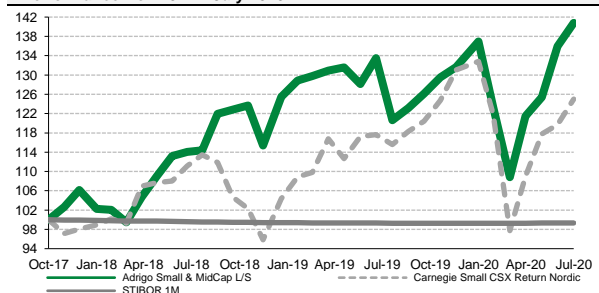
**Kalera** completed a private placement of USD 10m at a 50% premium in July. Kalera has now a strong cash position in order to execute its growth plans for the coming years. It is gratifying that Kalera has great interest from investors, and we believe the upcoming listing on Merkur Market or Oslo main list will increase investor attention further.

Finally, we are questioning the overall post-earnings price movements. Cost savings were contribution factors why earnings were better than feared. However, what multiple should one put on governmental support or dare to extrapolate one-time savings (eventually one must increase its selling expenses or lose market share)? We are more conservative extrapolating recent results. Interest rates will likely remain lower for longer, and the market clearly disregarding valuation today. Global debt levels are rising which is worrying but we continue to look for misunderstood companies and mispriced shares regardless of an expensive stock market or not.

Key and Risk figures	31/07/20	1 M	12 M	Since Start
NAV, SEK	140.79			
Performance, %		3.57	5.48	40.79
STIBOR 1M, %		0.00	-0.03	-0.73
Std deviation*, %			25.38	17.84
Sharpe ratio			0.22	0.72
Net exp. to eq. %	53.3			

\*Annualized

Performance Nov 2017 – July 2020



Source: ADRIGO Asset Management

Performance, %	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec	YTD
2020	4.04	-9.92	-11.79	11.65	3.21	8.42	3.57						6.98
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

<b>Fund facts</b>		
<b>Portfolio Managers:</b>	Staffan Östlin (CIO) Johan Eriksson	<b>Strategy:</b> ADRIGO Small & Midcap L/S is long/short hedge fund with a long bias. We put emphasis on fundamental research, stock picking approach.
<b>Launch date:</b>	2017-11-01	<b>Trading Day:</b> Fund units of ADRIGO Small & Midcap L/S are open for subscription and redemption on the last banking day every month.
<b>Current fees:</b>	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").	<b>NAV:</b> NAV is calculated on the last banking day of each month and published at the latest on the fifth banking day thereafter.
<b>Focus of Investment:</b>	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.	<b>Custodian:</b> Skandinaviska Enskilda Banken AB (publ)
<b>Objective:</b>	High absolute return at a lower risk than the overall equity market.	<b>Portfolio manager:</b> ADRIGO Asset Management, a division of East Capital Financial Services AB, corp. identity no. 556988-2086.
<b>Deposit:</b>	Initial minimum SEK 50,000, thereafter minimum SEK 10,000.	<b>Management company:</b> East Capital Asset Management S.A.

**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).

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