

ADRIGO SMALL & MIDCAP L/S

January 2022

Performance

Adrigo Small & Midcap L/S rose by 0.56% in January net of fees.

The Fund's larger holding in **Online Brands Nordic** (e-commerce) provided good contributions to returns with a share price gain of 14% during the month. The Fund's other larger holdings developed in line with the market while our mid-sized positions developed better than the market on average. The Fund's short positions impacted performance positive in aggregate. Our short book generated a return of 625 bps, which is a solid contribution as the weight was 45% of NAV on average during the month.

Adrigo Small & Midcap L/S has returned 80.3% 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 87.1%.

Market comments and outlook

The Carnegie Small Cap Return Index Nordic declined by 8.73% in January. We noted that Nordic small-caps underperformed their large-cap peers (OMXN40), which lost 9.13%.

The stock market is said to return ~10% p.a. over time, but what is often omitted is that the variability in annual outcomes is high. The Nordic small cap index is up over 110% over the past three years. We must admit to being quite surprised by the reactions during a normal pullback. To our knowledge, few participants were surprised by December's gain during the low trading volume. Central banks have fueled the market with liquidity, putting the valuation aspect out of context. They have only to mention tightening the supply and the "ship" gets blown off course. It is obvious that there are too many short-term speculators in the market.

During the month, we have been very active both in our long book but above all worked very actively with our shorts. We have historically always traded actively on the short side as short-term assumptions are vital and timing is essential. Our active trading contributed nicely during the month. We have been aggressive and used the average small-cap investors' enthusiasm in series acquirers and "cash flow-focused real estate companies". Common denominators for both have been the companies' ability to grow rapidly through acquisitions driven by low interest rates, which has leveraged their business models and been rewarded with high valuations. Today's market is driven by momentum and liquidity, which works in both directions. During the month, we shorted these popular stocks as we assumed a negative sentiment. During the latter part of the month, we took down the exposure and reallocated to more defensive sectors and late-cycle companies, which withstood the pullback better. However, we are constantly reevaluating our positioning.

The earnings season has been strong overall with order intakes exceeding expectations. Margins have been pressured by cost inflation, which will be offset in the coming quarters. Companies see that bottlenecks in the supply chain are diminishing. Today's high freight costs, which have already been partially compensated, will come down during the second half of 2022. Small caps usually lag in their reporting, and it remains to be seen whether they have been equally successful in the order intake and compensating cost inflation.

During January, we also reallocated our long portfolio. We partially reduced our exposure because we see higher return potential in the short term to cover shorts, but we have also divested a mid-sized holding where we see a challenging first half-year of 2022. **Online Brands** "OBAB" announced another acquisition during the month, Nordic Kidswear "NK", which retails its children brand Isbjörn of Sweden. 50% of the Fund's management team are customers today and we can testify that Isbjörn sells quality products. Children's clothing is an interesting niche where the customer is willing to pay a premium for quality. The return tendency, often a big issue for retailers, is lower as children grow for natural causes. NK has historically had a gross margin of ~50% and an operating margin close to 10%. We believe the potential of the Isbjörn brand is likely to grow 15 to 20% p.a. and reach 20% operating margins with low reinvestment needs. We believe OBAB has the e-commerce experience to scale Nordic Kidswear to the next level.

The balance between short-termism and long-term value creation continues. We have been successfully delivering an absolute return in a declining market and have acted to have the opportunity if a rebound occurs. We see a potential for a market rebound, but there is still an imminent risk of a backlash due to tightened monetary policy. Our short book hedge creates protection for this type of event. Our long-term focus, analyzing companies from a three-to-five-year perspective, continues simultaneously. In January, we had several interesting meetings with companies we have followed for years. These names have previously been too highly valued considering their outlook, but the pullback has created opportunities and the companies' future looks bright. We hope to return with in-depth information later. Finally, we would like to thank our co-investors for your trust!

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.

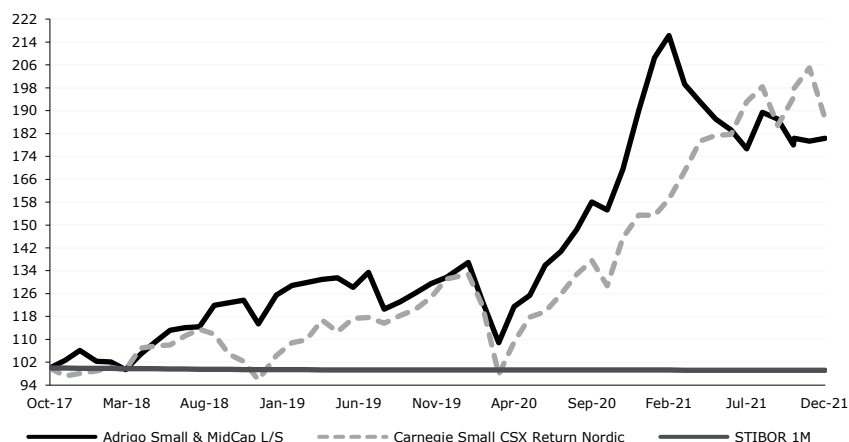


ADRIGO SMALL & MIDCAP L/S

January 2022

Performance

Nov 2017 – Jan 2022



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	31/01/22	1 M	12 M	Since inception
NAV, SEK	180.30			
Performance, %		0.56	-13.57	80.30
STIBOR 1M, %		-0.01	-0.07	-0.83
Std deviation*, %			13.87	18.34
Sharpe ratio			-0.98	0.81
Net exp. to eq. %	>60.0			

*Annualized

Performance, %	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec	YTD
2022	0.56												0.56
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