

PERFORMANCE

Adrigo Small & Midcap L/S Class A and Class C fell 5.81% in August, net of fees. The Carnegie Small Cap Return Index Nordic fell by 2.99 % in August.

The fund's larger holdings in **Frontline** (shipping) provided a good contribution whilst **Bonesupport** (medtech) affected performance negatively after a strong contribution in July. Among the fund's more dynamic mid-sized holdings, we note solid contributions from **Alleima** (special steel) and our recently initiated position **Billerud** (packaging). **Initiator Pharma** provided a good contribution, and shares have been trading relatively strong since the Phase 2 results in June. Our short positions had a positive contribution in aggregate, driven by good individual shorts and our index hedge. Our overall performance was negatively affected by two unlisted holdings that were impaired down in August.

Adrigo Small & Midcap L/S Class A has returned 65.4% since inception, net of fees. The compounded return has been 9.0% per year since inception. In the same period, the benchmark STIBOR IM rate has returned 2.3% and the Carnegie Small Cap Return Index Nordic gained 64.6%.

THE MARKET & THE COMPANIES

Overall, global stock markets fell in August. MSCI World fell 1.9% while EURO STOXX 50 declined 3.9%. The Swedish large cap index (OMXS30GI) was down 2.9%, while Swedish small caps underperformed and fell 4.4%. Sweden clearly underperformed its Nordic peers during the month. Oil prices rose 1.5% while the commodity index, CRB was flat after a strong rally in July.

After a strong return in July, our performance was clearly weaker in August. Among our negative contributors, we noted several holdings that had performed well in July, e.g., **BHG** (consumer discretionary) and **Bonesupport**. We do not note any significant news-flow and regard the share price movements as short-term profit-taking.

Online Brands' (e-commerce) Q2 report was a disappointment. Its largest subsidiary, Trendcarpet, suffered from logistics problems during the quarter, which clearly hampered sales. To our understanding, these problems are short-term, and we note several e-commerce peers having improved their sales momentum, albeit from relatively modest levels. Other companies within the Group, e.g., Nordic Kidswear (with retail award-winning Isbjörn of Sweden) and Bread & Boxers continue to drive volume through e-commerce platforms, compensating for weaker demand from its resellers. Undeniably the business environment for both brick and mortar and e-commerce is tough short-term. However, we continue to see structural growth, clear margin potential, and strong cash flows from Online Brands. We believe the BoD and management can redeploy excess cash in additional value-add M&A or pay solid dividends once the market normalizes.

Pierce's (e-commerce) Q2 report indicated that the company is heading in the right direction. As described above, the climate is tough, and the turnover fell 7% (excl. currency). However, price adjustments and lower container shipping costs contributed to a gross margin increase of 260 bps year-over-year. Pierce indicates that the cost pressure is decreasing and that its main focus going forward is to drive sales within its own brand portfolios. These brands, whose sales were unchanged during the quarter, account for over 40% of net sales. Growing sales of proprietary brands and reducing OPEX are two important drivers for Pierce to reach the Group target of an 8% operating margin.

The market has low confidence in the BoD and management's ability to generate shareholder value. Pierce's current assets exceed the corresponding liabilities to the equivalent of SEK 5 per share compared with August's closing share price of SEK 6.8. We believe that this debt-free e-commerce retailer with a loyal customer base, will receive more attention as margins strengthened and inventory is converted to cash. Thanks to a strong balance sheet, investors have time to wait.

Among our new holdings, we would like to mention **Billerud**. After its significant board machine investment of SEK 8 bn in its Gruvön facilities, the market expected Billerud to generate great cash flows. Instead, the company acquired the US-based company Verso in a USD 825m transaction and invested SEK 2.6 bn in a new recovery boiler in its Frövi facility. Overall, shareholders were disappointed by Billerud's capital allocation decisions. The Verso acquisition was partly financed through a SEK 3.5 bn equity issue. By July, the stock had lost 40% since the Verso announcement. The CEO got fired in late July, and we hope that the company chooses to retreat and abandon its plans to convert one of the Verso mills to board production. With an enterprise value of SEK 28 bn, the share trades at a significant discount to the sector despite having well-invested and competitive production units.

Finally, we would like to thank you, our co-investors, for your continued trust!

VISITS DURING THE MONTH

Among our holdings, we met with OssDsign, Initiator Pharma, and Pierce.

In addition, we met with a handful of potential new investments and visited several conferences.

LARGEST CONTRIBUTORS

Frontline – Shipping
Short position – Industrial
Initiator Pharma – Biotech
Short position – OMXS30 index hedge
Short position – Software

5
YEARS

Portfolio management



Staffan Östlin
Portfolio Manager and CIO
+46 73 337 83 44
staffan.ostlin@adrigo.se
In the industry since 1987



Johan Eriksson
Portfolio Manager
+46 73 337 83 24
johan.eriksson@adrigo.se
In the industry since 2016

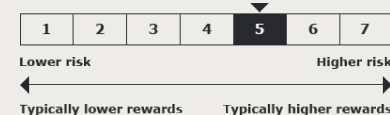
Fund information

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").

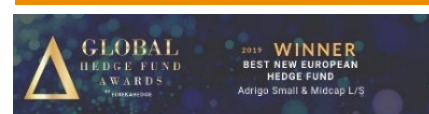
Deposit: Initial minimum SEK 1000.

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.

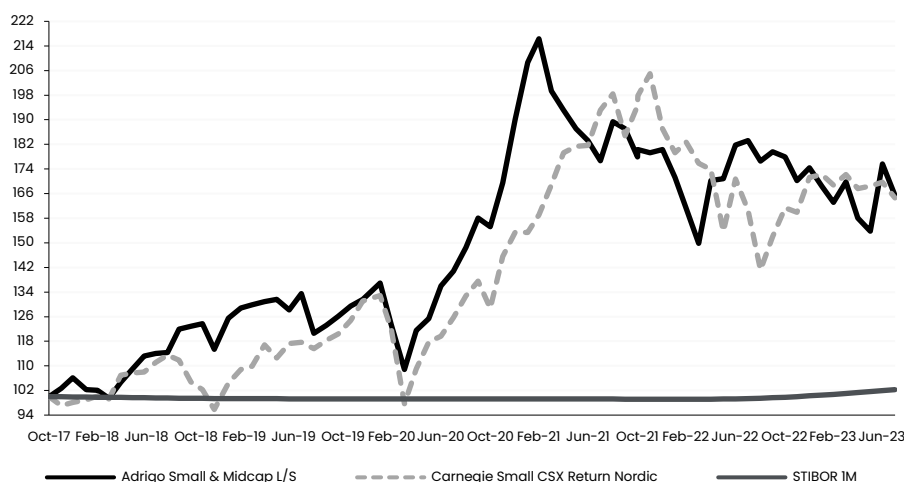


ADRIGO SMALL & MIDCAP L/S

August 2023

Performance

Nov 2017 – Aug 2023



Key and Risk figures	31/08/23	1 M	12 M	Since inception
NAV Class A, SEK	165.39			
NAV Class C, SEK	2 028.08			
Performance, % *		-5.81	-9.76	65.39
STIBOR IM, %		0.32	2.95	2.29
Std deviation, % *, **			19.94	19.29
Sharpe ratio *			-0.49	0.47
Net exp. to eq. %	>60.0			

*Refers to Class A **Annualized

Performance, %	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec	YTD
2023 Class C	2.48	-3.50	-3.08	4.11	-6.97	-2.65	14.15	-5.81					-2.84
2023 Class A	2.47	-3.50	-3.08	4.11	-6.96	-2.66	14.15	-5.81					-2.84
2022 Class C					12.87	0.32	5.08	0.72	-3.67	1.71	-0.90	-4.34	11.31
2022 Class A	0.56	-5.01	-5.90	-7.01	13.56	0.40	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	2.40	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

Source: Adrigo Asset Management

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. 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 information documents (KID) and financial reports please see www.adrigo.se. The availability of the fund 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 the fund 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.

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 1000.

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.

Contact

Kungsgatan 33, 111 93 Stockholm, Sweden
Tel +46 (0)8 505 887 00
www.adrigo.se