

Adrigo Small & Midcap L/S November 2018

Fund Manager's comment

Performance

Adrigo Small & Midcap L/S rose by 0.67% in November, net of fees.

The Fund's holdings in **Bergman & Beving** (technical trade) and **Husqvarna** (forest and garden eq.) provided the biggest contributions to returns. Among the Fund's smaller positions, we noted good percentage gains in **ADS Crude Carriers** (shipping) and **Magseis** (marine geology). The Fund's short positions impacted performance favourably in aggregate.

Adrigo Small & Midcap L/S has returned 23.7% since inception, net of fees. In the same period, the benchmark STIBOR 1M rate has returned -0.6% and the Carnegie Small Cap Return Index Nordic has gained by 2.3%.

Market Comment

The Carnegie Small Cap Return Index Nordic fell by 2.29% in November.

High uncertainty and volatility continued in November, where we noted a high divergence between top and bottom levels of broad stock indices during the month.

US ISM manufacturing index declined month over month and did not meet expected figures. Despite the decline, reported data still indicate underlying expansion. At the same time, US job statistics continued to indicate a tight labor market although no sequential improvement, and in addition, we also noted US companies reporting continued rising raw material costs and higher overall cost inflation.

Oil prices continued to fall during November, with a decline of just over 20%. At the end of the month, just before the G20 summit and the OPEC meeting, we saw a stabilization and a slight rebound.

We also noted that several firms postponed IPOs due to the uncertainty on the equity markets. Moreover, the IPO market has been characterised by a lowering of indicative price ranges and overall equity valuations.

Key and Risk figures	30/11/18	1 M	12 M	Since Start
NAV, SEK	123.65			
Performance, %		0.67	20.46	23.65
STIBOR 1M, %		-0.04	-0.51	-0.56
Std deviation*, %				
Sharpe ratio				
Net exp. to eq. %	47.4			

* Annualized

Outlook

In today's environment with high uncertainty it is easy to draw negative conclusions, and we admit that there are several indications that signal a weaker stock market ahead. One year since our initial monthly letter, we therefore believe it is of importance to take a step back and repeat our portfolio strategy.

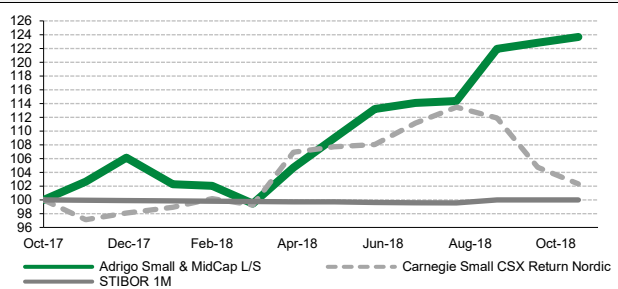
The Fund's strategy is to have a handful of core holdings with low operational and valuation risks where each position is allowed a relatively high portfolio weight. In each of the holdings we see long term value potential driven primarily by internal efficiency and management's ability to increase profitability. Despite our long-term view, constant questioning is of importance. Thus, we have been active in the portfolio weighting during the year and also replaced one holding as a sufficient valuation margin was not present. The above is combined with a more dynamic part of the portfolio, still with relatively low operational and valuation risk. Last, but not least, we have a few holdings in companies with a lower market cap where we see a considerable potential long term.

At inception our assessment was that this portfolio strategy had good possibilities to generate excess returns, even in a tougher stock market environment. Since launch, we have returned over 23% with a lower risk than the stock market. We will continue focusing on our above-mentioned portfolio strategy. In addition, we will continue to meet a large number of companies, understanding business models, market positions, long-term value potential and value drivers. We continue to argue that our strategy has good opportunities to deliver excess returns even in a tougher stock market environment near term.

Historically, December has shown solid returns. In these uncertain times, we believe that the market will focus on the G20 summit and December's OPEC meeting outcomes. Comments on trade restrictions and oil production levels will most likely be decisive for the short-term stock market and oil price development.

Finally, we would like to thank our co-investors for your trust, wish you the best of holidays and a prosperous 2019!

Performance Nov 2017 – Nov 2018



Source: Adrigo Asset Management

Performance, %	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec	YTD
2018	-3.65	-0.22	-2.53	5.24	4.12	3.86	0.79	0.25	6.61	0.75	0.67	3.40	16.50
2017											2.65		6.14

Fund Information Adrigo Small & Midcap L/S		Focus of Investment:	
Fund Manager:	Staffen 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)