

Adrigo Small & Midcap L/S

January 2018

Fund Manager's comment

Performance

Adrigo Small & Midcap L/S fell by 3.65% in January, net of fees.

The Fund's holding in **Arjo** (medtech) and **Wallenius Wilhelmsen** (logistics) provided the most favourable contribution to returns. Amongst the smaller holdings, **Capio** (health care) saw a good percentage return.

The Fund's short positions (negative exposure) impacted the returns negatively during the month.

Adrigo Small & Midcap L/S has returned 2.3% since inception, net of fees. In the same period, the benchmark STIBOR 1M has returned -0.1% and Carnegie Small Cap Return index has fallen by 1.1%.

Market Comment

Carnegie Small Cap Return index rose by 0.9% in January.

The year started with a sharp equity rally where shares in small caps developed well too. In the final part of the month, however, nervousness set in after several companies presented profit warnings. The reasons for the warnings have been company specific in most cases.

Outlook

The synchronized global economic upturn continued to strengthen during the fourth quarter last year, and companies which have reported Q4 earnings have seen a very strong global demand. This indicates good prospects for corporate earnings growth in 2018.

On the other side we have interest rates and currencies. The yield on US ten-year government bonds were basically unchanged in the fourth quarter, but have risen sharply in January, from 2.4% to 2.7%. We have seen a similar development in Sweden, although from lower absolute levels. The US dollar has fallen by 4% against both the Euro and the SEK.

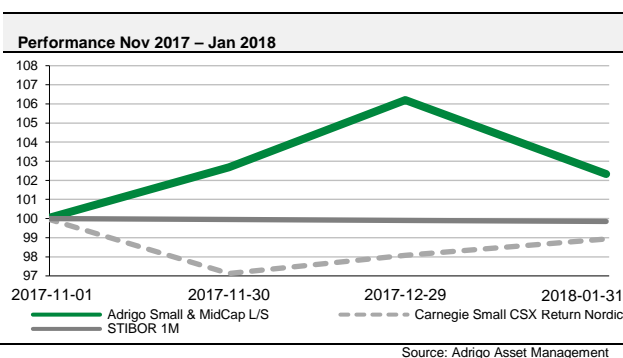
In January we have added **Bravida** to the Fund's smaller holdings. Bravida, which has operations throughout the Nordic region, has an interesting growth strategy within property services and installations. The company has an acquisitive strategy, a good management and the shares offer an attractive valuation.

Arjo (med tech) reported earnings for the first time as a separate company, after it was split off from **Getinge**. The fourth quarter was a disappointment for the market and both sales and earnings were below expectations. We started buying Arjo in December and it is one of our larger positions. The report did not change our opinion on the company's long term road to change, however. After several years of negative organic growth, management expects a gradual improvement.

In 2018, it expects to reach the low end of its targeted organic growth range of 2-4% per annum. Analysts which cover the company are however influenced by the problems encountered by **Getinge** in recent years and are thus cautious in their forecasts. Even if management only achieves parts of its targets we see a significant upside in the shares.

Key and Risk figures	31/01/18	1 M	Since Start
NAV, SEK	102.27		
Performance, %		-3.65	2.27
STIBOR 1M, %		-0.04	-0.14
Std deviation*, %			
Sharpe ratio			
Net exp. to eq. %	38.8		

* Annualized



Performance, %	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec	YTD
2018	-3.65												-3.65
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 Östlin	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)