

PERFORMANCE

Adrigo Small & Midcap L/S Class A and Class C rose 1.71% in October, net of fees. As of October, Class A is up 0.16% in 2022. Carnegie Small Cap Return Index Nordic rose 7.66% in October and is down 25.88% in 2022.

The fund's larger holdings in **Sinch** (software), **Bonesupport** (medtech), and **Attendo** (elderly care) provided good contributions to our return. The fund's holding in **Urb-it** (last mile delivery) had a significant negative contribution, as well as a short position in the OMXS30 future. Our short positions had a negative contribution overall.

Adrigo Small & Midcap L/S Class A has returned 79.6% since inception, net of fees. The compounded return has been 12.4% per year since inception. In the same period, the benchmark STIBOR 1M rate has returned -0.5% and the Carnegie Small Cap Return Index Nordic has a gain of 52.0%.

MARKET COMMENT & THE COMPANIES

Overall, Q3 numbers have been better than expected, which is usually the case. Notably, however, the market reaction post-earnings has often been negative, especially for more highly valued companies. It is clear the market discounts future earnings at a higher rate, and values uncertainty to a greater extent in comparison to recent years. Nowadays, companies cannot solely purchase growth and play multiple arbitrages in order to deliver shareholder value.

Bonesupport released strong numbers for Q3. Sales in Europe grew 20% despite being heavily affected by the pandemic, especially in Germany. Bonesupport estimates that the market declined 5–15% in Q3. Sales in the US rose some 50% and we note an increased year-over-year growth pace versus the initial two quarters of 2022 (we estimate the market grew by 5–10%). Its flagship product was launched in Q4. During October, the first batches were shipped and used. The hospitals have huge incentives to use Cerament G; high reimbursement and a significantly lower risk of reinfections. We strongly believe that Cerament G will grasp a high market share in the US. Anchoring at the current but rapidly growing Cerament BVF we estimate a market potential in excess of 1.1 bn USD today for Cerament G.

Urb-it has been part of our *High Potential* portfolio over the last two years. In October, the main owner was forced to divest the vast majority of his position, which resulted in a plummeted share price and a lack of confidence. Urb-it made a smaller equity raise in September, where larger shareholder Ingka Investments (IKEA) did not participate. Equity needs have been an issue, pressuring the share over the last 6 months. In October, Urb-it announced a fully guaranteed equity issue of 196m SEK, and Ingka facilitates the short-term liquidity needs via a bridge loan. The funds will be enough for Urb-it to reach profitability. It is worth highlighting that Ingka guarantees 27% of the EQ issue.

Attendo has failed to deliver any shareholder value over the last years, but its Q3 report was clearly above market expectations. Management's focus over the last years, besides handling the pandemic, has been on increasing the utilization in its elderly care units and being restrictive in adding additional capacity. The Nordic elderly care housing market has been oversaturated in the last few years but is now reaching equilibrium. We believe that Attendo's utilization will increase sharply over the coming 12 to 16 months, reaching an important inflection point where incremental sales will have a high drop-through on earnings. One should remember that the residual business areas (some 35% of sales) are solid cash flow generators.

We believe that the media attention and accusations are a bit unbalanced and argue that private alternatives will have a vital role in the future. In addition, public alternatives have similar quality issues as private ones. We believe that Attendo has good opportunities to continue to deliver quality and grow its EPS in the future. The market sentiment remains weak and thus it will not require much positive news for the stock to move. The share could easily double if management delivers on its objective to increase utilization.

2023 will most likely be a year when companies will have difficulties growing their EPS organically. However, if we study our Core-portfolio (50% of NAV), we see solid opportunities for EPS growth for every position. We argue our largest holdings are more decoupled from external macro having individual catalysts for 2023 and onwards.

Lastly, Adrigo reaches a milestone on November 1st when we turn 5 years. This makes it extra rewarding this month to thank you for your trust as we continue to find good return opportunities in the future. We also want to emphasize that we continue to increase our personal holdings in the fund.

VISITS DURING THE MONTH

The month was heavily affected by the earnings season. We met with several of the portfolio companies, e.g., Bonesupport, Attendo, Getinge, and Urb-it. In addition, we also met with a handful of prospects that we will update about in the coming monthly letters.

LARGEST CONTRIBUTORS

- ▶ Sinch – Software
- ▶ Bonesupport – Medtech
- ▶ Attendo – Elderly care
- ▶ Borr Drilling – Oil service
- ▶ Getinge – Medtech

Portfolio management



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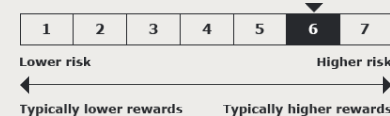
Fund information

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").

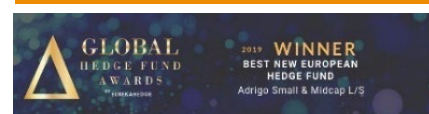
Deposit: Initial minimum SEK 1000.

Risk and reward profile



Important information:

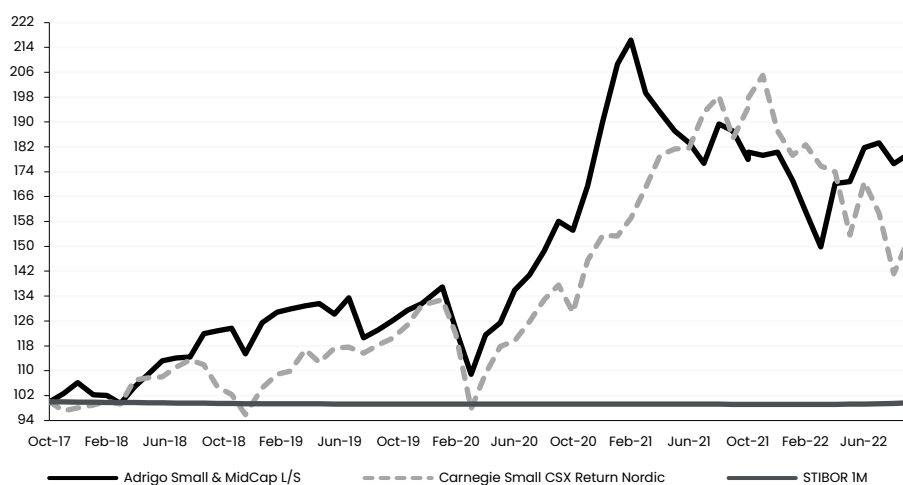
Investment in funds always involves some kind of risk. Past performance is no guarantee for future performance. Fund units may go up or down in value and may be affected by changes in exchange rates. Investors may not get back the amount invested. Full information on Adrigo funds, such as the prospectus, key investor information documents (KIID) and financial reports is available on adrigo.se.



ADRIGO SMALL & MIDCAP L/S

October 2022

Performance Nov 2017 – Oct 2022



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

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Key and Risk figures	31/10/22	1 M	12 M	Since inception
NAV Class A, SEK	179.58			
NAV Class C, SEK	2 201.90			
Performance, % *		1.71	0.90	79.58
STIBOR IM, %		0.14	0.29	-0.52
Std deviation, % *, **			19.61	18.93
Sharpe ratio *			0.05	0.66
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
2022 Class C					12.87	0.32	5.08	0.72	-3.67	1.71			17.42
2022 Class A	0.56	-5.01	-5.90	-7.01	13.56	0.40	6.36	0.85	-3.67	1.71			0.16
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 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.

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