



## Fund Manager's comment

### Performance

Adrigo Small & Midcap L/S rose by 6.47% in September, net of fees.

The Fund's larger holdings in **Bonesupport** (medtech) and **Bergman & Beving** (technical trade) provided good contributions to returns. Among the Fund's mid-sized positions, we noted good gains in **Kalera** (horticulture) and **Azelio** (energy storage) whilst we noted good percentage gains in **Cantargia** (biotechnology). The Fund's short positions impacted performance negatively in aggregate.

Adrigo Small & Midcap L/S has returned 58.1% since inception, net of fees. In the same period, the benchmark STIBOR 1M rate has returned -0.7% and the Carnegie Small Cap Return Index Nordic has gained by 37.5%.

### Market Comment

The Carnegie Small Cap Return Index Nordic rose by 3.56% in September. The Swedish and Danish equity markets developed strongly in September, whilst the Norwegian and Finish markets underperformed. Real estate outperformed whilst Oil/Gas and Financials underperformed. Nordic small caps outperformed larger corporates.

US nonfarm payroll employment in September was below expectations and we noted it was the smallest gain since the labor market showed a recovery in May. Leisure and hospitality drove the increase whilst governmental jobs declined. US consumer confidence on the other hand showed increased optimism.

The oil price declined some 8% during the month and traded weak during the initial days of October. Biden is believed to be more open to ease sanctions on Iran. President Trump's illness may have contributed to the weak trading in October.

We noted several revised profit warnings during the month from e.g. Husqvarna, H&M, Nobina, and Bilia. We also saw cash offers for e.g. Ahlström-Munksjö and Gunnebo. Main owners were part of the consortium making the cash offers.

sKey and Risk figures	30/09/20	1 M	12 M	Since Start
NAV, SEK	158.09			
Performance, %		6.47	28.36	58.09
STIBOR 1M, %		0.00	-0.02	-0.74
Std deviation*, %			23.51	17.75
Sharpe ratio			1.21	0.96
Net exp. to eq. % Annualized	52.1			

### Outlook

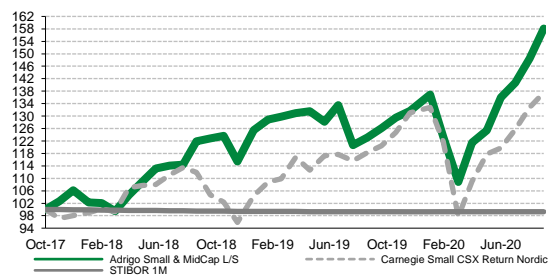
**Atlantic Sapphire** (salmon farming) harvested the first salmon at its US site in September. It is worth mentioning that Atlantic retails its Danish farmed salmon at a 30 to 40% price premium compared to Norwegian ocean farmed salmon. The US harvest is a huge milestone, and the US volume will be scaled up towards 50K tonnes by 2024. Today US consumption of fresh salmon is around 400K tonnes of which 90% is shipped by air freight.

Our *High Potential* holding, **Vaccibody** (biotechnology) announced in October a revolutionary license agreement with Genentech (member of the Roche Group). Vaccibody will receive USD 200m in up-front and near-term payments, and 515m in potential milestones for its individualized neoantigen cancer vaccine (VB10.NEO). If VB10.NEO reaches the market, we believe Vaccibody will receive 10 to 12% in royalties on sales. Genentech will incur all development cost going forward, which in addition to the upfront payment, will let Vaccibody to focus on expanding the platform to additional indications, e.g. infection diseases. The share appreciated some 50% on the announcement, but we highlight that only the upfront and near-term payments motivates a 20% appreciation. Vaccibody will trade on Merkur Market as of October 7.

The US election will affect the sentiment going forward. Trump being tested positive for Covid-19 did cause short-term uncertainty. The Presidential debate was more of a show than constructive talks. Analysts believe that US corporate taxes will be raised if Biden takes office, with full effect in 2022. US corporates have enjoyed lower tax rates over the last years. In addition, we have seen elevated levels of stock repurchases, commonly debt financed. Partly due to the increased EPS, we have seen multiples risen. It will be interesting to see if earnings multiples contract as EPS growth slows down.

The future is uncertain, we note that corporates continue to terminate employees whilst consumer confidence is high. The strong rebound in the equity market is likely a contributor to the latter. We continue to focus on individual companies and their ability to drive earnings, less on macro and short-term noise, and we still find interesting and mispriced companies.

Performance Nov 2017 – Sep 2020



Source: Adrigo Asset Management

Performance, %	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec	YTD
2020	4.04	-9.92	-11.79	11.65	3.21	8.42	3.53	5.51	6.47				20.12
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

<b>Fund facts</b>																			
<b>Portfolio Managers:</b>	Staffan Östlin (CIO) Johan Eriksson																		
<b>Launch date:</b>	2017-11-01																		
<b>Current fees:</b>	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").																		
<b>Focus of Investment:</b>	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.																		
<b>Objective:</b>	High absolute return at a lower risk than the overall equity market.																		
<b>Deposit:</b>	Initial minimum SEK 50,000, thereafter minimum SEK 10,000.																		
<b>Strategy:</b>	Adrigo Small & Midcap L/S is long/short hedge fund with a long bias. We put emphasis on fundamental research, stock picking approach.																		
<b>Trading Day:</b>	Fund units of Adrigo Small & Midcap L/S are open for subscription and redemption on the last banking day every month.																		
<b>NAV:</b>	NAV is calculated on the last banking day of each month and published at the latest on the fifth banking day thereafter.																		
<b>Custodian:</b>	Skandinaviska Enskilda Banken AB (publ)																		
<b>Portfolio manager:</b>	Adrigo Asset Management, a division of East Capital Financial Services AB, corp. identity no. 556988-2086.																		
<b>Management company:</b>	East Capital Asset Management S.A.																		

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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](http://www.adrigo.se).

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