

Adrigo Small & Midcap L/S

December 2017

Fund Manager's comment

Performance

Adrigo Small & Midcap L/S rose by 3.40% in December, net of fees.

The Fund's holdings in **Momentum Group** (industrial distribution), **Recipharm** (pharmaceutical), **FLEX LNG** (transportation) and **Outotec** (minerals/metals processing) provided the strongest contributions to returns. Amongst our smaller holdings, we saw good percentage gains in **Aker Solutions** (oil services) and **SP Group** (plastic products).

The Fund's short positions (negative exposure) did in aggregate contribute to returns too. The short positions provide an insurance against our long exposures in the Fund, but they are also investments made on their own merits.

Adrigo Small & Midcap L/S has returned 6.14% since inception. In the same period the benchmark STIBOR 1M has returned -0.10%, and the Carnegie Small Cap Return Index Nordic has fallen by 1.93%.

Market Comment

Carnegie Small Cap Return Index Nordic rose by 1.0% in December.

Whilst the month was characterized by traditionally low volumes, we did see a few IPO's and larger equity placings too.

Outlook

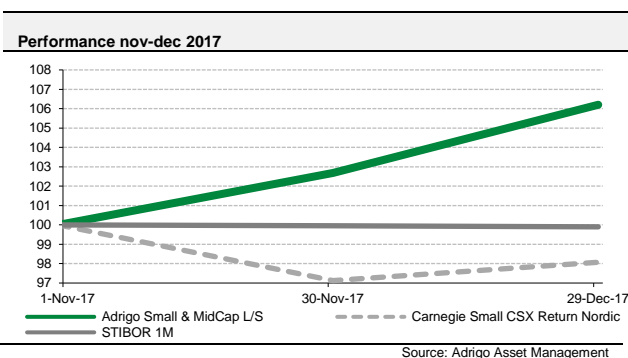
We met recently with the CEO of **Outotec**, Mr Teräsvasara, who joined a bit more than a year ago. Outotec is a company which historically has shown low profitability and very high earnings volatility. Mr Teräsvasara, who has a solid background, most recently from **Atlas Copco** (industrial), has launched a strategy to focus activities more on aftermarket sales, services and with greater product focus overall. This provides an interesting situation since we now see signs of recovery in demand for mining equipment from a very low level. Thus, Outotec should have good opportunities to reach a higher level of profits than historically, whilst reducing the volatility of earnings too.

We saw several signs of a recovery for both mining and construction equipment. The Industrial bellwether **Caterpillar** reported November sales up 26% on a three month rolling basis, which was an acceleration from 19% 3M to October. This is good news for **Wallenius Wilhelmsen** (logistics and transportation), one of the larger holdings in the Fund. Its 'High & Heavy' segment has high margins, and it accounts for around 25% of group earnings.

Getinge (med tech) gave its **Arjo** unit to its shareholders, and the split occurred in December. Getinge has suffered from structural problems in recent years, which has held back growth in Arjo too. The new Arjo Management has ambitions too regain previously lost market shares through a stronger and more focussed marketing organization and an improved product offering. Shares fell initially on high volumes, which is normal when a spin-off happens in this way. It provided us with an attractive level to invest in Arjo, where we see low operational risks and strong opportunities for margin expansion. Expectations are low from analysts and we now see excellent scope for positive surprises ahead.

Key and Risk figures	29/12/17	1 M	Since Start
NAV, SEK	106.14		
Performance, %		3.40	6.14
STIBOR 1M, %		-0.06	-0.10
Std deviation*, %			
Sharpe ratio			
Net exp. to eq. %	37.3		

* Annualized



Performance, %	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec	YTD
2017											2.65	3.40	6.14

Fund Information Adrigo Small & Midcap L/S		Fund Manager:	Staffan Östlin	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	Launch date:	2017-11-01	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").	Fund 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 50,000, thereafter minimum SEK 10,000.	Custodian:	Skandinaviska Enskilda Banken AB (publ)
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