



Adrigo Small & Midcap L/S

October 2019

Fund Manager's comment

Performance

Adrigo Small & Midcap L/S rose by 2.40% in October, net of fees.

The Fund's holdings in **Getinge** (medtech) and **Enea** (software) provided the biggest contributions to returns. Among the Fund's smaller positions, we noted good percentage gains in **Invisio Communications** (communication systems) and **Kahoot** (game-based digital learning). The Fund's short positions impacted performance negatively in aggregate.

Adrigo Small & Midcap L/S has returned 26.1% 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 20.4%.

Market Comment

The Carnegie Small Cap Return Index Nordic rose by 1.81% in October.

All of the Nordic stock markets developed positively during the month although we continue to see a stronger development within larger Swedish companies. Further, we continue to see Swedish small- and midsized equities lagging in general.

The majority of the listed Nordic entities reported Q3 results with high volatility in share prices post the earnings releases. In general, the reports have exceeded market expectations, however, the question remains if pre-report downward revisions were too negative beforehand.

Purchasing managers' indices in the manufacturing industry for the US and Europe have continued to indicate contraction, with US sentiment reaching a ten-year low while the European was sequentially unchanged.

During the month, the Swedish Riksbank restated its forecast of an interest rate hike to zero percent in December, which caused the Krona to strengthen.

Outlook

October has been heavily affected by the ongoing earnings season. **Getinge**, one of the larger holdings in the Fund, delivered a report which significantly exceeded market expectations. We continue to see incremental improvements specifically within its *Surgical Workflow* business area and overall good cost control, leading to continued marginal expansion. In addition, Getinge is working on phasing out older products, which will result in cost savings and improved working capital tied up. We continue to see great upgrading potential in Getinge as the company continues to rationalize its production and streamline its product offering to close the prevailing margin gap against comparable companies.

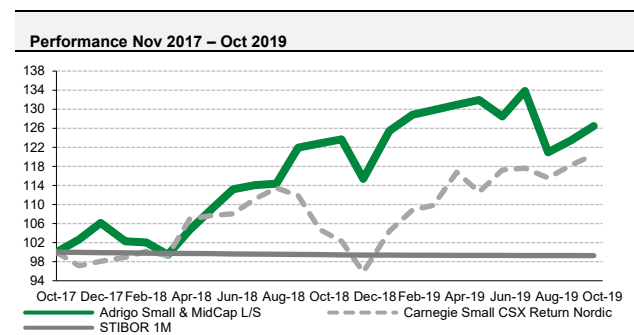
During next year, we will get updates and news about the ongoing FDA investigation. As far as we understand, the company is making continued good progress and we expect further clarification in this matter to be beneficial for the share price.

Another milestone was reached during the month by **Atlantic Sapphire** (on-land salmon farming) when it moved its first batch of salmon in Miami from fresh to saline water. The company has thereby moved into a new phase and expects the first harvest in Miami to occur in Q3 2020. We have also noticed increased media-coverage as the company's ambitious plans are moving forward (see also the article in Barron's Nov 1st). At the same time, the company's smaller plant in Denmark has picked up production speed and currently supplies Whole Food and other premium customers in the UK and in the US with fresh salmon. Finally, we are very much looking forward to Q1 when the first ESG report (GRI) will be completed.

In November, the Nordic region's primarily small- and midsized entities will report their Q3 earnings. We expect that the reports will leave its mark on the short-term share price movement. However, we focus on the long-term value drivers and continuously meet a large number of entities. We continue to find interesting companies trading at a sensible valuation and see good opportunities to generate an excess return for our co-investors.

Key and Risk figures	31/10/19	1 M	12 M	Since Start
NAV, SEK	126.12			
Performance, %		2.40	2.68	26.12
STIBOR 1M, %		-0.01	-0.21	-0.72
Std deviation*, %			16.72	13.96
Sharpe ratio			0.19	0.92
Net exp. to eq. %	49.1			

Annualized



Source: Adrigo Asset Management

Performance, %	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec	YTD
2019	8.73	2.71	0.74	0.86	0.53	-2.61	4.16	-9.63	2.11	2.40			9.33
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

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 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)