

### PERFORMANCE

Adrigo Small & Midcap L/S Class A rose 2.47% and Class C rose 2.48% in January, net of fees. The Carnegie Small Cap Return Index Nordic rose 7.11% in January.

The fund's larger holding in **Bonesupport** (medtech) provided a solid contribution while the other larger holdings underperformed the overall market during the month. Among our mid-sized positions, **Alleima** (stainless steel), **Sinch** (software), and **Momentum Group** (industrial sales) provided good contributions. We noted strong share price performance from our minor holding in **Aker Carbon Capture** (carbon capture). Our short positions impacted performance negatively in aggregate, where our larger OMX index future hedge impacted the most.

Adrigo Small & Midcap L/S Class A has returned 74.4% since inception, net of fees. The compounded return has been 11.2% per year since inception. In the same period, the benchmark STIBOR IM rate has returned 0.3% and the Carnegie Small Cap Return Index Nordic has a gain of 71.3%.

### MARKET COMMENT & THE COMPANIES

January was earnings season. Initially, it has been larger Nordic corporates reporting their 4Q22 results. Overall, reports have been stable, predominantly driven by large order books, sales growth due to price increases, and cost savings defending the profit margins. Consumer-related, especially European exposed companies have been below expectations while mining industrials have continued to perform well. Companies that have shown an increased order intake and more forward-leaning 2023 outlooks have often surprised the market positively. One example is Swedish **Alleima**, whose stock rose 35% in January. Alleima was distributed from Sandvik during the summer of 2022. We initiated a medium-sized position during September/October when high selling pressure, from what we believe to be index-following funds, pressured the stock. The share is up about 45% from our average entry point.

Alleima entered the stock exchange with a less optimal, short-term profit trend behind it. Oil and gas are important end markets for Alleima, both in terms of volume and above all, the margin potential is very high. The sector's willingness to invest fell sharply in 2020 and 2021, and Alleima's most profitable product categories fell around 75-80% from the previous peak of the investment cycle (2013/14). Alleima added more contribution volumes to maintain solid utilization in its manufacturing, which has squeezed margins. On top of a worse mix, Alleima was hampered by raw material headwinds, higher transport costs, and rising electricity prices. The company has now compensated for these additional costs.

In 2022, Alleima took larger oil/gas orders, and global oil companies have communicated rising investment levels over the coming years. Our investment thesis was that the temporarily worse sales mix would reverse, and recent indicators point in that direction for 2023/24. In 2022, Alleima also took orders within renewable energy. Regardless of fossil fuel or renewable energy, one needs high-quality seamless tubes whether you extract oil or want to transport residual products from carbon capture beneath the seabed. We believe that Alleima has good opportunities to grow earnings strongly in the coming years and gain market share both within the fossil and renewable end markets. We have reduced the position but still see a solid upside from current levels.

A relatively new holding is **Dolphin Drilling** (oil service). We made our initial investment at the IPO in September 2022 and have increased the position since. The market cap is NOK 1.5 billion and we see great value potential in the coming years. Dolphin owns three older floating drilling rigs designed for the North Sea's harsh environment. Dolphin, previously named Fred Olsen Energy, has invested around USD 2 billion in upgrading the rigs over the past 20 years. One of the rigs, the Blackford Dolphin, will commence a one-year contract in Nigeria in February at a day rate of USD 260k (in addition, an LOA of USD 325k per day for 120 to 485 days after the end of the one-year contract has been signed). The remaining two rigs are currently smart stacked in Norway. Reactivating these rigs costs some USD 50m and will only be done if a contract is signed. Drilling activity on the Norwegian shelf will be solid in 2023 and increase in the coming years. Partly due to the increased focus on energy security, the UK shelf is already facing a significant increase from today's five rigs to ten in 2025. As the number of available rigs is limited, we believe it is likely that Dolphin will be awarded a contract near term. Since our initial investment, the market has continued to strengthen, and day rates will likely exceed USD 250k. Dolphin Drilling has a stated ambition to distribute future cash flows to shareholders.

Finally, we want to thank you, our co-investors, for your trust!

### VISITS DURING THE MONTH

We attended a large, yearly Nordic investment conference in Copenhagen during January. Overall, companies were forward-leaning, and the conference generated several interesting investment ideas. We also met with e.g., Alligator Bioscience, Arla Plast, Systemair, Sysam and, Norske Skog during the month.

### LARGEST CONTRIBUTORS

- Sinch – Software
- Bonesupport – Medtech
- Alleima – Stainless steel
- Nolato – Contract manufacturing
- Momentum Group – Industrial sales

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YEARS

### Portfolio management



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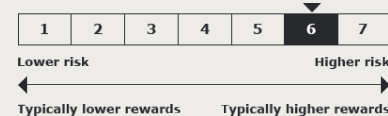
### Fund information

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").

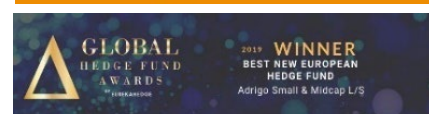
**Deposit:** Initial minimum SEK 1000.

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

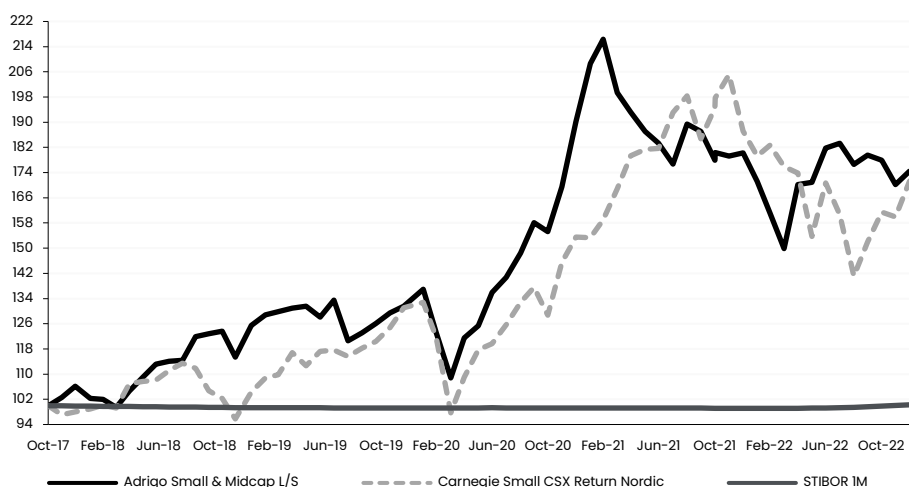


# ADRIGO SMALL & MIDCAP L/S

January 2023

## Performance

Nov 2017 – Jan 2023



Key and Risk figures	31/01/23	1 M	12 M	Since inception
NAV Class A, SEK	174.44			
NAV Class C, SEK	2 139.09			
Performance, % *		2.47	-3.25	74.44
STIBOR IM, %		0.22	1.09	0.25
Std deviation, % *, **			20.26	18.65
Sharpe ratio *			-0.16	0.60
Net exp. to eq. %	42.9			

\*Refers to Class A \*\*Annualized

Performance, %	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec	YTD
2023 Class C	2.48												2.48
2023 Class A	2.47												2.47
2022 Class C					12.87	0.32	5.08	0.72	-3.67	1.71	-0.90	-4.34	11.31
2022 Class A	0.56	-5.01	-5.90	-7.01	13.56	0.40	6.36	0.85	-3.67	1.71	-0.91	-4.34	-5.05
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

### 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

East Capital Asset Management S.A.

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