



Adrigo Small & Midcap L/S February 2019

Fund Manager's comment

Performance

Adrigo Small & Midcap L/S rose by 2.71% in February, net of fees.

The Fund's holdings in **Bergman & Beving** (technical trade) and **Recipharm** (pharmaceutical manufacturing) provided the biggest contributions to returns. Among the Fund's smaller positions, we noted good percentage gains in **Enea** (software) and **Proact IT Group** (IT services). The Fund's short positions impacted performance negatively in aggregate.

Adrigo Small & Midcap L/S has returned 28.8% since inception, net of fees. In the same period, the benchmark STIBOR 1M rate has returned -0.63% and the Carnegie Small Cap Return Index Nordic has gained by 8.9%.

Market Comment

The Carnegie Small Cap Return Index Nordic rose by 4.28% in February.

The strong stock market upturn continued in February, where Nordic small cap shares developed strongly. During the month, companies have reported their full year 2018 results where the reports often resulted in highly volatile post-reporting share price reactions. In addition, oil prices rose by about 7 percent during the month.

The Swedish inflation rate, CPI, in January (+1.9% YoY) was lower than expected and led to a significant weakening of the Swedish krona. Although the SEK strengthened during the latter part of the month, it declined 1.5 – 2% against some important currencies.

The underlying reason for the lower than expected rate were the methodological changes introduced in January by Statistics Sweden. Changes were made on the composition of the consumption basket, both in terms of goods and portfolio weight. Once again are the adjustments to blame why reported inflation does not pick up.

Outlook

The year-end reports resulted in increased volatility, where we noted a significant share price reaction in **Recipharm**. Recipharm delivered a solid report in our opinion. As mentioned in previous monthly letters, the company has gone through a couple of tough years, but in 2018 Recipharm has shown that previous investments and acquisitions yield results. During the reporting day, the share fell by almost ten percent intraday, but rebounded strongly during the latter part of the day and showed a seven percent gain the following trading day. Once again, the stock market showed its irrationality, which we used to our advantage and we were buyers in the initial downturn.

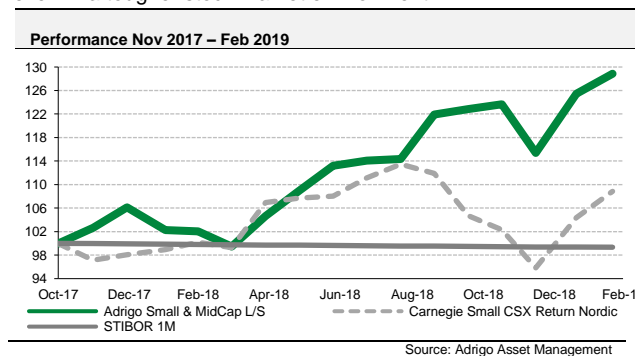
Proact also delivered its quarterly earnings during the month. Proact is an independent data storage and cloud service provider, and has a broad partnership for private, public, and hybrid IT solutions and services. The Nordic region is the main market, but the Company has also built an increasingly strong position in e.g. The Netherlands, Germany and the UK.

The business model is based on system installations and subsequent service sales, either support and/or cloud services. The system sales are, by its very nature, volatile due to that larger orders vary quarter on quarter. However, as Proact increases the installed base and service sales, sales growth should become more stable and we should also see a continued operating margin expansion towards the Group target of 8%. In addition, Proact will continue to acquire service providers, which will contribute to an improved margin over time.

We initiated a position during the spring of 2018 and have increased it gradually during the past year. In conjunction with the report, we once again increased our position as we believe that the Company continues in the right direction where we will see improved sales growth and continued margin expansion in the years to come.

Finally, we continue to meet a large number of Nordic entities and stand positive, despite negative macro indicators, where we believe that we can create excess returns for our co-investors even in a tougher stock market environment.

Key and Risk figures	28/02/19	1 M	12 M	Since Start
NAV, SEK	128.83			
Performance, %		2.71	26.25	28.83
STIBOR 1M, %		-0.01	-0.44	-0.63
Std deviation*, %			14.38	13.48
Sharpe ratio				
Net exp. to eq. %	47.1			
<small>Annualized</small>				



Performance, %	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec	YTD
2019	8.73	2.71											11.68
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)