



Adrigo Small & Midcap L/S February 2020

Fund Manager's comment

Performance

Adrigo Small & Midcap L/S fell by 9.92% in February, net of fees.

The Fund's larger holdings underperformed, above all, the Fund's Norwegian exposure had a significant negative contribution in February. Among the Fund's smaller positions, we noted good percentage gains in **Q-Linea** (medtech). The Fund's short positions impacted performance positively in aggregate.

Adrigo Small & Midcap L/S has returned 23.3% 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 21.8 %.

Market Comment

The Carnegie Small Cap Return Index Nordic fell by 8.27% in February.

All of the Nordic stock markets fell during the month. We noted that Swedish large caps overall had a relative better performance compared to smaller entities. In terms of sector, *Oil and Gas* and *Consumer Services* underperformed during February.

The month was characterized by high volatility. The Nordic stock markets were initially strong but fell sharply along with increased reporting of virus outbreaks outside of China.

During the first part of February, most of the Nordic companies continued to report their full-year results. Overall, reported figures were in line with previously downgraded expectations. However, the market chose to focus on a potential business cycle recovery with rising stock prices as a result.

The oil price (Brent) continued to fall, with a decline of around 11% during the month. Furthermore, global long-term interest rates have continued to fall.

Outlook

Reporting of multiple virus outbreaks hit the global stock market. Small and mid-sized entities, some more illiquid, were generally more affected by the market's unwillingness to bear risk. One of the fund's larger holdings, **Atlantic Sapphire** (salmon farming) fell sharply, with a decline of about 22% during the last week of the month. Furthermore, the Company announced during late Saturday at the end of the month about high levels of nitrogen and mortality at the Danish development plant. This highlights the risk of land-based, and especially concentrated farming as the Danish development plant only has a few grow-out tanks.

However, the potential is within its US plant, which will have a concentration per biomass of about 1.5 - 2% at full expansion. This concentration stands well if not better in comparison with traditional sea-based salmon farming and its concentration per site. In the near future, after the initial *Phase 1* expansion which gives an annual volume of 10K tonnes, the concentration will be 15% per system. We understand that mortality creates short-term uncertainty and an increased risk premium. However, our initial opinion is that the share price decline is clearly an overreaction.

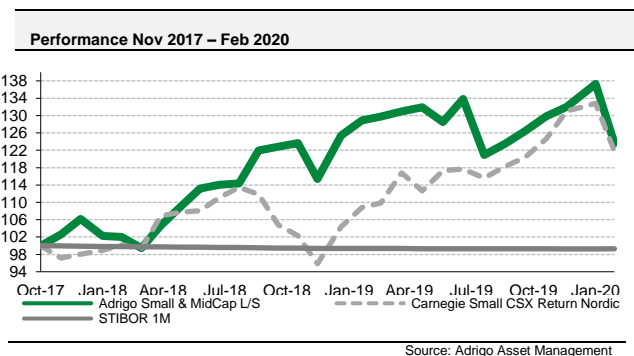
Atlantic also announced that it is in advanced discussions with a financial institution about final financing of the *Phase 2* US buildout, which will give 20K tonnes of annual harvesting volume. It implies that the buildout could be executed without additional equity needed. One condition from the potential lender is a Norwegian main market listing. We believe that a transfer will create wider institutional investor interest for the company.

Regarding the short book, we were initially hit by a few positions in February, where we chose to close the positions and evaluate. In some cases, we have again taken a short position, and in other cases reallocated.

We do believe the short-term uncertainties will persist and result in continued volatility during the upcoming months. We would also like to apologize for the poor performance in February, but at the same time we would like to highlight that we have a long-term investment horizon in our core holdings, viewed over years not months.

Key and Risk figures	28/02/20	1 M	12 M	Since Start
NAV, SEK	123.34			
Performance, %	-9.92	-4.26	23.34	
STIBOR 1M, %	0.01	-0.11	-0.74	
Std deviation*, %		16.6	14.98	
Sharpe ratio		-0.23	0.66	
Net exp. to eq. %	45.0			

*Annualized



Performance, %	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec	YTD
2020	4.04	-9.92											-6.28
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

Fund Information Adrigo Small & Midcap L/S	Focus of Investment:
Fund Manager: Staffan Oslin Johan Eriksson	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 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	Objective: High absolute return at a lower risk than the overall equity market.
Launch date: 2017-11-01	Strategy: Adrigo Small & Midcap L/S is long/short hedge fund with a long bias. We put emphasis on fundamental research, stock picking approach.
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").	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)