

ADRIGO SMALL & MIDCAP L/S

July 2021

Performance

Adrigo Small & Midcap L/S fell by 3.61% in July, net of fees.

The Fund's larger holdings in **Bergman & Beving** (technical trade) and **Bonesupport** (medtech) provided good contributions. Among the mid-sized positions, we noted good gains in **Veoneer** (automotive safety) and **24Storage** (self storage). The Fund's Norwegian holdings had a negative contribution of some five percentage points in July, but it is worth highlighting its strong positive contributions during 2020. We once again state the importance of having an investing in excess of a few months. The Fund's short positions impacted performance negatively in aggregate.

Adrigo Small & Midcap L/S has returned 76.7% since inception, net of fees. In the same period, the benchmark STIBOR 1M rate has returned -0.8% and the Carnegie Small Cap Return Index Nordic has gained by 92.5%. Adrigo Small & Midcap L/S has returned 25.5% over the last 12-month period.

Market comment and outlook

The Carnegie Small Cap Return Index Nordic rose by 6.3% in June. All Nordic stock markets rose during June, where we noted an outperformance in *Tech* and *Financials* while the last month's winner *Oil & Gas* underperformed. Nordic small caps outperformed larger entities (OMXN40), which rose 4.2% during the month.

In July, Magna International made a cash offer for **Veoneer**, a mid-sized holding of ours. The 57% bid premium might seem high at first glance, but we think that the level is too low given Veoneer's market position and outlook. Veoneer released its Q2 report the same day, a report that beat expectations especially on order intake. The offer implies a valuation of 1.3x 2023 sales. With a high and yet increasing share of software sales, we argue that the Company deserves a considerably higher valuation. Furthermore, the Qualcomm collaboration represents a great potential to both increase sales and margins going forward. We will not be surprised to see the offer being challenged, and therefore the position is left unchanged.

Kahoot soared 345% in 2020 and was one of the Fund's largest contributors to performance last year. However, since the beginning of Q2, the stock has slumped by 60%. Although we reduced our position during the first quarter, Kahoot has had a significantly negative impact on the last months' performance. The underlying reasons behind the downfall are partly a generally weak development for early-stage and richly valued tech firms, and partly company specific reasons. Kahoot's growth in paying subscribers in Q2 was clearly disappointing, even when considering that Q2 2020 was extraordinarily strong. Kahoot has completed a series of acquisitions over the past six months which is believed to have been time-consuming for the management team and may explain the figures reported. Eilert Hanoa (CEO and a major shareholder with NOK 1.7bn worth of stock) however appears very confident with the current forecast of 1.1m paying subscribers by the end of 2021. Given the performance of the share, it is evident that the market is sceptic. To reach the target, a growth of 84 thousand users quarterly is required during H2, which is twice that of Q2. Hanoa's optimistic view is based on the several new major product launches such as Kahoot 360 Spirit as well as the increased language options. The important acquisition of Clever is expected to be completed towards the end of Q3 and is thus only marginally affecting 2021. In July, we increased our position slightly.

After divesting **Enea** (software) in the beginning of the year, we have re-entered the stock in July. Enea has completed a series of successful acquisitions in recent years, which has radically reduced their dependency the operative system OSE, the legacy product with Ericsson and Nokia representing the bulk of sales. The acquisition of AdaptiveMobile Security, which was completed in mid July has further increased Enea's focus on cybersecurity. Today's valuation at EV/EBIT 16x in 2022 looks very appealing compared to the overall stock market, and particularly compared to other software entities.

Our largest holding, **Bergman & Beving** reported a continued good organic growth and improved margins. The newly appointed CEO Magnus Söderlind highlights a more forward leaning acquisition strategy where highly profitable niche businesses with strong market positions will be targeted. An important part in our investment philosophy is to invest alongside strong owners and great management teams. To our delight, we saw Magnus Söderlind doubling his own stake in the firm following the Q2 report.

Finally, we continue to be very active managing the portfolio in order to turn the negative trend around and we are looking forward to the upcoming autumn with a higher degree of corporate visits as restrictions ease.

Portfolio management



Staffan Östlin
Portfolio Manager and CIO



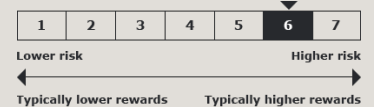
Johan Eriksson
Portfolio Manager

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 50.000, thereafter minimum SEK 10.000.

Risk and reward profile



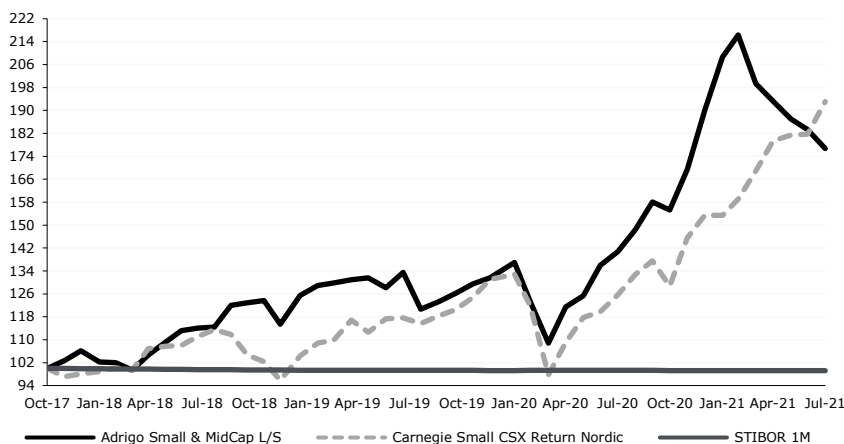
Important information: Investment in funds always involves some kind of risk. Past performance is no guarantee for future performance. Fund units may go up or down in value and may be affected by changes in exchange rates. Investors may not get back the amount invested. Full information on Adrigo funds, such as the prospectus, key investor information documents (KIID) and financial reports is available on adrigo.se.



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July 2021

Performance Nov 2017 – Jul 2021



Portfolio Managers

Staffan Östlin (CIO)
Johan Eriksson

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").

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)

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.

Key and Risk figures	30/07/21	1 M	12 M	Since inception
NAV, SEK	176.66			
Performance, %		-3.61	25.52	76.44
STIBOR 1M, %		-0.01	-0.04	-0.81
Std deviation*, %			22.46	18.96
Sharpe ratio			1.14	0.86
Net exp. to eq. %	55.5			

*Annualized

Performance, %	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec	YTD
2021	9.67	3.71	-7.87	-3.09	-3.15	-2,04	-3.61						-7.12
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

Important Information:

Adrigo funds are Alternative Investment Funds (so called "specialfond") according to the Swedish Act (2013:561) of Managers of Alternative Investment Funds and are therefore not to be considered as UCITS funds. Adrigo funds are only directed at institutions and other professional investors and are not subject to the same regulatory framework as those funds which are adapted to retail investors. Investments in funds always involve risks. Past performance is no guarantee for future performance. Fund units may increase or decrease in value and may be affected by changes in exchange rates and other factors. Investors may not get back the amount invested. Before investing, please read the fund regulations and the information memorandum carefully. For full information, such as the information memorandum, key investor information documents (KIID) and financial reports please see www.adrigo.se. The availability of Adrigo funds may be limited or restricted in some countries. Detailed Information about where the funds are registered and what types of distribution are permitted can be obtained from Adrigo Asset Management. The information about Adrigo funds is only directed at those investors located where Adrigo is authorized to make this information available, and is not intended for any use which would be contrary to local law or regulation. Consequently, the Adrigo funds may not be offered, sold or distributed in these countries unless such offer, sale or distribution is made in accordance with any applicable exemption from any registration requirements provided by the local securities laws and regulations. Prospective investors should inform themselves as to: (a) the legal requirements within their own jurisdictions for the purchase and holding of shares; (b) any foreign exchange restrictions which may affect them; and (c) the income and other tax consequences which may apply in their own jurisdictions relevant to the purchase, holding or disposal of shares.

Source: Adrigo Asset Management