

# Adrigo Small & Midcap L/S

March 2018

## Fund Manager's comment

### Performance

Adrigo Small & Midcap L/S fell by 2.53 % in March, net of fees.

The Fund's holdings in **Bergman & Beving** (technical trade) and **Grieg Seafood** (salmon farming) provided the largest contributions to performance. Among the smaller positions we saw good percentage gains in **Avance Gas** (LPG transportation), and **Atlantic Sapphire** (salmon farming). The large holdings in **Momentum Group** (industrial distribution) and **Arjo** (medtech) were weak during the month, particularly in the final days, and impacted returns negatively.

The Fund's short positions, ie negative exposures, did in aggregate impact returns favourably.

Adrigo Small & Midcap L/S has returned -0.5 % since inception. In the same period the benchmark rate STIBOR 1M has returned -0.2% and the Carnegie Small Cap Return Index has -0.7%.

### Market Comment

The Carnegie Small Cap Return Index Nordic fell by 0.9% in March.

March was impacted by considerable market volatility and we have seen signs of outflows from small cap funds in the market. The reduced appetite for risk has broadly held back small cap stocks. We expect a volatile market ahead, where concerns over the threat of trade wars and higher interest rates will weigh on the negative side, and the bright outlook for continued earnings growth will be a positive feature.

### Outlook

We expect stock market volatility to continue in the next few months. The Fund's relatively high weighting towards a few core holdings has been a burden in the first few months of the year. Our focus on core holdings with low valuations and low operational risks means that we still feel comfortable with our current portfolio composition.

Together with a small group of investors we visited two of **Recipharm's** (pharmaceutical manufacturing) production units. In Wasserburg, Germany, the company is focussed on lyophilisation. Investments of SEK 330 m (EUR 33 m) have been made into new capacity in recent years. The start was however delayed which caused both delays and higher costs for the group in 2017. Since November, however, operations are up and running and it is expected that production will be at full capacity by the end of 2018.

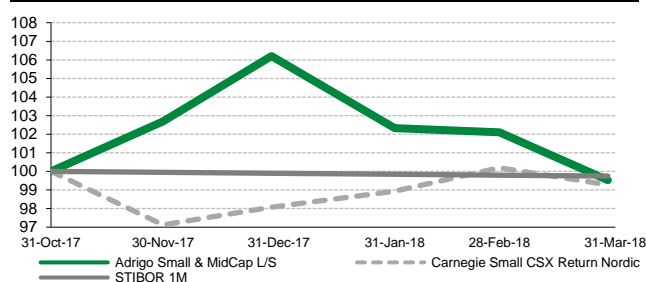
In addition, we visited the Kayserberg unit, where production is aimed at so called 'Blow Fill Seal technology'. Recipharm has invested SEK 180 m (EUR 18 m) in a move to raise production capacity by 50%. The new line started production in Q1 and will see a significant increase in Q2 paving the way to reaching a targeted 80-100% utilization towards the end of the year. Both visits strengthened our conviction and our positive view of the shares, and we expect a considerable increase in both cash-flow and profitability in 2018-2019.

Furthermore, we visited **Arjo** (medtech) where we think that expectations for sales growth and earnings in the coming years are too low. We see good prospects for a faster margin expansion than expected, based on a changed product mix, better sales growth which will have a pronounced impact due to the company's relatively high share of fixed costs.

Key and Risk figures	29/03/18	1 M	Since Start
NAV, SEK	99.46		
Performance, %		-2.53	-0,50
STIBOR 1M, %		-0,05	-0.24
Std deviation*, %			
Sharpe ratio			
Net exp. to eq. %	39.0		

\* Annualized

### Performance Nov 2017 – Mar 2018



Source: Adrigo Asset Management

Performance, %	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec	YTD
2018	-3.65	-0.22	-2.53										-6.29
2017											2,65	3.40	6.14

### Fund Information Adrigo Small & Midcap L/S

<b>Fund Manager:</b>	Staffan Östlin	<b>Focus of Investment:</b>	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.
<b>Fund Management Company:</b>	Adrigo Asset Management AB Grev Turegatan 14, 114 46 Stockholm Tel +46 8 505 88700 Fax +46 8 505 88770 www.adrigo.se	<b>Objective:</b>	High absolute return at a lower risk than the overall equity market.
<b>Launch date:</b>	2017-11-01	<b>Strategy:</b>	Adrigo Small & Midcap L/S is long/short hedge fund with a long bias. We put emphasis on fundamental research, stock picking approach.
<b>Current fees:</b>	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").	<b>Trading Day:</b>	Fund units of Adrigo Small & Midcap L/S are open for subscription and redemption on the last banking day every month.
		<b>NAV:</b>	NAV is calculated on the last banking day of each month and published at the latest on the fifth banking day thereafter.
		<b>Deposit:</b>	Initial minimum SEK 50,000, thereafter minimum SEK 10,000.
		<b>Custodian:</b>	Skandinaviska Enskilda Banken AB (publ)