



## Fund Manager's comment

### Performance

Adrigo Small & Midcap L/S fell by 11.79% in March, net of fees.

The Fund's larger holdings underperformed, above all, **Bergman & Beving** (technical trade) had a significant negative contribution in March. Among the Fund's mid-sized positions, **Frontline** (shipping) and **Getinge** (medtech) provided the biggest contribution to returns. We also noted good percentage gains in **Kahoot** (game-based digital learning). The Fund's short positions impacted performance positively in aggregate.

Adrigo Small & Midcap L/S has returned 8.8% 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 -2.3%.

### Market Comment

The Carnegie Small Cap Return Index Nordic fell by 19.78% in March. Equity and fixed income markets were characterized by great uncertainty and high volatility as a result of Covid-19 spread in Europe and the US. Oil prices also fell sharply, mainly due to Russia not reducing their production, but also concerns about future demand due to a slowing economy.

The Danish stock market outperformed its Nordic peers being down -4.5%, mainly due to its large exposure to the *Health Care* sector (-2.2%). Oil and gas exposed entities underperformed, and the sector declined some 30% during March.

### Outlook

We noted some positive news during March, despite the negative reporting of implications because of the Covid-19 virus outbreak. **Bonesupport** (medtech) announced the FDA has granted its antibiotic eluding product *breakthrough device designation*, which might lead to an accelerated market approval in the US for the indication osteomyelitis already by late 2020. As mentioned in previous letters, Bonesupport conducts a large scale, pivotal study in the US with an expected approval late 2021 and initial sales during the first half of 2022. Osteomyelitis especially chronic is a severe condition, studies have shown that

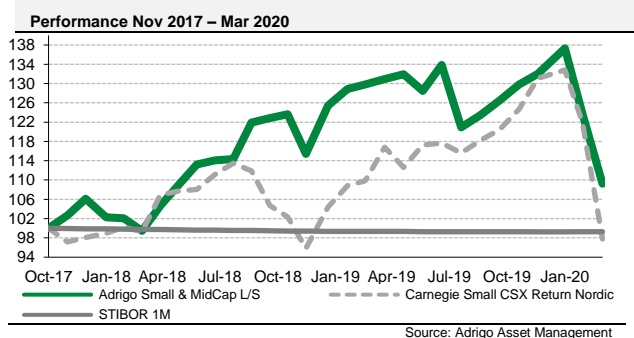
the recurrence rate within twelve months is about 30% and a significant number of patients need an amputation, despite heavy use of antibiotics. Bonesupport states that the market is valued at around 100 MUSD with some 50K cases p.a. in the US, indicating a cost per case of 2K USD. We do believe however that Bonesupport could grasp high market share and sell its product significantly above the market average due to its proven capabilities, hence driving the market value upwards. FDA's decision validates Bonesupport's technology and should also facilitate the upcoming 2022 launch as well as supporting the Company's growth efforts in the US and Europe in the coming years. We would like to remind you that Bonesupport today sells the antibiotic eluding product in Europe and selected parts in the rest of the world and that the platform product (BVF) is marketed in the USA today.

**Getinge** announced increased production capacity of ventilators to meet high market demand. Getinge has been one of the Fund's larger holdings, as we see great value potential in the coming years, and we also increased our position during the mid-March selloff. While we still see the long-term potential, we closed the position during the last week of March. We believe the stock market has overestimated the impact from increased sales of respiratory equipment and consumables versus the remaining part of the product portfolio. In the short term, we see higher returns elsewhere in the current market.

We saw some short-term winners due to the sharp oil price decline, one that we traded during the month was **Frontline**. We saw a contango in the oil market in March, i.e. when future deliveries are priced higher than spot. Buyers then need storage and tanker rates rose significant. We took a mid-sized position during mid-March but decided to close after a solid return at the end of the month. As with Getinge, the market extrapolates and the sentiment gets overly optimistic, and in the initial days of April, we have seen the share decline some 20% from peak levels.

We have continued to be active both on the long and short side during March and initial days of April. The market is uncertain and volatile, but we work intensive in order to provide excess returns for our co-investors!

Key and Risk figures	31/03/20	1 M	12 M	Since Start
NAV, SEK	108.80			
Performance, %		-11.79	-16.17	8.80
STIBOR 1M, %		0.01	-0.08	-0.74
Std deviation*, %			20.14	16.81
Sharpe ratio			-0.80	0.20
Net exp. to eq. % Annualized	49.5			



Performance, %	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec	YTD
2020	4.04	-9.92	-11.79										-17.33
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:
<b>Fund Manager:</b> Staffen 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.
<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)