

### Fund Manager's comment

#### Performance

Adrigo Hedge declined by 0.03% in September, net of fees.

The Fund's holdings in **Swedbank** (bank), **Husqvarna** (forest and garden eq.), and **Stora Enso** (paper and packaging) provided the biggest contributions to returns. Among the Fund's smaller positions, we noted good percentage gains in **Petroleum Geo-Services** (marine geology). The Fund's short positions impacted performance negatively in aggregate.

Adrigo Hedge has returned 83.2% since inception, adjusted for dividends and net of fees. In the same period, the benchmark STIBOR 1M rate has returned 14.7% and the OMX N40 index has risen by 38.5%.

#### Market Comment

The Nordic equity index, OMX N40, rose by 0.33% in September. Sweden held a general election, despite great uncertainties and a political stalemate regarding the formation of the government, no effect were seen in the financial markets.

The ongoing trade discussions between the US and China now starts to affect several Nordic and European corporates' financials as they are burdened by increased costs. September and October are usually months where firms communicate potential full-year guidance adjustments. Several firms in the automotive industry have already issued profit warnings. In Sweden, **Essity** (consumer products) indirectly issued a profit warning, referring to increased pulp, oil-based raw material and energy costs as well as announcing a cost saving programme. Despite the short-term negative outlook, we are still positive to Essity's long-term prospects.

Key and Risk figures	28/09/18	1M	12M	2Y	3Y	5Y	Since Start
NAV, SEK	161.85						
Performance*, %		-0.03	1.22	3.42	5.95	18.35	83.21
STIBOR 1M, %		-0.04	-0.51	-1.07	-1.60	-0.90	14.72
Std deviation**, %		1.97	2.56	2.82	2.99	4.59	
Sharpe ratio		0.97	0.94	0.92	1.25	0.96	
Net exp. to eq. %	20.0						
Value-at-Risk***							
- Conf Interval 95 %	1.07						
- Conf Interval 99 %	1.58						

\* Dividend adjusted

\*\* Annualized

\*\*\* The measure expresses the monthly loss that the portfolio is expected to exceed one month of twenty (95% conf interval) or a month of one hundred (99% conf interval). The measure is expressed as % of fund assets.

#### Outlook

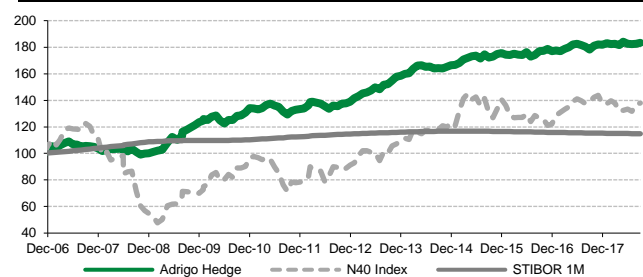
We argue that the risks have significantly increased in the financial markets in recent times. Firstly, rising long-term interest rates in the US will result in investors demanding higher yields. Secondly, the Brexit negotiations are deadlocked at the moment and the March deadline is fast approaching. Thirdly, Europe is also troubled by uncertainties in Italy as well as in Turkey. Finally, China's economic situation is currently a major risk factor. However, a strong global economy is a necessity in order to defend current equity valuations. The market volatility upon news flows is also an indication of the nervousness.

**H&M** (retail) reported their Q3 earnings during the month. Although, there were some positive data points in the report, we have troubles to understand the share price appreciation of some 30% during the month. We stand firm arguing that the retailer has significant challenges ahead. Our short position impacted performance negatively during September.

In September, we have initiated a position in **Nibe** (heat pumps/elements). The company has solid organic growth but also several interesting expansion opportunities. The market is still fragmented and we expect the historic acquisition driven strategy where Nibe realizes synergies to continue going forward. Despite a relatively rich valuation, we believe that Nibe has good long-term growth opportunities that will result in a share price appreciation over time.

Finally, we continue to see good opportunities to create strong long term risk-adjusted returns on the back of our stock picking strategy.

Performance Dec 2006 – Sep 2018



Source: Adrigo Asset Management

Performance, %	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec	YTD/FY
2018	-0.30	0.12	-0.50	1.34	-0.83	-0.12	0.09	0.41	-0.03				0.17
2017	-0.37	0.95	0.69	1.18	0.35	-0.57	-0.72	-1.11	1.56	0.53	-0.09	0.60	3.01
2016	-0.14	0.51	-0.41	-0.15	1.28	-1.96	0.76	1.66	0.08	0.89	-0.99	0.34	1.82
2015	0.74	1.60	0.78	0.70	0.21	-1.22	1.84	-1.35	0.40	1.03	0.51	-0.70	4.59
2014	0.37	2.04	1.54	0.16	-0.71	0.06	-0.90	0.19	-0.10	0.70	0.66	0.26	4.31
2013	1.15	1.31	0.44	0.99	1.65	-0.93	2.28	0.35	1.71	1.90	0.41	0.91	12.83
2012	1.95	1.61	0.18	-1.03	-1.40	-1.31	1.75*	-0.34	1.43	0.21	0.81	1.99	5.92*
2011	-0.10	-0.64	0.88	1.77	0.65	-1.10	-0.58	-2.80	-1.50	1.92	0.74	0.70	-0.16
2010	0.99	-0.58	1.79	0.81	-2.77	-1.87	2.03	0.05	2.42	0.22	1.67	2.58	7.42
2009	1.05	0.98	0.55	5.28	3.90	-1.83	2.64*	2.61	1.34	3.08	1.81	0.99	24.63*
2008	-1.94	1.13	0.40	0.07	0.59	-1.32	-1.11*	1.96	-2.35	-1.89	0.76	0.23	-3.52*
2007	2.43	-1.21	1.95	1.73	1.06	-2.03	-0.21	-1.46	0.65	-0.22	-0.59	-1.11	0.89
2006												2.84	2.84

\* Dividend adjusted

#### Fund Information Adrigo Hedge

<b>Fund Manager:</b>	Göran Tornée Sven Thorén Daniel Ahlin	<b>Focus of Investment:</b>	Adrigo Hedge is a hedge fund focusing on investments in Nordic equities.
<b>Fund Management Company:</b>	Adrigo Asset Management AB Grev Turegatan 14 SE-114 46 Stockholm, Sweden 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>	1 <sup>st</sup> December, 2006	<b>Strategy:</b>	Adrigo Hedge 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 Hedge 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 100,000, thereafter minimum SEK 10,000.
		<b>Custodian:</b>	Skandinaviska Enskilda Banken AB (publ)