

Fund Manager's comment

Performance

Adrigo Hedge declined by 2.06% in October, net of fees. **StoraEnso** (paper and packaging), **ABB** (power and automation eq.) and **Swedbank** (bank) were the largest negative contributors to the fund's performance this month. The fund's aggregated short positions impacted the return positively.

Adrigo Hedge has returned 79.4% since inception, adjusted for dividends and net of fees. In the same period, the benchmark STIBOR 1M rate has returned 28.1% and the OMX N40 index has risen by 14.7%.

Market Comment

The Nordic equity Index OMXN40 fell by 7.5% in October. Equities suffered one of the worst months since the 2008 financial crisis. The reporting season was preceded by a number of profit warnings, mainly related to input cost inflation, weak car production, and a slightly weaker demand in general industry. Additional worries around US trade policy, Italian budget negotiations, FED tightening and higher interest rates in the US impacted market sentiment negatively. On the positive side, China has increased stimulative measures. A proposal has been made to lower the purchase tax on passenger cars and PBOC has lowered the reserve requirement on banks.

Overall, quarterly reports in October have been weaker than in previous quarters which has resulted in slight negative earnings revisions.

Outlook

After a prolonged economic upturn, the question is if the peak is behind us. US long-term interest rates are now higher than equity dividend yields. There are currently more risks in the global economy than in many years and valuations in the US are not attractive in a historical perspective. We are however not a macro driven hedge fund. We believe that a number of interesting investment opportunities have arisen during the past month, as a consequence of the high volatility in equity markets.

We have increased our position in **Husqvarna** (forest and garden eq.) after the report. The weak share price development is a result of a quarter of adverse weather effects and issues in the division that currently is being divested. Management has taken steps to focus the company on the growing profitable operations, which in the long-term should lead to more stable profits and thus a higher valuation.

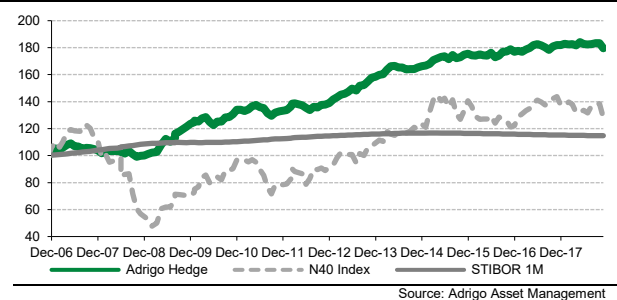
Yara (basic material) reported weaker than expected results and the share traded down post the earnings release. We initiated a position after the event. We foresee a better marketbalance for fertilizers beginning 2019. Yara is in the midst of a productivity improvement program at the same time as they are investing in new capacity. In addition, we see opportunities for structural change. The next few years are harvesting years and free cash flow will increase as the bulk of investments have been made.

Finally, we would like to remind our investors that Adrigo Hedge offers daily liquidity to unit holders from November 1st.

Key and Risk figures	31/10/18	1M	12M	2Y	3Y	5Y	Since Start
NAV, SEK	158.52						
Performance*, %		-2.06	-1.39	0.40	2.71	13.75	79.44
STIBOR 1M, %		-0.04	-0.51	-1.06	-1.61	-1.04	14.68
Std deviation**, %		2.86	2.94	3.05	3.08	4.63	
Sharpe ratio		-0.24	0.31	0.51	0.96	0.91	
Net exp. to eq. %	16.0						
Value-at-Risk***							
- Conf Interval 95 %	1.37						
- Conf Interval 99 %	1.95						

* 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.

Performance Dec 2006 – Oct 2018



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	-2.06			-1.89
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		Focus of Investment:
Fund Manager:	Sven Thorén Daniel Ahlin	Adrigo Hedge is a hedge fund focusing on investments in Nordic equities.
Fund Management Company:	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	Objective: High absolute return at a lower risk than the overall equity market.
Launch date:	1 st December, 2006	Strategy: Adrigo Hedge 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 Hedge are open for subscription and redemption on every banking day.
		NAV: NAV is calculated on every banking day and published at the latest on the fifth banking day thereafter.
		Custodian: Skandinaviska Enskilda Banken AB (publ)