

### Fund Manager's comment

#### Performance

Adrigo Hedge rose by 1.81% in November, net of fees. **Essity** (consumer products), **Swedbank** (bank) and **Husqvarna** (forest and garden eq.), were the largest positive contributors to the fund's performance this month. The fund's long and short positions both contributed positively to returns. Nordic equities (OMX N40 index) rose by 0.1% in November.

Adrigo Hedge has returned 82.7% since inception, adjusted for dividends and net of fees. In the same period, the benchmark STIBOR 1M rate has returned 14.6% and the OMX N40 index has risen by 28.2%.

#### Market Comment

The Nordic equity Index OMXN40 rose by 0.1% in November. Industrials, basic materials and oil & gas fell during the month whilst more defensive sectors managed better. The oil price dropped by more than 20% in November. A combination of higher than expected supply and diminishing demand seem to be the main explanations. The US made an exception from the sanctions against Iran as eight countries were allowed to buy Iraqi oil.

Market turbulence continued in the month of November although Nordic equity markets ended the month marginally up. Many of the themes from October, US trade policy, Italian budget negotiations and Brexit, continued to influence investor sentiment. The FED chairman, Jerome Powell, took a more dovish stance during a speech at the end of the month, which impacted equities positively.

#### Outlook

Valuation multiples for cyclicals such as industrial companies have contracted significantly during 2018, from trading at multiyear highs to multiyear lows. Earnings revisions for the sector is negative driven by weaker end market demand and cost inflation. Current trends indicate further downside to earnings even though cost inflation seem to abate. We have reduced short positions in a few instances where we believe share price reactions have been excessive. Valuations in the sector might be appealing but we are still fearful of negative earnings revisions. We avoid bets on sector specific grounds in favor of company specific cases.

We have increased our position in **Essity**. The company has gone through a lot of change during the last couple of years. We do not see the end to this yet. Profitability has been pressured by cost inflation (oil, chemicals, energy and pulp). The impact of cost inflation will diminish over the next twelve months at the same time as growth is less sensitive to fluctuations in the economic cycle. Essity has pricing power in large parts of its businesses but price hikes and mix changes take time to implement. The company has also launched a cost savings program to improve competitiveness. Management is also active in pruning the product portfolio as some businesses do not generate satisfactory returns.

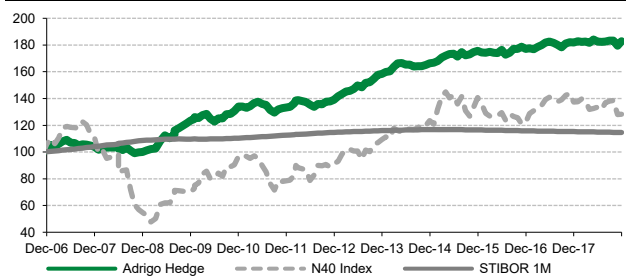
Key and Risk figures	30/11/18	1M	12M	2Y	3Y	5Y	Since Start
NAV, SEK	161.39						
Performance*, %		1.81	0.49	3.24	4.03	15.34	82.68
STIBOR 1M, %		-0.04	-0.51	-1.05	-1.61	-1.16	14.63
Std deviation**, %			3.44	3.10	3.20	3.16	4.63
Sharpe ratio			0.34	0.74	0.62	1.03	0.93
Net exp. to eq. %	16.3						
Value-at-Risk***							
- Conf Interval 95 %	1.33						
- Conf Interval 99 %	1.94						

\* 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 –Nov 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	-2.06	1.81	0.60	-0.12
2017	-0.37	0.95	0.69	1.18	0.35	-0.57	-0.72	-1.11	1.56	0.53	-0.09	0.34	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:	Adrigo Hedge is a hedge fund focusing on investments in Nordic equities.
Fund Manager:	Sven Thorén Daniel Ahlin	Objective:	High absolute return at a lower risk than the overall equity market.
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	Strategy:	Adrigo Hedge is long/short hedge fund with a long bias. We put emphasis on fundamental research, stock picking approach.
Launch date:	1 <sup>st</sup> December, 2006	Trading Day:	Fund units of Adrigo Hedge are open for subscription and redemption on every banking day.
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").	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)