

### Fund Manager's comment

#### Performance

Adrigo Hedge fell by -0,97% in December, net of fees. The fund's long positions contributed by -4,0% negatively to returns. Short positions contributed positively by 3,1%. Nordic equities (OMX N40 index) fell by -4,2% in December. Adrigo Hedge has returned 80.9% 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 22.7%.

#### Market Comment

Volatility in equity markets continued in December driven by weak macro data and political turbulence. The Nordic equity index, OMX N40, fell by -4,2%. Sectors such as industrials, energy and consumer discretionary underperformed, whilst telecom and IT stocks fared better. American equities (S&P 500) tumbled -9,2% during December, the worst monthly performance since the financial crisis in 2009. Central banks continued to tighten monetary standards, even though FED indicated a slower pace going forward.

Quite a few profit warnings were issued in December eg. **Metsä Board**, **Cargotec** and **Sydbank**. Pulp prices in China fell sharply most likely due to weak demand and an inventory correction. One of our core holdings, **Essity**, will benefit from lower pulp prices although lower volatility in prices is to be preferred. **ABB** formally announced the intention to sell Power Grids. The price was lower than we hoped for and we sold the majority of our holding the same day.

#### Outlook

Cyclical indicators continued to weaken in most regions although the outlook for BRIC countries (except China) is brighter. Earnings revisions have so far been minor and there is more downside to equities if current economic trends continue, even though PE multiples have compressed since the peak. We believe volatility in equity markets will continue in 2019.

We have increased our position in **Loomis**, which we have had in the portfolio for some time. We believe that the perception of the stock is too bearish resulting in an attractive valuation. Organic growth should be strong driven by new products eg. Safepay launch in Europe. G4S, a peer to Loomis, recently put its cash handling business up for sale. There is very little geographical overlap with Loomis' business and there should be meaningful cost synergies in central support functions and purchasing in case of a merger. This would be a large deal for Loomis and it is more likely that management continues to pursue acquisition of small to medium sized companies.

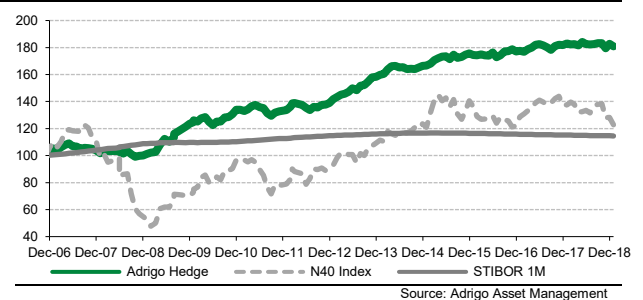
Another holding, **Essity**, performed poorly in December at the same time as cost pressure eased (lower pulp- and oil prices). We increased our holding in the share during the weakness.

The full year return for 2018 for Adrigo Hedge ended at -1,08%. Equity market conditions were harsh demonstrated by sharp turns, high volatility and a number of takeover bids at the end of the year eg. Cherry, Ahsell and Radisson. Our focus for the beginning of 2019 is to find new long term holdings. We will inform about our findings in future monthly letters. Finally, we would like to thank you for your support and wish you all a happy new year!

Key and Risk figures	28/12/18	1M	12M	2Y	3Y	5Y	Since Start
NAV, SEK	159.83						
Performance*, %		-0.97	-1.08	1.89	3.75	13.20	80.92
STIBOR 1M, %		-0.04	-0.49	-1.03	-1.60	-1.27	14.59
Std deviation**, %			3.52	3.19	3.23	3.19	4.63
Sharpe ratio			-0.11	0.51	0.59	0.91	0.91
Net exp. to eq. %	11.0						
Value-at-Risk***							
- Conf Interval 95 %	1.43						
- Conf Interval 99 %	2.06						

\* 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 –Dec 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	1.81	-0.97	-1.08
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 <sup>st</sup> 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)