

Fund Manager's comment

Performance

Adrigo Hedge fell by -0.64% in January, net of fees. The fund performed relatively well during the downturn during the end of 2018, but didn't manage the sharp upturn in January. The funds' short positions contributed negatively to returns. The holdings that contributed the most to the performance were **Swedbank** (banks), **Essity** (consumer staples) and **Loomis** (cash handling).

Adrigo Hedge has returned 79.8% 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 29.0%.

Market Comment

Equity markets ended 2018 in a weak fashion but bottomed out around New Year as the American central bank, the FED, changed its tone. The Fed worried about overheating and was planning for two rate hikes in 2019 as late as in November last year. Since then, it has softened its tone considerably, driving equity markets upwards in January. The current stance means more patience regarding further interest rate hikes and flexibility with regards to the change in the size of their balance sheet. The more optimistic tone in the trade war between the US and China has also been positive for asset prices, although actual results has to be seen.

The Nordic stock market rose by + 5.1% in January, driven by macro related events described above. Oil & gas shares rallied sharply on higher oil prices. Cyclical companies that sold off in Q4 also staged a strong recovery in the beginning of the year.

Outlook

The reporting season has just started. It is clear that there has been a slowdown in growth, especially in China and Europe. The US economy is still doing well, although leading indicators point to a slowdown. The Chinese government has launched several stimulus packages to reignite private consumption. There are initial signs that it has had an effect e.g. witnessed in a stabilization of demand for passenger cars.

One of our holdings, **Essity**, reported strong numbers in Q4, Essity is still facing significant raw material headwinds, but the impact was less profound in Q4 as it was mitigated through price increases and to a smaller extent, cost savings. We remain optimistic about the outlook as we see continued price/mix improvements and less cost inflation combined with measures for structurally higher profitability.

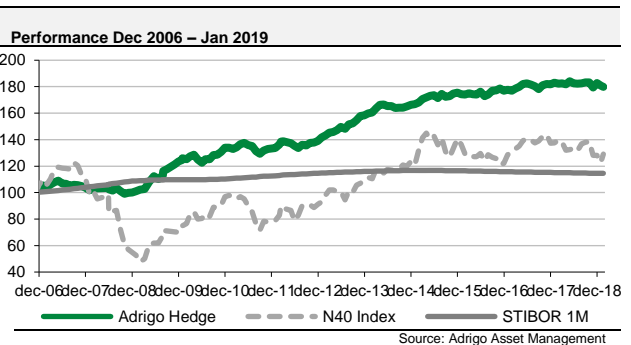
We have increased our holding in **Hexpol** (chemicals) during January. Hexpol and all major competitors in North America announced general price increases in November as of January 1st. Prices were raised due to cost pressure (freight-, energy- and wage inflation). The cost items mentioned are small in relation to oil-based chemicals. The latter is a potential source of margin enhancement. In summary, the net effect should be supportive for profitability going forward. In addition, the new NAFTA agreement will be favorable for Hexpol's auto exposure offsetting potential weakness in the auto demand. We believe that the stock market is too pessimistic regarding the potential for further acquisitions. The M&A strategy will lower the volatility of earnings and has historically been key to value creation.

Key and Risk figures	31/01/19	1M	12M	2Y	3Y	5Y	Since Start
NAV, SEK	158.80						
Performance*, %		-0.64	-1.43	1.61	3.23	12.05	79.75
STIBOR 1M, %		-0.02	-0.46	-0.99	-1.58	-1.37	14.57
Std deviation**, %			3.56	3.21	3.26	3.21	4.63
Sharpe ratio			-0.21	0.46	0.54	0.84	0.89
Net exp. to eq. %	17.9						
Value-at-Risk***							
- Conf Interval 95 %	1.46						
- Conf Interval 99 %	2.09						

* 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, %	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec	YTD/FY
2019	-0.64												-0.64
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

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Launch date: 1st December, 2006

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").

Focus of Investment: Adrigo Hedge is a hedge fund focusing on investments in Nordic equities.

Objective: High absolute return at a lower risk than the overall equity market.

Strategy: Adrigo Hedge is long/short hedge fund with a long bias. We put emphasis on fundamental research, stock picking approach.

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.

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