



Adrigo Small & Midcap L/S

April 2019

Fund Manager's comment

Performance

Adrigo Small & Midcap L/S rose by 0.86% in April, net of fees.

The Fund's holdings in **Getinge** (medtech) and **Husqvarna** (forest and garden eq.) provided the biggest contributions to returns. Among the Fund's smaller positions, we noted good percentage gains in **Bonesupport** (medtech) and **Lime Technologies** (software). The Fund's short positions impacted performance negatively in aggregate.

Adrigo Small & Midcap L/S has returned 30.9% since inception, net of fees. In the same period, the benchmark STIBOR 1M rate has returned -0.7% and the Carnegie Small Cap Return Index Nordic has gained by 16.8%.

Market Comment

The Carnegie Small Cap Return Index Nordic rose by 6.34% in April.

The strong stock market upturn continued in April, where the Swedish stock market performed much stronger compared to other Nordic markets. Large cap companies, excl. banks, have had a stronger share price development compared to smaller and medium-sized entities. Furthermore, industrials have outperformed while we noted that the healthcare sector underperformed in April. Reallocation towards more cyclical shares may be signs of higher risk taking in the market, but it also reflects the Q1 reports that generally were stronger within industrials. However, one may ask if expectations simply were to low beforehand.

The oil price (WTI) continued to develop strongly, with an increase of 5.5% during the month. The US announced that it will end its waivers on Iranian oil purchases for eight nations, amongst others China, India, and Japan. Concerns about supply deficits are believed to be one of the reasons behind the upturn.

Outlook

During May, most of the fund's major holdings will report their results for the first quarter. As mentioned in previous monthly letters, we have a long-term view in these positions, where change is the key word. Short-term share price fluctuations will most likely occur post earnings reports, but we focus on the long-term trend and potential in our companies. Short-term volatility in the share price is used for positioning and can hopefully be utilized to our advantage.

One portfolio company going through change transformation is **Getinge**. The company delivered a strong report primarily regarding order intake and sales growth that exceeded market expectations. Sales mix, however, with a higher proportion of capital goods versus consumables sales resulted in a lower gross margin compared to the previous year. The sale of capital goods fluctuates over the quarters, but in turn drives the sale of consumables, which generally have a considerably higher contribution margin. Furthermore, management also announced that the ongoing efficiency and cost cutting programs are proceeding according to plan. Getinge expects that the effects will be visible during the second half of 2019.

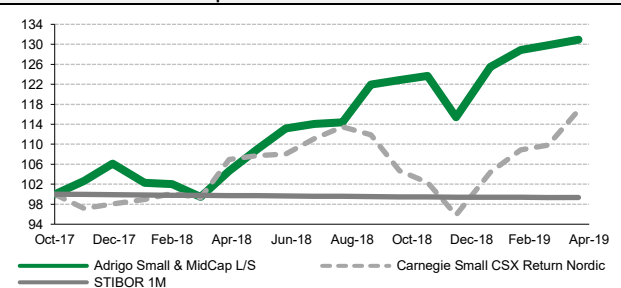
Regaining lost market share through e.g. Getinge's product development program but also increased standardisation, production efficiency, and general cost control will be essential for Getinge to reach historical margins. Change generally takes time, but we believe that Getinge has clear internal improvement potential and that the shares are still traded around attractive levels from a risk/reward perspective.

The stock market has had a strong performance while global macro data have been twofold resulting in increased market risks once again. During the spring, we have increased our position in **Bergman & Beving** (technical trade), a company that seems to be forgotten by the market. We see accelerating earnings growth and solid valuation support in the company.

Finally, we continue to actively seek new investments and work hard to generate attractive returns to our co-investors.

Key and Risk figures	30/04/19	1 M	12 M	Since Start
NAV, SEK	130.89			
Performance, %		0.86	25.05	30.89
STIBOR 1M, %		-0.01	-0.37	-0.66
Std deviation*, %			13.27	12.70
Sharpe ratio				
Net exp. to eq. %	48.5			
Annualized				

Performance Nov 2017 – Apr 2019



Source: Adrigo Asset Management

Performance, %	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec	YTD
2019	8.73	2.71	0.74	0.86									13.46
2018	-3.65	-0.22	-2.53	5.24	4.12	3.86	0.79	0.25	6.61	0.75	0.67	-6.70	8.69
2017											2.65	3.40	6.14

Fund Information Adrigo Small & Midcap L/S	Focus of Investment:	Adrigo Small & Midcap L/S is a hedge fund focusing on investments in Nordic equities and equity-related instruments in the segment of small and medium-sized companies.
Fund Manager: Staffan Ostlin Johan Eriksson	Objective:	High absolute return at a lower risk than the overall equity market.
Fund Management Company: Adrigo Asset Management AB Grev Turegatan 14, 114 46 Stockholm Tel +46 8 505 88700 Fax +46 8 505 88770 www.adrigo.se	Strategy:	Adrigo Small & Midcap L/S is long/short hedge fund with a long bias. We put emphasis on fundamental research, stock picking approach.
Launch date: 2017-11-01	Trading Day:	Fund units of Adrigo Small & Midcap L/S are open for subscription and redemption on the last banking day every month.
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 the last banking day of each month and published at the latest on the fifth banking day thereafter.
	Deposit:	Initial minimum SEK 50,000, thereafter minimum SEK 10,000.
	Custodian:	Skandinaviska Enskilda Banken AB (publ)