

# Adrigo Hedge

May 2019

## Fund Manager's comment

### Performance

Adrigo Hedge fell by 1.25% in May, net of fees. Three out of five of the funds' large holdings managed well in May despite a tough market; **Getinge** (medtech), **Essity** (consumer staples) and **AstraZeneca** (healthcare). **Recipharm** (pharmaceutical manufacturing), **Flex LNG** (LNG shipping) and **Sandvik** (industrials) were the main explanation for the negative return. Short positions contributed by +4.4 % to the month's performance.

Adrigo Hedge has returned 76.5% since inception, adjusted for dividends and net of fees. In the same period, the benchmark STIBOR 1M rate has returned 14.5%, and the OMX N40 index has risen by 28.7%.

### Market Comment

Equities were generally weak during May and many of the world's major stock markets fell by more than 5%. The development was triggered by an escalation of the trade war between the US and China but also by indicators of further slowdown in global growth. Macro economic data was tilted to the weak side pointing to further downside in economic activity eg. purchasing manager indices in both Europe and the US came in worse than expected. Chinese macro data also signalled weaker growth ahead.

Nordic bank stocks developed poorly in May. Lower interest rates, money laundering worries, increased competition in the mortgage market and demand for higher reserves in corporate loans to real estate companies weighed on the sector. We have very little exposure to banks currently. Defensive sectors like telecom operators and healthcare were winners in May, whilst energy and industrials were among the losers.

### Outlook

Q1 earnings results were generally in line with expectations. One interesting observation is that industrials, a significant part of Nordic equity indices, would have reported shrinking earnings compared to Q1 2018 if it was not for the tailwind from the weak Swedish krona.

We have had an investment in **Vestas** for some time, which we increased after the sell off in conjunction with the earnings report in April. Vestas is a global leader in manufacturing of wind turbines, a market benefitting from significant structural growth. Vestas has, as its competitors, been suffering from pricing pressure in the last couple of years. We have seen signs that the situation has improved recently resulting in higher margins for new orders signed. We also believe that expectations for orders for 2019 are too low as the market sees no growth at all. Growth rate year to date is above 100%.

Vestas service business has grown very fast in the last few years and currently accounts for approximately one third of earnings. The company has spent a lot of resources developing the service offering resulting in significant growth and EBIT margins above 20%. We see further upside potential but realise that a gradual re-rating is more likely to happen than an overnight change.

Another area we see upside to is the offshore JV with Mitsubishi. The offshore market is dominated by two companies and less mature than the market for land based wind turbines. We foresee strong growth in the offshore market for the coming years with large opportunities in new markets eg. the US East Coast. We believe this part of Vestas is significantly undervalued.

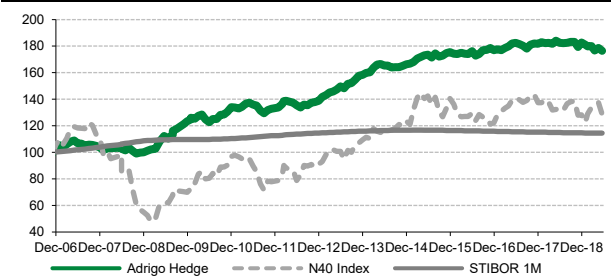
Key and Risk figures	31/05/19	1M	12M	2Y	3Y	5Y	Since Start
NAV, SEK	155.89						
Performance*, %		-1.25	-3.35	-3.35	0.11	6.76	76.46
STIBOR 1M, %		-0.01	-0.35	-0.87	-1.46	-1.69	14.51
Std deviation**, %		4.00	3.47	3.50	3.25	4.64	
Sharpe ratio		-0.69	-0.30	0.20	0.55	0.84	
Net exp. to eq. %	14.2						
Value-at-Risk***							
- Conf Interval 95 %	1.79						
- Conf Interval 99 %	2.47						

\* 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 – May 2019



Source: Adrigo Asset Management

Performance, %	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec	YTD/FY
2019	-0.64	0.15	-1.89	1.17	-1.25								-2.47
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:** 1<sup>st</sup> 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.

**Custodian:** Skandinaviska Enskilda Banken AB (publ)