



Fund Manager's comment

Performance

Adrigo Small & Midcap L/S rose by 0.53% in May, net of fees.

The Fund's holdings in **Momentum Group** (industrial distribution) and **Atlantic Sapphire** (salmon farming) provided the biggest contributions to returns. Among the Fund's smaller positions, we noted good percentage gains in **Tobii** (technology) and **Bonesupport** (medtech). The Fund's short positions impacted performance positively in aggregate.

Adrigo Small & Midcap L/S has returned 31.6% 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 12.6%.

Market Comment

The Carnegie Small Cap Return Index Nordic fell by 3.57% in May.

Geopolitical worries lead to a sharp equity sell-off and broad stock market declines in May. The US-China trade war has escalated and intensified further by broader tariffs already imposed but also proposed for the near-term future. During the latter part of May, Trump also pushed forward his threat of imposing tariffs on Mexico during June. This weighed heavily on investor sentiment which resulted in abnormal sell-offs during the final trading days in May. The negative sentiment also led to oil prices declined by some 13% during the month, with extreme volatility during the final days.

The UK prime minister, May, announced that she will resign as May has been unable to get parliamentary support for her Brexit plan. The October deadline remains, with no indication of a reopened withdrawal agreement. The newly formed Brexit party was the clear winner in the UK's European elections, with great support in industrial areas as e.g. the North East England, which already has been heavily affected by Brexit worries.

Outlook

We have initiated a position in **Tobii** during May. The Swedish entity is the global leader in eye tracking. Tobii operates through three business units; *Dynavox* (assistive technology for communication), *Pro* (human behaviour research), and *Tech* (gaming). Two out of three business units are today cash flow positive, where Tobii puts research and development resources for broader launches within Tech. Tobii Tech has signed collaboration agreements with e.g. leading chip manufacturer Qualcomm and the Taiwanese consumer electronic company HTC for upcoming launches of eye tracking in VR headsets. In addition, Tobii's technology is today available in gaming laptops from Alienware (Dell), Acer, and MSI.

During May, the UK Competition and Markets Authority (CMA) issued its preliminary findings regarding Dynavox's Smartbox acquisition. CMA argues a lessening of competition as a risk, however the final conclusions are expected in July. A worst-case scenario would be a divestment, which of course will have a short-term negative effect. However, the long-term value drivers and potential in Dynavox still remains. Today, market knowledge about available assisting communication solutions among prescribers are still low even in mature markets which offers an interesting growth potential.

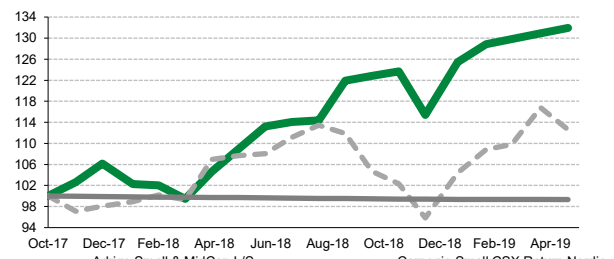
Tobii's share price development in recent years has been a disappointment, primarily due to Tech and market uptake of the VR technology being pushed forward leading to negative earnings revisions for Tobii. However, today's share price provides valuation support due to the cash generation and growth potential in Dynavox and Pro, where we see great upward potential if Tech delivers somewhat in line with today's, more conservative, expectations.

The escalated trade wars initiated by President Trump raises concerns. We already noted how trade restrictions affected the global economy in the first quarter. Uncertainty may lead to companies postponing larger investment decisions and thereby increase the risk of a recession. However, we believe that we can create excess returns even in such an environment and would also like to thank our co-investors for your trust.

Key and Risk figures	31/05/19	1 M	12 M	Since Start
NAV, SEK	131.59			
Performance, %		0.53	20.75	31.59
STIBOR 1M, %		-0.01	-0.35	-0.68
Std deviation*, %			13.12	12.37
Sharpe ratio				
Net exp. to eq. %	48.95			

Annualized

Performance Nov 2017 – May 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	0.53								14.07
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)