

Fund Manager's comment

Performance

Adrigo Hedge decreased by 3.11% in August, net of fees. **Vestas** (renewable energy), **Northern Drilling** (oil service) and **Husqvarna** (forest and garden eq) were the main explanation for the negative performance in August. **AstraZeneca** (healthcare), **Essity** (consumer products) and **Hennes & Mauritz** (retail) were the three most significant contributors to returns. Short positions contributed negatively by 0.96% to the month's performance.

Nordic equities (OMX N40) declined by 0.9 % in July. Adrigo Hedge has returned 70.6% 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 33.0%.

Market Comment

Equities traded down in early August but bottomed out around mid-month. The trade war between US and China escalated at the same time as macro data in China came in weaker than expected. Purchasing manager's index in the US, ISM, was short of expectations but still points to expansion. The world's central banking conference in Jackson Hole indicated that monetary policy will continue to be dovish.

In the Nordics, defensive sectors such as healthcare and consumer staples rallied c. 5% during August. Crude oil price declined by c. 6% pressuring energy shares. IT companies were among the losers in August. Industrials traded down the first part of the month but rallied sharply the last week, still ending the month down 3%.

Outlook

Equity sentiment was volatile in August impacted by trade war headlines and expectations for further stimulus. The US 10 year bond rate fell sharply during August. One interpretation is that growth and inflation expectations are falling and analysts speculate that the US is close to a recession. It is worth remembering that market-implied inflation expectations are unchanged in contrast to the fall in the 10-year rate in August. Commercial banks in the US are still pursuing loose lending terms, which is unusual if the US was about to enter a recession. Perhaps tumbling long term interest rates are a sign of expectations of additional stimulative measures by the FED? In that case, we could have another leg up in the equity market before the anticipated recession. There are however plenty of risks on the horizon that could trigger a recession.

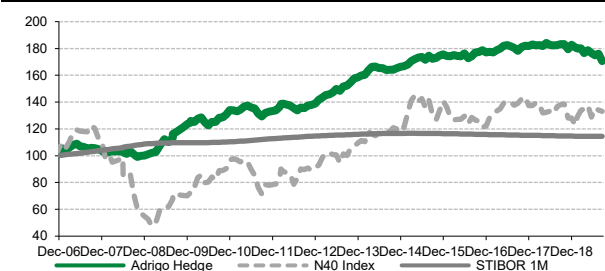
We have made a new investment in **Telenor**. The Norwegian telecom operator is present in many countries in Asia and Europe. We believe that Telenor eventually will refocus operations to its core in the Nordics. The planned JV with Axiata in Malaysia sets out a potential path to an exit of the Asian operations. We also believe there is a high likelihood that the tower business will be spun off. Tower companies trade at significantly higher multiples than telco operators indicating significant value upside in an event of a spin-off. There is also large cost-cutting potential as the copper network in Norway is phased out. We believe that Telenor will emerge as an operator with lower risk and higher profitability in the Nordics. The company will be more efficient with the potential to free up a lot of capital that could be returned to shareholders over time. We see significant upside to the current share price.

| Key and Risk figures | 30/07/19 | 1M | 12M | 2Y | 3Y | 5Y | Since Start |
|----------------------|----------|-------|-------|-------|-------|-------|-------------|
| NAV, SEK | 150.74 | | | | | | |
| Performance*, % | | -3.11 | -6.89 | -4.26 | -3.60 | 3.91 | 70.63 |
| STIBOR 1M, % | | -0.01 | -0.27 | -0.78 | -1.35 | -1.87 | 14.46 |
| Std deviation**, % | | | 4.92 | 4.07 | 3.66 | 3.56 | 4.71 |
| Sharpe ratio | | | -1.30 | -0.38 | -0.16 | 0.36 | 0.75 |
| Net exp. to eq. % | 23.0 | | | | | | |
| Value-at-Risk*** | | | | | | | |
| - Conf Interval 95 % | 2.11 | | | | | | |
| - Conf Interval 99 % | 2.90 | | | | | | |

* 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 – Aug 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 | -0.88 | 0.69 | -3.11 | | | | | -5.69 |
| 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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