

Fund Manager's comment

Performance

Adrigo Hedge rose by 0.89% in December, net of fees. The holdings which contributed the most to the Fund's performance were **Getinge** (medtech), **Danske Bank** (financials) and **ABB** (electrical engineering). Among the smaller holdings, we noted good returns from **Recipharm** (pharmaceutical manufacturing) and **Subsea 7** (subsea installations). The Fund's short positions, ie negative exposures, had an adverse impact on performance in aggregate.

Nordic equities (OMX N40) were up by 2.7% in December. Adrigo Hedge has returned 68.5% since inception, adjusted for dividends and net of fees. In the same period, the benchmark STIBOR 1M rate has returned 14.4%, and the OMX N40 index has risen by 48.2%.

Market Comment

The global stocks markets were characterized by continued optimism in December and the Nordics were no exceptions. Oil prices were strong with Brent increasing almost 9 %.

The Swedish Central Bank, 'Riksbanken', raised the repo rate from -0.25% to 0% in December ending a five-year period of negative interest rates. However, the government agency 'Swedish National Institute of Economic Research' criticized the decision highlighting rising unemployment and inflation to remain well below the Riksbank target in the years ahead. The Swedish Krona strengthened against the USD and EUR after the decision, however, it remains to be seen if this is a long-term change in the trend. Long-term interest rates continued to rise during the month where we noted gains in the US, German, and Swedish ten-year government bonds rate.

Key and Risk figures	30/12/19	1M	12M	2Y	3Y	5Y	Since Start
NAV, SEK	148.84						
Performance*, %		0.89	-6.88	-7.88	-5.11	1.06	68.48
STIBOR 1M, %		-0.01	-0.16	-0.64	-1.18	-2.00	14.41
Std deviation**, %			4.28	3.93	3.70	3.62	4.69
Sharpe ratio			-1.51	-0.88	-0.31	0.21	0.71
Net exp. to eq. %	25.4						
Value-at-Risk***							
- Conf Interval 95 %	2.20						
- Conf Interval 99 %	2.98						

* 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	0.15	-1.89	1.17	-1.25	-0.88	0.69	-3.11	-0.05	-0.95	-1.15	0.89	-6.88
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

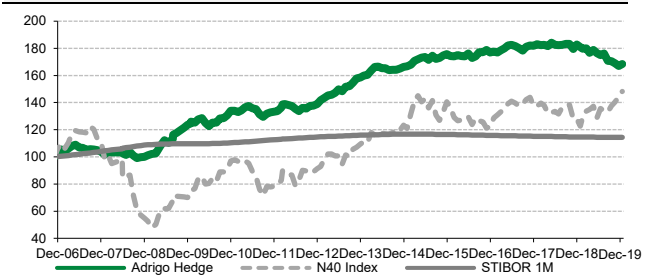
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Launch date: 1st December, 2006
Current fees: Subscription fee 0%
Redemption fee 0%
Fixed management fee 1%
Performance related management fee 20% of total return exceeding STIBOR 30 days rate after deduction of fixed fee ("high water mark").

Outlook

The stock market of 2019 marks one of the better during the last 20 years. The fourth quarter was exceptionally strong despite weaker macro statistics. Low interest rates and monetary stimulus have contributed significantly to the strong performance. In late December 2018, expectations were that there would be two interest rate hikes in the US in 2019. The result, however, was no hikes, instead the US Fed cut the policy rate three times during the second half of 2019. The Fed also cut back on monetary stimulus during the first part of the year but reversed course during the autumn and started again to expand its balance sheet. In 2020, no interest rate hikes are expected and the "organic growth" of the balance sheet will most likely continue. Any tightening of monetary stimulus should be clearly negative for equity markets.

After a poor performance YTD, we made some rather significant changes to the portfolio during November and December. One new large holding is **BillerudKorsnäs** (packaging). After less than two years at the helm, CEO Mrs Petra Einarsson was fired in early November. The trend in earnings and in share price has been very weak and there is widespread skepticism among analysts and investors towards the company. During 2017-2019, the company has invested some SEK 9bn (40% of market cap) in new capacity. We believe that the company only has one major investment (a new recovery boiler in Frövi) to make over the next five years, signaling a very strong cash-flow generation. After the divestment of its forestry holdings, BillerudKorsnäs is overcapitalized and we see good possibilities for the company to return some of its cash back to the shareholders either by an extraordinary dividend or a share buyback program.

Performance Dec 2006 – Dec 2019



Source: Adrigo Asset Management