



Fund Manager's comment

Performance

Adrigo Small & Midcap L/S rose by 5.51% in August, net of fees.

The Fund's larger holdings in **Veoneer** (automotive safety) and **Bonesupport** (medtech) provided good contributions to returns. Among the Fund's midsized positions, we noted good gains in **Electrolux** (home appliances) and **24SevenOffice** (software) whilst we noted good percentage gains in **Ferronordic** (construction equipment) and **Mercell** (software). The Fund's short positions impacted performance negatively in aggregate.

Adrigo Small & Midcap L/S has returned 48.5% 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 32.8%.

Market Comment

The Carnegie Small Cap Return Index Nordic rose by 5.66% in August.

Nordic equity markets were strong in August, where Norwegian and Finnish markets outperforming its Nordic peers. Technology and Consumer Services outperformed whilst Financials underperformed. During the symposium in Jackson Hole, US Fed emphasized the importance of reaching the two percent inflation target. The Fed clarified that they do not fear overshooting the target in order to avoid market expectations being too low. We noted that long-term interest rates rose after the announcement. The USD weakened marginally against the EUR and SEK during the month.

We noted a cash offer for the consultancy firm HiQ and a mandatory offer for the consultant provider Ework in August.

Outlook

Veoneer announced a collaboration with Qualcomm on the delivery of driver assistance systems (level 1) to autonomous driving (level 4). It increases Veoneer's addressable market significantly with limited OPEX increase. Product launch is expected in 2021 and serial production in 2024. Veoneer showed solid cost control during the first half of 2020, and we

increased our holding during the summer from a mid-sized position and Veoneer is now a larger holding. We increased our position further after the announcement and see significant value potential from today's levels.

Market's willingness to take risk is undoubtedly high. This is reflected, among other things, in the number of private placements during August, which were usually well anchored before being announced. It is obvious that market participants are afraid of missing the train and large transactions were closed within minutes. Our approach has remained the same. We continuously meet a large number of companies, monitor our target list and participate when we believe that we have a solid understanding of the risk/reward potential. We feel no stress of potentially being left at the station. During August, we participated in a couple of the private placements, our allocation was OK due to high interest, and we had a good contribution. We view these transactions as advantageous when we want to add or increase our position in a less liquid holding.

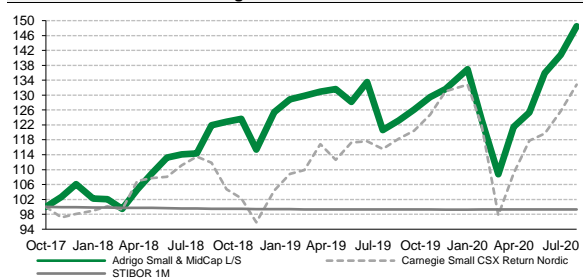
Another indicator of higher risk appetite is that we noted good contributions from our *High Potentials* portfolio. As described in previous monthly letters, these companies are usually more immature and earlier in their product launch cycle. Generally, they have lower market capitalizations and on paper, have a higher risk profile. Our allocation per company is usually lower, but historically the portfolio has functioned as a starting point for larger holdings as we de-risk the case e.g. **Bonesupport** is one holding. Historically, we have had good returns in this portfolio and our idea generation has continued to be good.

Our *Dynamic* portfolio was also a solid contributor in August, while the Fund's *Core* holdings underperformed the market as a group. Since inception our larger holdings and remaining portfolio often alternate performance-wise. Our *Core* holdings often have no/low coverage and are usually dependent on quarterly reports to generate interest. We have a long-term investment horizon and continue to have great confidence in the *Core* portfolio. We increased our holding in several companies during August. The risk appetite is undeniably high, market expectations elevated but we continue to find mispriced companies.

Key and Risk figures	31/08/20	1 M	12 M	Since Start
NAV, SEK	148.49			
Performance, %		5.51	23.11	48.49
STIBOR 1M, %		0.00	-0.03	-0.73
Std deviation*, %			23.06	17.75
Sharpe ratio			1.00	0.84
Net exp. to eq. %	56.5			

*Annualized

Performance Nov 2017 – Aug 2020



Source: Adrigo Asset Management

Performance, %	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec	YTD
2020	4.04	-9.92	-11.79	11.65	3.21	8.42	3.53	5.51					12.83
2019	8.73	2.71	0.74	0.86	0.53	-2.61	4.16	-9.63	2.11	2.40	2.66	1.65	14.09
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 facts		
Portfolio Managers:	Staffan Östlin (CIO) Johan Eriksson	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.
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.	Custodian: Skandinaviska Enskilda Banken AB (publ)
Objective:	High absolute return at a lower risk than the overall equity market.	Portfolio manager: Adrigo Asset Management, a division of East Capital Financial Services AB, corp. identity no. 556988-2086.
Deposit:	Initial minimum SEK 50,000, thereafter minimum SEK 10,000.	Management company: East Capital Asset Management S.A.

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Investments in funds always involve risks. Past performance is no guarantee for future performance. Fund units may increase or decrease in value and may be affected by changes in exchange rates and other factors. Investors may not get back the amount invested.

Before investing, please read the fund regulations and the information memorandum carefully. For full information, such as the information memorandum, key investor information documents (KIID) and financial reports please see www.adrigo.se.

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