

# ADRIGO SMALL & MIDCAP L/S

March 2021

## Performance

Adrigo Small & Midcap L/S fell by 7.87% in March, net of fees. This implies a performance of +4.79% for the first quarter.

The Fund's larger holdings in **Bonesupport** (medtech) and **Atlantic Sapphire** (salmon farming) fell 17 and 13% respectively due to negative company-specific news, while we saw the Fund's largest holding **Bergman & Beving** (technical trade) appreciate some 19%. Our *Dynamic* part also had a negative contribution, where **Veoneer** (auto safety), **CDON** (e-commerce) and **Kahoot** (e-learning) had a negative contribution of 330 bps. **Clas Ohlson** (retail) partially offset this with a share price appreciation of 23%. Among the Fund's smaller holdings, **Cantargia** (biotechnology) fell 42% whilst **Q-Linea** had a solid contribution with its share price appreciation of 20%. The Fund's short positions had a negative contribution. Although we noted that individual short positions compensated for the negative performance of our long positions, the market was strong overall, which hampered the portfolio.

Adrigo Small & Midcap L/S has returned 99.3% since inception, net of fees. In the same period, the benchmark STIBOR 1M rate has returned -0.8% and the Carnegie Small Cap Return Index Nordic has gained by 68.9%.

## Market comment and outlook

The Carnegie Small Cap Return Index Nordic rose by 6.17% in March. Interest rates have continued to rise, and the sector rotations have continued. Raw materials were weak overall and e.g. oil (Brent) and copper fell some 4% during March.

**Bonesupport** announced that the FDA wants additional data before an approval of Cerament G within the bone infection indication in the US. Today, there is no comparable established device, which is why the FDA enables a fast approval. However, lack of data of the current methods used makes FDA to request additional info. On the positive side, the FDA did not have any concerns with therapeutic benefit of Cerment G. There will be a 12-month delay and clearly the stock market expected an approval already today. Worth mentioning is that during Q421, BONEX will submit its PMA application for Cerament G (with a control group) in the USA. We increased our position post the announcement.

**Atlantic Sapphire** suffered from mortality at its US site during March. Previously, ASA had an incident at the Danish plant, whereby ASA changed the failing filter system in the US for 4 of 6 growth out tanks. March's incident took place in one of the tanks ASA has not yet replaced. Salmon farming, whether on land or at sea, is risky, but year by year the volume at risk will decrease for ASA as the number of grow out tanks increase. At full expansion, the volume risk will be on par if not lower than traditionally farmed salmon. We continued to see great value potential in Atlantic Sapphire as the expansion continues in the US. Salmon farmed on land has a significantly lower environmental impact compared to traditionally farmed salmon and the brand that ASA establishes will be a great value driver long term.

**Clas Ohlson** has been heavily affected by the restrictions and the share has been an underperformer, being down some 20% since mid-February 2020. Online sales have developed handsomely during 2020/21 and being up over 100% during Jan. to Mar. 2021 (year on year). We initiated a mid-sized position during late 2020 as we see a solid balance sheet, strong brand with high awareness among its target customer group, an ownership stake and collaboration with Mathem (online grocery store) that will be value creative as the transformation from store to online continues. Physical stores will be core going forward, but must be smaller in size, more efficient, and function as logistics hubs for online shopping e.g. click and collect alternative. Market expectations are low and even if restrictions will hamper sales growth in H221, we are patient as CLAS has a strong financial position. We see clear value potential and if growth returns and margins stabilize, the share will likely perform well.

We initiated a large position in **Rugvista** (e-commerce), one of Europe's largest carpet retailers, during March. Rugvista has grown its sales by a CAGR of 24% during recent years with increased profitability, delivering an adjusted EBIT margin of 19% in 2020, a level we believe being sustainable. In addition, it has a solid cash-flow generation, not common for rapidly growing e-commerce players. Nordics represents some 27% of sales, why we believe that Rugvista's target of being the leading European player seems reasonable. The European market size is around 23 bn USD with an online penetration of 16%, hence good possibilities for high growth rates going forward. Finally, we believe Rugvista has a solid and experienced BoD that previously been operating e-commerce companies successfully.

We are disappointed with the performance in March but see clear value triggers for all positions and have great confidence in the portfolio. We continue to work actively meeting companies and our idea generation is good. Finally, we would like to thank our co-investors for your trust!

## Portfolio management



**Staffan Östlin**  
Portfolio Manager and CIO



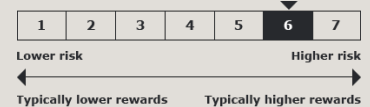
**Johan Eriksson**  
Portfolio Manager

## Fund information

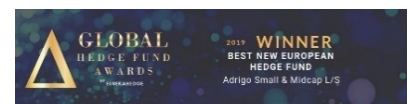
Launch date	2017-11-01
ISIN	SE0010440735
Subscription fee	0%
Redemption fee	0%
Fixed management fee	1%

Performance related management fee 20% of total return exceeding STIBOR 30 days rate after deduction of fixed fee ("high water mark").  
Deposit: Initial minimum SEK 50.000, thereafter minimum SEK 10.000.

## Risk and reward profile



**Important information:** Investment in funds always involves some kind of risk. Past performance is no guarantee for future performance. Fund units may go up or down in value and may be affected by changes in exchange rates. Investors may not get back the amount invested. Full information on Adrigo funds, such as the prospectus, key investor information documents (KIID) and financial reports is available on [adrigo.se](http://adrigo.se).

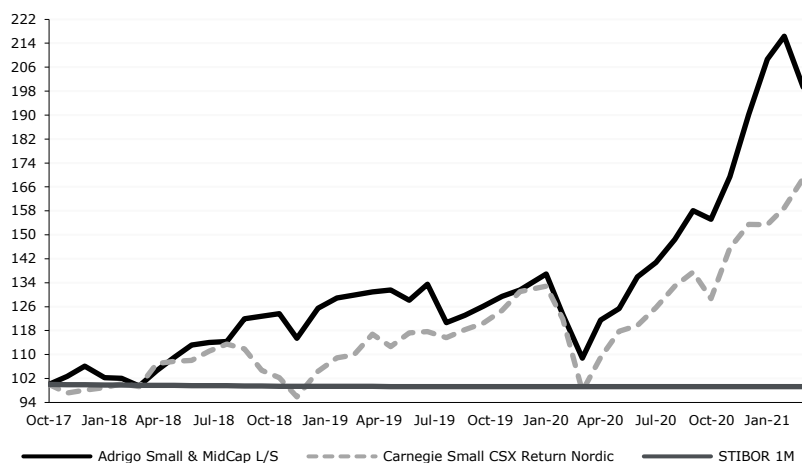


# ADRIGO SMALL & MIDCAP L/S

March 2021

## Performance

Nov 2017 – Mar 2021



### Portfolio Managers

Staffan Östlin (CIO)  
Johan Eriksson

### Launch date

2017-11-01

### 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 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.

### Objective

High absolute return at a lower risk than the overall equity market.

### Strategy

Adrigo Small & Midcap L/S is long/short hedge fund with a long bias. We put emphasis on fundamental research, stock picking approach.

### Trading Day

Fund units of Adrigo Small & Midcap L/S are open for subscription and redemption on the last banking day every month.

### 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)

### Portfolio manager

Adrigo Asset Management, a division of East Capital Financial Services AB, corp. identity no. 556988-2086.

### Management company

East Capital Asset Management S.A.

Key and Risk figures	31/03/21	1 M	12 M	Since inception
NAV, SEK	199.32			
Performance, %		-7.87	83.20	99.32
STIBOR 1M, %		-0.01	-0.02	-0.78
Std deviation*, %			20.03	19.22
Sharpe ratio			4.15	1.16
Net exp. to eq. %	53.0			

\*Annualized

Performance, %	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec	YTD
2021	9.67	3.71	-7.87										4.79
2020	4.04	-9.92	-11.79	11.65	3.21	8.42	3.53	5.51	6.47	-1.81	9.16	12.25	44.53
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

### Important Information:

Adrigo funds are Alternative Investment Funds (so called "specialfond") according to the Swedish Act (2013:561) of Managers of Alternative Investment Funds and are therefore not to be considered as UCITS funds. Adrigo funds are only directed at institutions and other professional investors and are not subject to the same regulatory framework as those funds which are adapted to retail investors. 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](http://www.adrigo.se). The availability of Adrigo funds may be limited or restricted in some countries. Detailed Information about where the funds are registered and what types of distribution are permitted can be obtained from Adrigo Asset Management. The information about Adrigo funds is only directed at those investors located where Adrigo is authorized to make this information available, and is not intended for any use which would be contrary to local law or regulation. Consequently, the Adrigo funds may not be offered, sold or distributed in these countries unless such offer, sale or distribution is made in accordance with any applicable exemption from any registration requirements provided by the local securities laws and regulations. Prospective investors should inform themselves as to: (a) the legal requirements within their own jurisdictions for the purchase and holding of shares; (b) any foreign exchange restrictions which may affect them; and (c) the income and other tax consequences which may apply in their own jurisdictions relevant to the purchase, holding or disposal of shares.

Source: Adrigo Asset Management