

ADRIGO SMALL & MIDCAP L/S

May 2021

Performance

Adrigo Small & Midcap L/S fell by 3.15% in May, net of fees.

The Fund's larger holdings in **Bonesupport** (medtech) and **Bergman & Beving** (technical trade) provided good contributions. Among the midsize positions, we noted good gains in **Dometic** (leisure products) and recently listed **Arla Plast** (plastic materials). The Fund's Norwegian holdings in **Kalera** (horticulture) and **Kahoot** (e-learning) had a negative contribution during the month. Among the smaller positions, we noted a good percentage gain in **Initiator Pharma** (biotechnology). The Fund's short positions impacted performance positively in aggregate driven by solid individual short positions, but we had a negative contribution from index futures.

Adrigo Small & Midcap L/S has returned 87.1% 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 81.4%.

Market comment and outlook

The Carnegie Small Cap Return Index Nordic rose by 1.13% in May.

All Nordic stock markets rose during May, where we noted an outperformance from *Consumer Goods* and an underperformance among *Basic Materials*. We noted a slight underperformance from Nordic small caps compared to larger entities. The IPO window continues to be open with several new entities being listed during May. Selectivity has been key and there has been large discrepancies in the initial share price reactions.

One of our larger investments is **Bergman & Beving**. A company with a history of 115 years of value creation. These days, many companies and investors are focusing on streamlining to create shareholder value. Already in 2001, Bergman & Beving distributed two companies, Addtech and Lagercrantz. Addlife was later spun out off Addtech and during 2017 Bergman & Beving listed the Momentum Group. This transformation implies that Bergman & Beving, with at market cap of some SEK 3.5 bn, has the lowest market cap within the "Bergman family" which in total has a market cap of around SEK 100 bn. This clearly illustrates Bergman & Beving's ability to create shareholder value.

We clearly believe that the above will repeat and see potential for significant changes over the coming years. 1) Growth. After reporting flat sales over the last three years, we believe the Company will enter a phase of stronger growth. The signals from new CEO, Mr Magnus Söderlind, are clear. During the last 13 years, Mr Söderlind has been responsible for Business Development and M&A within Lagercrantz. Our thesis is that good organic growth and an accelerated M&A agenda will give Bergman & Beving double digit sales growth in the coming years. 2) Margin expansion. Bergman reported an EBITA-margin of around 6% last year but according to management, the Group has the capacity to reach double-digit margins with the current Group structure. However, it is obvious that acquisitions will expand margins. During Mr Söderlind's tenure at Lagercrantz margins expanded from 6% to 15%, to a large extent due to acquisitions of leading niche brands. 3) Perception and multiple expansion. Bergman is today covered by less than a handful of sell side analysts and the stock is viewed as quite boring. However, we believe this could rapidly change due to strong organic top line growth and increased confidence in the M&A story. The attractiveness of a Company with good possibilities for multiple-arbitrage is strong. Hence, it is likely that we will see the multiple expand in the share.

We participated in **Arla Plast's** IPO during May. The Company headquartered in Borensberg is a leading European manufacturer and supplier of extruded sheets primarily made of polycarbonate. The Company has grown organically by just over 5% p.a. since 2008 and has had an average free cash flow margin of 6% over the past five years. Working capital is tied up in the business since Arla Plast is a subcontractor to the subcontractor, but the Company has nevertheless shown a return on invested capital of approximately 15%, which is solid in comparison to other listed subcontractors on Nordic exchanges. The Company is partially exposed to cyclical end markets and raw material swings may create short-term gross margin volatility. However, the Company relies on a very strong balance sheet without goodwill, operates with wholly owned machinery, and Arla Plast also owns its largest manufacturing facilities, an unusual combination in today's short-term search for "light balance sheets" via sale/leaseback alternatives. The share is up just over 15% since listing, but we see a significant upside from today's levels.

Finally, we continue to work hard in order to create excess returns. Our returns over the past three months have been less satisfactory, but we have confidence in the portfolio and our investment approach. We have continued to increase our private holdings in the Fund and look to the future with confidence!

Portfolio management



Staffan Östlin
Portfolio Manager and CIO



Johan Eriksson
Portfolio Manager

Fund information

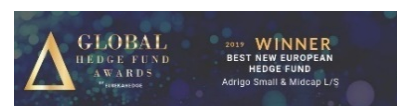
Launch date	2017-11-01
ISIN	SE0010440735
Subscription fee	0%
Redemption fee	0%
Fixed management fee	1%

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



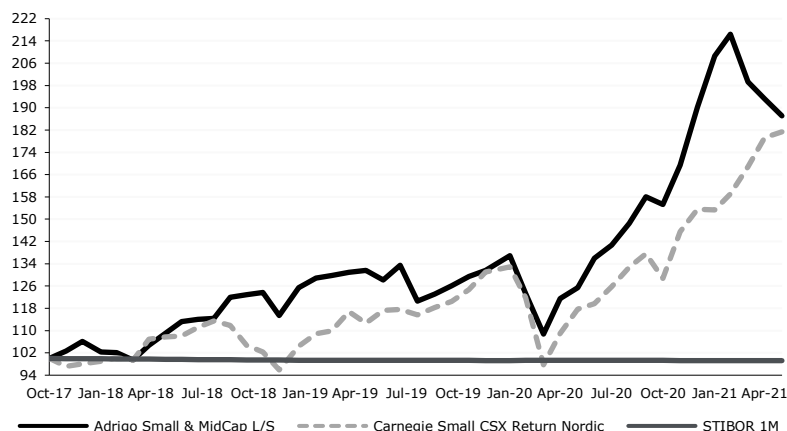
Important information: Investment in funds always involves some kind of risk. Past performance is no guarantee for future performance. Fund units may go up or down in value and may be affected by changes in exchange rates. Investors may not get back the amount invested. Full information on Adrigo funds,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



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May 2021

Performance Nov 2017 – May 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	31/05/21	1 M	12 M	Since inception
NAV, SEK	187.08			
Performance, %		-3.15	49.21	87.08
STIBOR 1M, %		-0.01	-0.02	-0.79
Std deviation*, %			21.63	19.12
Sharpe ratio			2.28	1.00
Net exp. to eq. %	54.8			

*Annualized

Performance, %	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec	YTD
2021	9.67	3.71	-7.87	-3.09	-3.15								-1.65
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:

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Source: Adrigo Asset Management