

ADRIGO SMALL & MIDCAP L/S

June 2021

Performance

Adrigo Small & Midcap L/S fell by 2.04% in June, net of fees.

The Fund's larger holdings in **Bonesupport** (medtech) provided good contributions. Among the mid-sized positions, we noted good gains in **Dometic** (leisure products) and **Urb-It** (last mile logistics). 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 good percentage gains in recently listed **Puulo** (discount retailer) and **Initiator Pharma** (biotechnology). The Fund's short positions impacted performance negatively in aggregate.

Adrigo Small & Midcap L/S has returned 83.3% 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 81.7%. Adrigo Small & Midcap L/S has returned 34.8% over the last 12-month period.

Market comment and outlook

The Carnegie Small Cap Return Index Nordic rose by 0.18% in June. All Nordic stock markets rose during June, where we noted an outperformance from *Oil & Gas* and *Financials*. Nordic small caps underperformed larger entities (OMXN40), which rose 2.6% during the month.

We participated in **Puulo's** IPO during June. The Finnish DIY focused retailer has grown its sales by an annual rate of over 20%. Successfully opening new stores have been an important sales driver but over the last six years like-for-like sales growth has also been above 6%, disregarding the extraordinary strong 2020 showing over 24%. The number of stores have increased from 5 to 30 over the last ten years and about 50% of the stores are immature and below 5 years of age. More matured stores will have a higher sales per m2, which will support the contribution profit per store going forward.

Puulo's high operating margin stands out in comparison to DIY and discounter peers, which might be a potential concern in the long run, especially if sales per m2 decline. We believe however that increased store network maturity will support operating margins, and worth highlighting is Puulo's strong cost discipline where both fixed and personnel costs are clearly lower relative to m2 and sales respectively in comparison to peers. Furthermore, we see potential to increase the share of own brands in the sales mix, which should support the gross margin in the years to come.

The share has appreciated some 20% since the IPO and the short-term upside potential might be more modest. However, we see that the share has potential to compound over 15% p.a. due to continuous store network expansion, increased sales per m2, strong margins and solid cash flow generation, all at a lower operational risk than the stock market in general.

By the end of 2020, we initiated a position in **Urb-it**, a Company with a somewhat poor historical performance. The current management team with CEO Kevin Kviblad and COB Lage Jonason have over the past years transformed Urb-it, finetuned its business model and attracted large international logistics companies as customers. In our initial analysis, we saw a stock that had been completely neglected by the market, and we concluded that the vast changes within the Company had not yet been considered by the common investor. Urb-it's business model, fossil-free last-mile deliveries, using transportation methods (e.g. cargo biking) that do not interfere with nor cause city traffic, is by all means just right in time. The Swedish business has been shut down and today Urb-it targets larger, more dense cities in France and the UK. Urb-it has signed several contracts with logistics giants such as Le Groupe La Poste, Amazon, and Alibaba in France. The volume potential is significant, but it is still too early to assess a realistic potential and PnL effect for Urb-it at the time of writing. We argue however that the agreements validate Urb-it as a business partner, and we expect the Company to continue to expand to additional cities in France near term. In addition, Urb-it has continued its geographical expansion in the UK, most recently Manchester. The city has the ambition to reduce CO2 emissions by 50% by 2025. Currently, Urb-it has operations in London, Cambridge, Bristol, and Manchester and will continue to expand to six new cities by the end of 2021. Urb-it's main ambition for 2021 is to tenfold the volume of parcels delivered. With a market cap below SEK 900m, we consider, despite the stock's recent strong performance, that the expectations still are relatively modest. Change takes time, but Urb-it has turned around and come a long way, we see great share price potential from today's level.

Finally, we are obviously not satisfied with our return during the first half of 2021. In the past year, the Fund has returned 34.8% and since inception the annualized return has been 18.0%. We are convinced that our bottom-up investment strategy continues to have good opportunities to generate excess returns going forward.

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



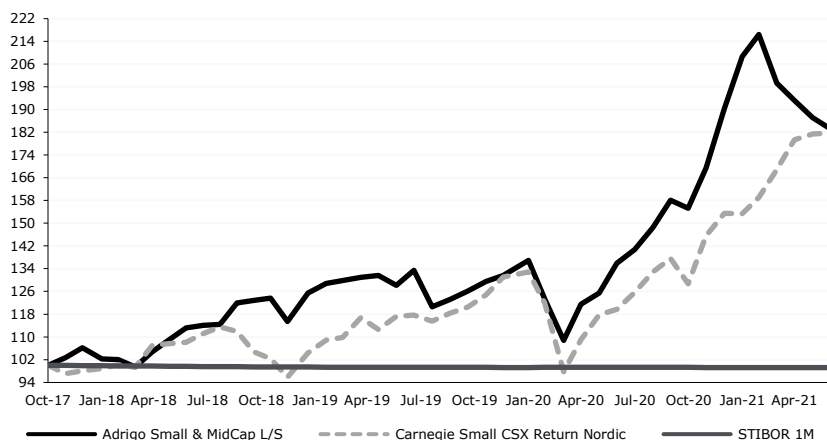
Important information: Investment in funds always involves some kind of risk. Past performance is no guarantee for future performance. Fund units may go up or down in value and may be affected by changes in exchange rates. Investors may not get back the amount invested. Full information on Adrigo funds,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



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June 2021

Performance Nov 2017 – Jun 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	30/06/21	1 M	12 M	Since inception
NAV, SEK	183.27			
Performance, %		-2.04	34.82	83.27
STIBOR 1M, %		-0.01	-0.02	-0.79
Std deviation*, %			21.59	18.99
Sharpe ratio			1.61	0.95
Net exp. to eq. %	53.7			

*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	-2,04							-3.65
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:

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.

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Source: Adrigo Asset Management