

ADRIGO SMALL & MIDCAP L/S

February 2022

Performance

Adrigo Small & Midcap L/S fell by 5.01% in February net of fees.

Among the Fund's long positions, **Frontline** (shipping) provided good contributions to returns with a share price gain of 46% during the month. The remaining positions had a weak development during February. Our short positions provided a solid contribution, although insufficient to compensate for our long book.

Adrigo Small & Midcap L/S has returned 71.3% since inception, net of fees, implying an annual return of 13.22%. In the same period, the benchmark STIBOR 1M rate has returned -0.8% and the Carnegie Small Cap Return Index Nordic has a gain of 79.3%.

Market comments and outlook

The Carnegie Small Cap Return Index Nordic fell by 4.19% in February. We noted that Nordic small-caps outperformed their large-cap peers (OMXN40), which fell by 4.30%.

In late February, Russia invaded Ukraine. We follow the tragic development with dismay and our thoughts are with the people affected by the war.

The markets had already partly discounted the escalation, although the volatility has increased substantially post the invasion. Energy prices have increased, and e.g., Brent reached over USD 100 a barrel during the month. Demand for storage capacity has increased, which is a freight rate driver and thus benefits **Frontline**. Frontline's share price rose markedly in February. We initiated a mid-sized position in the first week of February and have traded the share actively during the month. The position was still of medium size at the end of February. Frontline's Q4 report was as expected. However, its Q122 outlook was better than anticipated. We believe this relates to Frontline's very modern fleet, which has higher capacity utilization generating higher rates. We envision increased oil production in the US, which will lead to longer transport distances and thus higher freight rates. The sector has, for a long time, been plagued by low scrapping and a large order book. Today we see an order book that corresponds to about 7% of the current fleet size at the same time as a large part of the fleet will need to be scrapped in the coming years.

In recent days, there has been an intense news flow regarding sanctions on Russia. The Ruble has collapsed, primarily driven by Russian banks' inability to trade via SWIFT, and the central bank unable to use its international currency reserve.

Analysts have speculated on how the war and sanctions will have implications on global GDP growth, central banks' willingness to continue with a tighter monetary policy, and whether cost inflation will increase further. The one with the loudest voice and most spectacular estimates gets through with his message currently. But in all honesty, there are probably few, or most likely no one, who can predict the development in Ukraine or the impact on the global economy in the coming years.

We note how the more short-cycle industrials have traded weakish, real estate and commodity-sensitive companies (even excluding oil producers) have strengthened. In addition, the renewable energy sector has rebounded massively after a weak H2 of 2021. Danish Vestas Wind has traded up 35% since February 23, if it is a reasonable revaluation or not remains to be seen. The stock market usually overreacts both on ups and downs, and most likely it is the same case this time.

During the latter part of January, we reduced our gross exposure but kept the net exposure somewhat intact. In hindsight, it was a mistake to cover part of our short positions and allow ourselves to be too optimistic on a rebound. Among the Fund's long positions, we noted strong reports from **Online Brands** (e-commerce), **Opter** (software), and, given the prevailing Omnicom spread, **Bonesupport** (medtech). Bonesupport announced that US FDA has postponed its De Novo decision. The decision is expected in mid-March whether FDA will approve Bonesupport's flagship product in the US. A market approval will be a significant value driver.

Among our companies with slightly weaker reports, we note **Arla Plast** (extruded polycarbonate). The Company has been unsuccessful in compensating for increased raw material prices, which has hurt profits. Arla Plast communicated that Q122 has started just as Q421 ended. It indicates that profits will continue to be under pressure in the coming quarters. We have not changed our long-term view of the Company and its ability to generate a volume growth of 5% p.a. and a return on invested capital of over 15%. Arla Plast's strong balance sheet enables freedom of action. We have increased our position post the earnings announcement.

Finally, we would like to thank our co-investors for your continued 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%

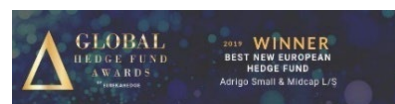
Performance related management fee 20% of total return exceeding STIBOR 30 days rate after deduction of fixed fee ("high water mark").

Deposit: Initial minimum SEK 1000.

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.

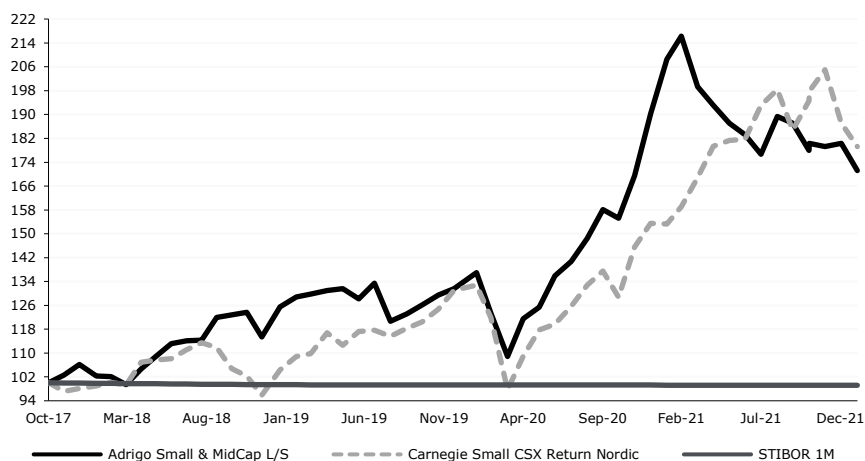


ADRIGO SMALL & MIDCAP L/S

February 2022

Performance

Nov 2017 – Feb 2022



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 1000.

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	28/02/22	1 M	12 M	Since inception
NAV, SEK	171.26			
Performance, %		-5.01	-20.84	71.26
STIBOR 1M, %		-0.01	-0.07	-0.84
Std deviation*, %			13.28	18.41
Sharpe ratio			-1.57	0.72
Net exp. to eq. %	>60.0			

*Annualized

Performance, %	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec	YTD
2022	0.56	-5.01											-4.48
2021	9.67	3.71	-7.87	-3.09	-3.15	-2.04	-3.61	7.21	-1.24	-4.86	1.31	-0.57	-5.74
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

Source: Adrigo Asset Management

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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