

ADRIGO SMALL & MIDCAP L/S

March 2022

Performance

Adrigo Small & Midcap L/S fell by 5.90% in March net of fees. The Fund's larger holding in **Bonesupport** (medtech) provided a good contribution. Among the mid-sized positions, we noted good gains in **Atlantic Sapphire** (salmon farming). Among the smaller positions, we noted a good percentage gain in **Bioservo Technologies** (medtech). The Fund's short positions impacted performance negatively in aggregate. Our unlisted holdings impacted performance negatively by 280 bps due to impairments.

We are not satisfied with our performance during Q1 where a handful of more illiquid holdings have affected our performance negatively. These positions are more difficult to hedge. Our conviction remains solid, and we believe a rebound will occur despite how the overall market develops.

Adrigo Small & Midcap L/S has returned 61.2% 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 a gain of 82.7%.

Market comments and outlook

The Carnegie Small Cap Return Index Nordic rose by 1.91% in March. We noted that Nordic small-caps underperformed their large-cap peers (OMXN40), which rose by 2.90%.

It is easy to forecast a bleak future for the coming years. Russia's invasion of Ukraine puts democracy on the sidelines. Rising interest rates and elevated interest rate sensitivity among public and private participants creates a more stressed new environment compared to history. Weak European consumer and business confidence, driven by geopolitical worries and rising inflation, risk putting pressure on the economy. Swedish NIER forecasts negative real disposable income among Swedish households in 2022. US treasury yields have inverted in March, usually an indication of an upcoming recession. Overall, it is easy to become a pessimist.

At the same time, we have seen the Swedish stock market bouncing some 15% inc. dividends since the bottom during the first week of March. Above all, we have seen a strong US stock market, which is a few percent away from its all-time high. We have seen more risk-on speculative stocks, "meme stocks" once again gained traction. Of course, the US is not as affected as Europe, but still, it is not decoupled from the global economy. It is often said that the best cure for high prices is high prices. It remains to be seen whether the current rise in interest rates will lead to a softer economy, falling interest rates, and if the optimistic stock market mood will continue.

We have noted several profit warnings during March. The common theme has been a lack of components. There has not been a lack of demand, at least not according to the press releases. Order books should continue to be solid, and it will be interesting to follow the development of both order cancellation and order intake in the coming quarters. Margin expectations for the coming year have come down and we have noted more muted share price reactions when profit warnings have been announced.

We have seen interest rates rise in March. This will continue to put pressure on the real estate sector. Banks have already increased their risk-weight on commercial real estate lending. Higher risk-weights have increased the cost of borrowing and made the bond market more attractive. Real estate companies have historically been good at financial engineering. We have seen preference shares, so-called D shares with less voting power, hybrid bonds, and "structuring" through joint ventures, associated companies, and cross-ownerships, always with a stated goal to be ahead of rating agencies and lower borrowing costs. As preference shares have to a greater extent been classified as debt, companies have adapted. Today, hybrid instruments are more popular. However, EPRA is amending its guideline and argues that hybrids should be classified as debt. EPRA does not have a direct impact on rating agencies. Although, we will probably see a harmonization and regulatory tightening in the coming years. We now expect that D shares will also be reclassified in due course. Rising long-term interest rates, tighter regulation, and probably a softer bond market constitute an interesting cocktail for real estate companies whose interest-rate sensitivity and indebtedness are high.

Our smaller holding, **Efecte** (software), hosted a capital market day. The Company aims to grow by 20% annually mainly through continued upsell to existing customers. Efecte has a net retention (sales growth among existing customers minus churn) of 115%, which means 15% growth at low operating costs. Efecte intends to gain market share in Finland, today the market leader in its segment, and to grow in the DACH. The share is illiquid, but we believe the visibility in our projections is good and the valuation is low. The margin potential is closer to 30% as a mature company, where Efecte currently operates with single-digit operating margins. We believe the stock has a return potential of over 20% annually even in a higher interest rate environment. 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

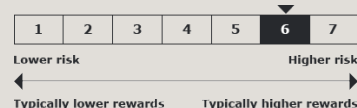
Fund information

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.

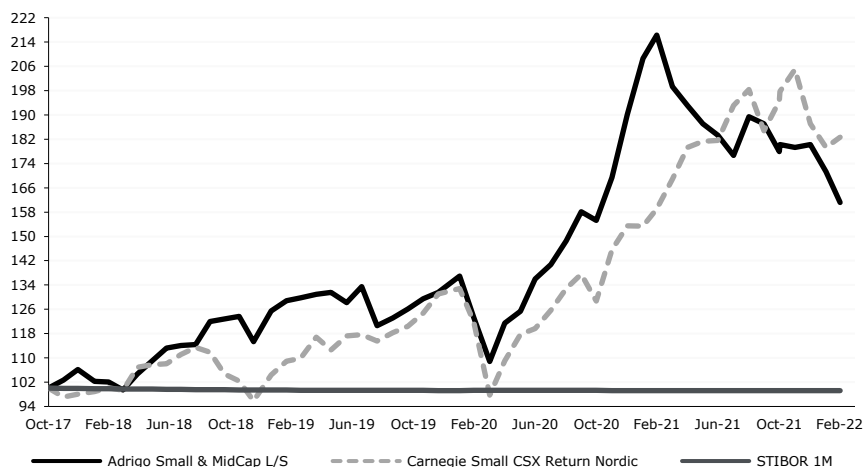


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March 2022

Performance

Nov 2017 – Mar 2022



Key and Risk figures	31/03/22	1 M	12 M	Since inception
NAV, SEK	161.16			
Performance, %		-5.90	-19.15	61.16
STIBOR 1M, %		-0.01	-0.07	-0.85
Std deviation*, %			12.42	18.54
Sharpe ratio			-1.54	0.62
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	-5.90											-10.11
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. 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.

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 a 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 of each 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.