

## Adrigo Small & Midcap L/S

Monthly Report August 2024



# A volatile month for stock markets

### Performance

Adrigo Small & Midcap L/S Class A and Class C fell by 7.59% in August after fees. The Carnegie Small Cap Return Index Nordic fell by 0.52% in August. So far in 2024, Adrigo Small & Midcap L/S Class A and Class C have risen by 0,1% and -2,69% respectively. So far this year, the Carnegie Small Cap Return Index Nordic has increased by 13%.

Among the fund's larger holdings, **Opter** (software), **Leroy** (salmon farming) and **Sinch** (software) have all made good contributions. Among the fund's smaller and medium-sized positions, we noted good contributions from **Enea** (software) and **Bonesupport** (medical technology). The fund's short positions, in aggregate, had a positive impact on the funds overall return.

Since inception, Adrigo Small & Midcap L/S Class A has delivered a total return of 95.26% after fees. During the same period, the comparison interest rate, STIBOR 1M, returned 6.32%, and the Carnegie Small Cap Return Index Nordic returned 104.0%. The fund's average annual return since inception is 10.29%.

### The Market and the Companies

Global stock market performance in August was positive. The MSCI World Index rose by 1.9%, the S&P 500 increased by 2.4%, and the EURO STOXX 50 also saw gains. Emerging markets, represented by the MSCI EM, increased by 0.4%. Brazil's Bovespa noted gains of 6.5%, and India's BSE rose by 1.0%, while Russia's RTS and MSCI Korea recorded declines. In the Nordics the Finnish market rose by 3,2% followed by the Danish market with a 1,3% rise. The Swedish market had a neutral development of 0,1% while the Norwegian market fell by 1,4%.

Our strategy with a focused portfolio, where a handful of companies are allowed to carry significant weight, has been favorable for the fund's performance since inception. We have indeed gone through some periods of weak returns, but we have also demonstrated the ability to recover the lost returns. Furthermore, our portfolio strategy has meant that the portion of the portfolio we call dynamic (investment horizon up to one year) has often been able to compensate when our larger holdings have underperformed.

The last few months have been painful, and we are determined to reverse the trend without increasing the level of risk. For August, the majority of the negative returns can be attributed to four holdings. Two of our smaller but riskier positions delivered bad news, which led to sharp, albeit not unexpected, drops in their share prices. The stocks that contributed the most to the negative returns were **Online Brands** (e-commerce) and **Ossdsign** (medical technology), both of which fell by around 20% after reporting their second-quarter results. We find these share price reactions to be puzzling, as both companies showed strong development.

Ossdsign's sales grew organically by 139% during the quarter with a gross margin of 93.2%. However, sales commissions continued to rise to 50.7% compared to 49.7% in the first quarter. According to management, a couple of competitors are behaving more aggressively than before, and they have driven up the compensation levels for



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### 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 information documents (KID) and financial reports is available on [adrigo.se](http://adrigo.se).

### Visits during the month

We participated in several investor conferences during the month. Among the companies we met with were Ossdsign, Scandic Hotels, and Pierce.

### Largest contributors

- > Opter – Software
- > Short position – Industry
- > Short position – Industry
- > Short position – Industry
- > Pierce Group – E-commerce

distributors. It seems reasonable to assume that these levels will remain consistent in the coming quarters. Ossdsign signed a group agreement with Premier Inc during the quarter, which brings together 4,350 hospitals under its purchasing umbrella in the US. The agreement itself provides no guarantees, but it is a prerequisite for selling Ossdsign's product Catalyst to these hospitals. We expect to begin seeing the effects of the agreement during the current quarter. Strategically, we believe the company is at a crossroads: should it focus on becoming cash flow positive at a sales level of around SEK 200 million, or should the company invest more in development and expanding the sales organization? We believe the latter option is preferable, even if it would involve capital injections from shareholders.

Online Brands had a challenging 2023, but in recent quarters, they have shown clear improvements. In the second quarter, sales increased by 32%, while cash flow strengthened. The gross margin rose from 56.2% to 62.6%. Their subsidiary, Bread and Boxers, grew by over 50% during the quarter, and we are now beginning to see the effects of an increased share of their own e-commerce. We also note that their largest and most profitable subsidiary, Trendcarpet, grew by over 25%. Online Brands has a clear strategy to grow outside of Sweden. The strategy is now bearing fruit, and international markets grew by 45% during the quarter. Unfortunately, trading in the stock is extremely thin, which hampers the valuation. We have also noted that one or more shareholders have been and continue to be aggressive sellers, which has a significant effect on the illiquid stock.

We visited Mowi and Lerøy Seafood in Bergen during early summer. The most interesting signals were those of significantly improved biology. In recent years, several regions in Norway have had major problems with salmon lice, which has led to early harvesting and high mortality. The effect on income statements has been significant. Through various methods, they have managed to greatly reduce the number of treatments, which has led to better growth and lower mortality. Lerøy Seafood's quarterly report confirmed this, and we therefore expect significant earnings growth in the coming year. Valuations in the sector are at low levels, so we have chosen to continue increasing our exposure.

## Performance

- Adrigo Small & Midcap L/S
- Carnegie Small CSX Return Nordic



November 2017 – August 2024 (Class A)

## Key & Risk figures

Key & Risk figures	2024-08-31	1 M	12 M	Since inception
NAV Class A, SEK	195.26			
NAV Class C, SEK	2 318.3			
Performance, %*		-7.59	18.06	95.26
STIBOR 1M, %		0.29	3.94	6.32
Std deviation, %*			19.79	19.26
Sharpe ratio*			0.91	0.53

\*Refers to Class A

## General information

### Focus of Investment

Adrigo Small & Midcap L/S is a hedge fund focusing on investments in Nordic equities and equityrelated 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.

### NAV

NAV is calculated on the last banking day of each month and published at the latest on the fifth banking day thereafter.

### Portfolio manager

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

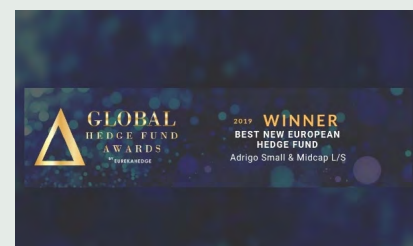
### Management company

East Capital Asset Management S.A.

### Contact

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## Awards



## Monthly performance (Class A)

%	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec	YTD
2024	2.3	1.04	4.45	2.23	10.87	-5.44	-6.43	-7.59					0.06
2023	2.47	-3.5	-3.08	4.11	-6.96	-2.66	14.15	-5.81	0.97	2.77	4.17	9.16	14.63
2022	0.56	-5.01	-5.9	-7.01	13.56	0.4	6.36	0.85	-3.67	1.71	-0.91	-4.34	-5.05
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	2.4	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	-6.7	8.69
2017											2.65	3.4	6.14

## Monthly performance (Class C)

%	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec	YTD
2024	1.92	0.9	3.61	1.87	9.63	-5.43	-6.43	-7.59					-2.69
2023	2.48	-3.5	-3.08	4.11	-6.97	-2.65	14.15	-5.81	0.97	2.77	4.17	8.66	14.11
2022					12.87	0.32	5.08	0.72	-3.67	1.71	-0.91	-4.34	11.31

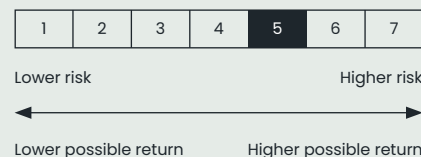
## Fund facts

<b>Fund type</b>	Equity hedge fund
<b>Launch date</b>	Class A: 2017-11-01 Class C: 2022-05-02
<b>ISIN</b>	Class A: SE0010440735 Class C: SE0017133366
<b>Subscription fee</b>	0%
<b>Redemption fee</b>	0%
<b>Fixed management fee*</b>	1%
<b>Benchmark</b>	The fund does not follow any benchmark index
<b>Deposit</b>	Initial minimum SEK 1000.
<b>Custodian</b>	Skandinaviska Enskilda Banken AB (publ)
<b>Trading day</b>	Fund units of Adrigo Small & Midcap L/S are open for subscription and redemption on the last banking day every month.

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

## Risk indicator

The fund has risk class 5 out of 7, which means that it can decrease/increase sharply in value. The risk indicator assumes you keep the product for 5 years.



**Important information:** Adrigo Small & Midcap L/S are Alternative Investment Funds (so called "specialfond") according to the Swedish Act (2013:561) of Managers of Alternative Investment Funds. This is marketing communication. This publication is not directed at you if we are prohibited by any law in any jurisdiction from making this information available to you and is not intended for any use that would be contrary to local laws or regulations. Every effort has been made to ensure the accuracy of the information in this document, but it may be based on unaudited or unverified figures or sources. The information in this document should not be used as the sole basis for an investment. Access to our funds may be limited in some countries. Contact us for detailed information on where the funds are registered and what type of distribution is permitted. It is also important that you yourself assess whether an investment is suitable in relation to these risks as well as the possible tax and other legal consequences and restrictions that may apply to you. You should also, if necessary, consult financial, legal, and tax advisors before investing. Past performance is no guarantee for future performance. The money invested in the funds can both increase and decrease in value, and it is not certain that you will get back the entire invested capital. Full information about our funds, such as prospectus, basic facts for investors (KID) and financial information can be found on our website [www.adrigo.com](http://www.adrigo.com) and can be obtained free of charge from us or our local representatives.