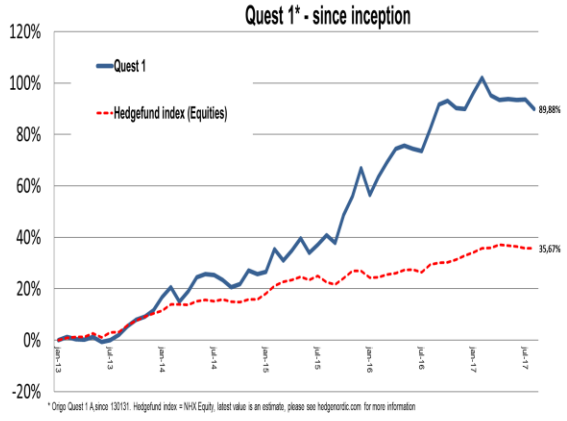
# Origo Quest 1
## August 2017

### Monthly comment

Quest **lost 1.96%** in August. The **decline** is largely explained by losses in the core holdings **Cherry and NKT**. The hedging has contributed positively. Cherry recently lowered the sales forecast for the year, which has pushed the price lower. The casino-unit has lost some pace in connection with the integration of ComeOn, while Game Lounge and Yggdrsil are developing well. **The future looks bright. NKT** reported overall **positive Q2 figures**. Cables have a strong headwind in front of the acquisition of ABB HV Cables, which increases focus on high-quality HV cables. Within Cables, Photonics also grows fast and has potential to stand on its own in the future. Nilfisk has an interesting growth potential, where robotics is becoming increasingly important. The operational leverage combined with the current savings program has the potential to push up **Nilfisk's EBITDA margin from around 11% to over 14% within a few years.** NKT has now decided October 12 for the spin-off of Nilfisk, which will then be distributed to shareholders. Separately listed, and therefore more focused within their respective segments, both Cables and Nilfisk should be valued more in line with similar international companies traded on multiples substantially over the "old" NKT. **We believe** that **the total value of NKT and Nilfisk is at least 40% above today's price** and we have therefore increased the holdings during the month. **Quest 1 Class A*




| Year | Jan | Feb | Mar | Apr | May | Jun | Jul | Aug | Sep | Oct | Nov | Dec | YTD |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| 2017 | 3,41 | 2,89 | -3,37 | -0,89 | 0,22 | -0,21 | 0,12 | -1,96 | | | | | 0,04 |
| 2016 | -6,15 | 4,48 | 3,46 | 3,08 | 0,69 | -0,70 | -0,46 | 4,98 | 5,21 | 0,73 | -1,48 | -0,24 | 13,80 |
| 2015 | 0,66 | 7,02 | -3,25 | 2,94 | 3,54 | -4,05 | 2,37 | 2,73 | -2,23 | 7,97 | 4,86 | 6,94 | 32,70 |
| 2014 | 4,54 | 3,38 | -4,68 | 3,49 | 4,57 | 1,08 | -0,34 | -1,60 | -2,23 | 1,09 | 4,26 | -1,10 | 12,62 |
| 2013 | - | 1,28 | -0,99 | -0,17 | 1,18 | -2,00 | 0,71 | 2,19 | 3,31 | 2,34 | 1,09 | 2,23 | 11,61 |

| Return | NAV | Month | YTD | Since inception |
|---|---|---|---|---|
| Class A | 183,18 | -1,96 | 0,04 | 89,88 |
| Class B | 163,45 | -1,96 | 0,04 | 65,17 |
| Class C | 187,68 | -1,97 | -0,02 | 49,94 |
| *NHX-index[1]* | *209,21* | *+0,02* | *1,58* | *35,67* |
| Risk-free interest[2] | 353,13 | -0,09 | -0,53 | -0,03 |
| AUM (SEK) | 764M | | | |

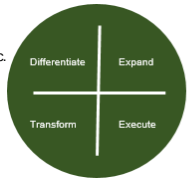
| Top 5 long holdings | Value driver | % of NAV |
|---|---|---|
| Qliro Group | Transformation / Expansion | 9,71 |
| NKT Holdings | Transformation | 9,41 |
| Cherry | Transformation / Expansion | 7,53 |
| Catena | Expansion | 7,47 |
| Alimak | Differentiate | 6,05 |
| Total: | | 40,17 |

| Risk | % | Exposure | % |
|---|---|---|---|
| Volatility, 24m[3] | 11,6 | Long pos. | 87,9 |
| Annualized return[4] | 15,0 | Short pos. | 49,1 |
| Sharpe-ratio[5] | 1,44 | Gross exp.[8] | 137,0 |
| Beta[6] | 0,45 | Net exp. | 38,8 |
| VaR[7] | 1,07 | | |

**Origo Capital – Value creation model**

- Differentiate
- Business model
- Technology, service etc.

- Tranformation
- M&A, Spin-offs
- Capital structure




- Expansion
- Geography, segment etc.
- Organic, M&A

- Management/Board
- Strategy, targets
- Execution

1) Hedge Fund Index Equities (latest monthly figure is an estimate). See www.hedgenordic.com for more info. 2) OMRX-T bill 90 d (T-bill index) 3) The funds overall measure of risk. Shows how returns vary in annual terms over time. 4) The Fund's annualized return since inception (Class A). 5) Important measure of whether the manager has been paid for the risk taken (risk-adjusted return). 6) A measure of how responsive the return has been vs the market (Small Cap Index). 7) Value-at-Risk is a probability based measure of the size of the risk over a certain period of time. (Origo Capital use 1 day with 95% confidence) 8)The market value of the long positions (holdings of securities) + short positions (short sold shares and negative exposure,% of Fund). 9) Market value of the long positions minus short positions and negative exposure,% of fund. NOTE: Risk figures are usually based on a 24 month history, and in some cases have a one month lag.

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## Short on Origo Quest 1

Quest 1 is an equity-oriented hedgefund with a focus on small-cap companies that are in a period of change. The companies will mainly be denominated in the Nordic countries and have a market capitalization that is smaller than SEK 10 billion at the time of investment.

The investment philosophy is based on the following cornerstones:

- Specialized in small caps
- Engaged and active owners
- Long-term investors
- Focus on development of portfolio companies

The core of the fund consists of long-term holdings (12-20 companies), where the team has identified significant potential, while the level of risk is deemed reasonable. The management team often takes an active role in the change process.

The portfolio is supplemented periodically with a varying degree of short positions (short selling), interest-bearing-investments and various derivatives, with the aim to achieve the desired risk profile. Gross exposure (long + short positions) may vary between 0-200%. The goal is to create absolute return of 10-15% per year and that the risk will be lower than the stock market risk, measured as an average over 3-5 years.

Investors who are considering investing in Quest 1 should take into account that funds of this type can both increase and decrease in value. The investment horizon should be at least 3-5 years.

## The investment team

Fund manager is Stefan Roos and Carl Rydin is Investment Analyst. Stefan is a specialist in small-cap companies and has received several awards for his fund management. Stefan has worked at, among others, Handelsbanken Funds and SEB Funds as investment manager, shareholder-representative and team leader. Carl Rydin has international experience from both M&A and the hedge fund industry. Most recently, he was an Investment Manager at New York-based Lucerne Capital Management. Together the team has more than 40 years of professional experience in the stock market.


**Risk Information**

This monthly update is produced by Origo Capital. Advice and information are based on sources that Origo assessed as reliable. Information on taxes is based on the rules that apply today. The tax rules may change over time. Tax consequences for you depends on your individual situation. In terms of funds and other financial instruments as described above, historical return is no guarantee of future returns. The value of your fund units and other financial instruments can both rise and fall in value and there is no guarantee that you will get back the amount invested. For funds that invest in foreign markets or instruments in foreign currency, changes in currency exchange rates can cause the value of fund shares or other instruments to rise or fall. Explanations and definitions of terminology and abbreviations are found on the first page of this document. Additional information, including fact sheets and information brochure for the Fund, can be obtained from your contact at Origo Capital or downloaded at www.origocapital.se.


## Fund facts

| | |
|---|---|
| **CLASS A** | |
| Date of inception | 130131 |
| Fee structure | Fixed fee 1,25% + ev. performance fee |
| Performance fee | 20% of the fund's excess return |
| High Water Mark | Yes, individually calculated |
| Threshold-rate | 90 d SSVX + 5% |
| Currency | SEK |
| ISIN | SE 0005 003134 |
| Minimum investment | SEK 500.000, thereafter SEK 100.000 |
| Dividend | No |
| Subscription, redemption/NAV | Monthly |
| **CLASS B** | |
| Date of inception | 140331 |
| Fee structure | Fixed fee 1,25% + ev. performance fee |
| Performance fee | 20% of the fund's excess return |
| High Water Mark | Yes, individually calculated |
| Threshold-rate | 90 d SSVX + 5% |
| Currency | SEK |
| ISIN | SE 0006 452959 |
| Minimum investment | SEK 500.000, thereafter SEK 100.000 |
| Dividend | Yes |
| Subscription, redemption/NAV | Monthly |
| **CLASS C** | |
| Date of inception | 141231 |
| Fee structure | Fixed fee 1,35% + ev. performance fee |
| Performance fee | 20% of the fund's excess return |
| High Water Mark | Yes, collectively calculated |
| Threshold-rate | 90 d SSVX + 5% |
| Currency | SEK |
| ISIN | SE 0006 452967 |
| Minimum investment | SEK 1.000, thereafter SEK 1.000 |
| Dividend | No |
| Subscription, redemption/NAV | Monthly |
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| | Organizational no: 556851-7832 |
| **SUBSCRIPTION/REDEMPTION/NAV** | |
| Subscription,redemption | Last banking day each month |
| Subscription application | 5 banking days before month-end |
| Request for redemption | 20 banking days before month-end |
| NAV | Monthly + weekly indicative NAV |
| Subscription documents etc. | origocapital.se |