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Adrigo Moves to Long-Only Approach in New Phase

Staffan Östlin stepped down from his role as portfolio manager of Adrigo Small & Midcap L/S during the summer, with responsibility for the fund now resting with the investment team at Espiria. The transition marks the next stage in the fund's development: Adrigo is being converted into a daily-dealing UCITS fund and is moving from its previous long/short strategy to a long-only approach. The fund will continue to invest in the small- and mid-cap universe, while placing greater emphasis on diversification, liquidity and portfolio balance.

"Adrigo is managed by Espiria's experienced investment team, providing continuity and established expertise as the fund converts to UCITS," says the investment team at East Capital, the group behind both the Adrigo and Espiria platforms. The move from its previous Swedish Special Fund structure to UCITS also changes how the strategy can be implemented.

"Following the conversion, the fund's investment policy is long-only, with returns driven by stock selection within the small- and mid-cap equity universe," says the Espiria investment team. "Derivatives may still be used, but strictly for hedging and efficient portfolio management purposes. They will not be used as a source of return or to run a directional short book." The team describes this as a structural change from the fund's previous long/short approach, reflecting its reclassification as a UCITS equity fund.

Broader and more liquid portfolio

Stock selection remains at the core of the investment process, with the team continuing to focus on company-specific fundamentals and valuation. The main change will be in how those ideas are translated into the portfolio. "The underlying investment approach remains the same, but it is now being applied across a broader and more liquid opportunity set," the team says. "The portfolio is becoming less concentrated, with greater emphasis on larger, higher-quality companies within the small- and mid-cap universe."

The changes also reflect lessons from a period in which performance fell short of expectations. Launched in 2017, Adrigo Small & Midcap L/S was built around a long/short approach to Nordic small- and mid-cap equities and delivered strong returns in its early years, including a 44 percent gain in 2020. The subsequent rise in interest rates, however, created a more challenging environment for Nordic small-cap companies and, in turn, for the fund's strategy. The first six months of 2026 were particularly difficult, with the fund losing roughly 30 percent.

A UCITS framework

The UCITS conversion also brings the fund into a more established framework for liquidity, diversification, risk management and transparency. The portfolio changes are intended to address some of the concentration and liquidity considerations associated with the previous strategy. “We are transforming the portfolio towards more liquid names, with a focus on quality companies, while right-sizing individual holdings to create a more balanced portfolio,” the team says. “The aim is to build a more balanced and resilient portfolio while retaining conviction where we see attractive opportunities.”

The team nevertheless sees continued potential in the Nordic small- and mid-cap universe. The focus remains on Swedish and other Nordic companies where fundamentals, company-specific developments or valuation create attractive opportunities for active stock selection. “A broader and more liquid portfolio should give us greater flexibility to capture those opportunities while reducing the impact of any single position,” the team concludes. “We believe this is positive for unitholders and supports the longer-term development of the fund.”