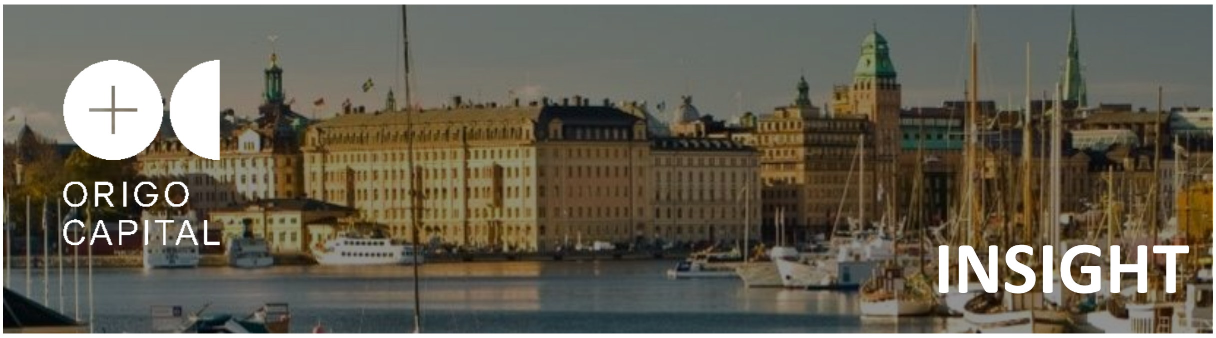

June 20, 2018

Origo Quest 1 launched in February 2013. Since inception, the fund has returned 78,7% (end of May 2018) which translates to 11,5% return per annum. The core values of Origo Capital are long-term, engaged and active ownership. We were therefore happy in April to get the attention from HFM European Performance Awards 2018. Origo Quest 1 was shortlisted in the category European equity long-term performance (5 years). In connection with this I have taken the opportunity to ask some questions to Carl Rydin, Investment Analyst at Origo Capital.

Quest 1 is down 7,9 % at the end of May 2018. Which, in perspective, is somewhat disappointing considering the strong historical performance of the Fund. How would you summarize the year so far, positives and negatives?

Carl: With regards to our absolute return for the period we are obviously not pleased. Our investment philosophy is focused on finding companies with a potential to change their earnings profile, improve corporate governance and/or transform its capital structure. We look to enter these special situations at attractive valuations and aim to influence the Board of Directors and management team to implement any constructive changes necessary to increase shareholder value. Although we never enjoy short-term losses, our investment strategy and concentrated portfolio does not aim to deliver positive returns every week, every month, or even every quarter. This is a long-term strategy where we see great potential over a 3-5 year period for our investors. With this said, we believe the portfolio is currently well positioned not only from a valuation standpoint but also from several transformational changes materializing within our portfolio companies.

As I understand it, you have been scrutinizing the Fund's portfolio during the winter and fall – what was the outcome of that process?

*Carl: We constantly look over each position within the portfolio. As for the long positions, we have decided to downsize and completely exit a few positions where we have realized the "change" component of the investment thesis has failed to transpire and/or the prospects for the company's earnings potential has diminished. As an example, as we walked away from **Gunnebo's** capital markets day we determined that their legacy business is both difficult to exit or very expensive to restructure and we decided to capitulate. With regards to **Pricer**, although the company is exposed to a large total addressable market where occasional contract orders are won, we see tough competition for substitute products and a higher degree of pricing pressure which has lead us to reduce our position significantly.*

When it comes to valuation of stocks in general, some argue that the situation we see now is very stretched. How do you view the valuation both in general and of your portfolio specifically?

Carl: We can agree valuations within global equity markets along with most asset classes are high in historical standards. Our value-driven investment approach has been out-of-favour during a time when valuation multiples of growth stocks have continued to move higher versus value stocks. As previously mentioned, similar to a private-equity philosophy, our engagement as minority shareholders are now even more geared towards improving the earnings profile or change the strategic focus within our core investments in order to increase shareholder value.

As for our net exposure, it's important we put emphasis on the quality of our short positions in order to not simply short stocks purely based on valuations. Our best performing shorts have been companies with accounting irregularities, balance sheet risk, and/or companies operating in industries with structural declining characteristics. This long/short balance positions the portfolio favourable not only in a scenario where the growth/value gap closes but also where the underlying companies in the portfolio experience the value enhancing change we anticipate.

During 2017 a couple of separate listings took place, eg by NKT Holdings and B&B Tools. You spoke about the NKT-case in the September 2017 issue of Insight. Can you guide us through the outcome of these listings and also the propects for the future? Do you see more of upcoming separate listings in 2018 that might have implications on the Fund?

*Carl: With the break-ups of NKT and B&B Tools we subsequently became shareholders in **Nilfisk and Momentum Group**. Both these spin-offs are important positions in the portfolio. We also anticipate similar divestments and/or break ups going forward in other companies in the portfolio. For example, **Cherry** has a proven history of finding great entrepreneurs and nurture them to build competitive companies large enough to stand on own legs. We encourage Cherry to seriously evaluate the possibility of listing its B2B **game developer Yggdrasil** as the current valuation of Cherry does not consider the true value and upside potential of Yggdrasil.*

*Another example of this sum-of-the-parts valuation is **Qliro**. We have been actively engaged and recently represented Origo in Qliro's Nomination Committee where several Board changes were proposed and accepted at the 2018 AGM. The recent decision from Qliro to decide on new strategic direction and focus on three independent companies (Nelly, CDON Marketplace, and Qliro Financial Services) is highly supported by Origo as we believe this will unlock shareholder value over time.*

Are there any other long or short positions you would like to highlight? Any new interesting investments?

*Carl: We have recently announced our long position in **Lindab**. The company has been an underperformer for a long period and the stock has been out-of-favor with the investment community. We have taken an active role, and we see great value going forward with several moving parts driving our investment case. First, the company has announced a strategic focus towards ventilation and subsequently looking to divest its non-core businesses representing 30% of total sales. In addition, with a new management in place this year we see several efficiency improvements (procurement, production and distribution) which should generate an EBIT-margin >10% in the mid-term. Lastly, with stringent regulatory pressure from the EU regarding energy efficiency measures, consolidation in the HVAC (Heating, Ventilation, Air Condition) industry is bound to take place.*

*Our **short position in XXL** from last year has been successful to date. Our thesis regarding short-term issues including high inventory levels and expensive expansion outside of the Nordic region has played out correctly. There have also been several insiders selling shares and/or leaving the company all together. We continue to follow the case closely as we do see continued longer-term issues. For example, the structural shift within consumer shopping behavior from traditional physical stores to higher portion E-commerce will not favor XXL as its competitive advantages will diminish over time. With a rather unattractive balance sheet position, we also see the former darling among the sell-side community leading to downside revisions.*

Finally, in the September 2017 issue of Insight, you expressed a somewhat cautious stance towards the equity market in general, going forward. What's your thoughts about the Fund's exposure considering this?

Carl: Our cautious stance towards the general market remains. This is based on numerous factors such as the growing risk of a global trade war, end of Central Banks QE etc. As a consequence of that, the net exposure has gradually been reduced. However, the Fund´s gross exposure and the relative size of the core (high conviction) holdings remains intact.

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