

Quadrige Smart Gold Update

31 Oct 2017

Quadrige Smart Gold is a liquid absolute return strategy with a long directional bias to the Precious Metals Sector, a long bias to implied volatility, and long-only tail risk insurance. Smart Gold follows a proprietary multi-factor investment process that combines both fundamental and quantitative inputs, including top-down macro, geopolitics, bottom-ups micro, technical analysis, positioning analysis, and flow analysis, within a disciplined framework for portfolio construction and risk management.



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Smart Gold was moderately down (-0,6% in Oct) outperforming gold (-1,1% in Oct) as it continues to take advantage and monetize cheap gold price insurance (+0,3% in Oct), relative value opportunities (+0,2% in Oct), tail risk insurance (-0,1% in Oct), and accrued income on T-Bill returns (+0,1% in Oct). Solid economic data and signs of inflationary pressures provide further evidence that the US Federal Reserve is significantly behind the curve, increasing expectations of further rate hikes and contributing to the strength in the USD and risk-on sentiment that continues to push US equity markets to record highs. Geopolitical concerns around North Korea are now in the background, and technical momentum buying failed to sustain the key \$1,300/oz level. Complacency across global markets remains evident by the ultra-low level of implied volatility (an "anti-bubble" in our view) and low implied correlations (also an "anti-bubble" in our view) which offer extraordinary opportunities for long gamma, long vega, long relative value, and long tail risk insurance. The structural imbalances in volatility, the belief (in our view misconception) of the Central Bank Put (less demand for insurance), and desperate search for yield (more supply for insurance) are in our view the Achilles heel of the global markets.

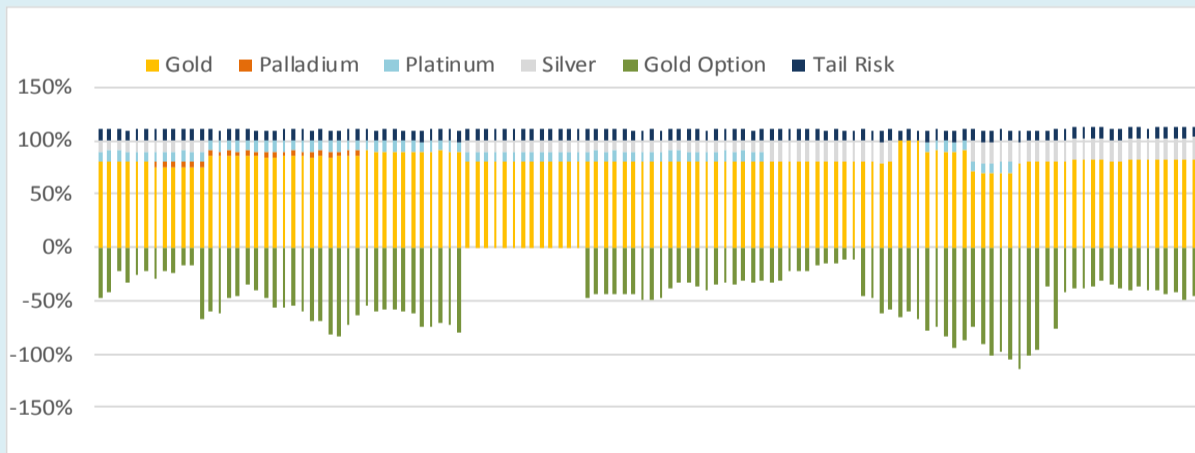
Quadrige Smart Gold

Smart Gold remains well positioned to monetize a pick-up in both realized and implied volatility. The long portfolio as of 31st Oct is +80% gold and +20% silver. We have restructured the gold insurance portfolio taking advantage of the extra-ordinarily low and flat term structure in gold implied volatility, rolling the \$1265 Dec 2017 puts into \$1290 Jun 2018. The extraordinary low level of implied vol offers extraordinary cheap synthetic calls, and positions us well to capture both gamma and vega moves. Gold gamma and gold vega remain extraordinarily cheap in our view, close to the bottom 1% historical percentile, a gross mispricing in our view that highlights the extraordinary complacency across global markets with "the Central Bank Put") and the worrying "desperate search for yield" that continues to push equities higher, high yield bonds lower, implied volatility lower, and implied correlations lower, hiding risks across global markets.

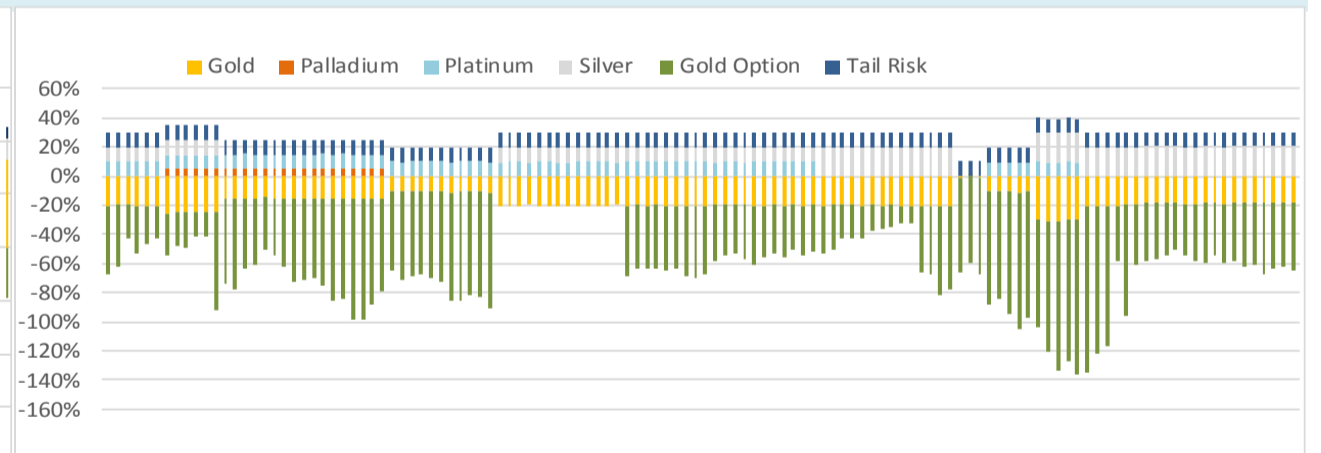
Reference	Gold ETF
Total	100%
Gold	100%
Silver	-
Platinum	-
Palladium	-
Gold Miners	-
Options ST	-
Options LT	-
Tail Risk	-
US Treasuries	-

Smart Gold	Funded	Notional	Beta	Delta
Total		100%		78%
Gold	(3,2%)	80%	1,00	80%
Silver	(1,6%)	20%	1,50	30%
Platinum	-	-	0,70	-
Palladium	-	-	0,60	-
Gold Miners	-	-	0,00	-
Options ST	-	-	0,00	-
Options LT	(4,3%)	100%	-0,47	(47%)
Tail Risk	(6,0%)	200%	0,05	10%
US T-Bills	85%	88%	0,05	4%

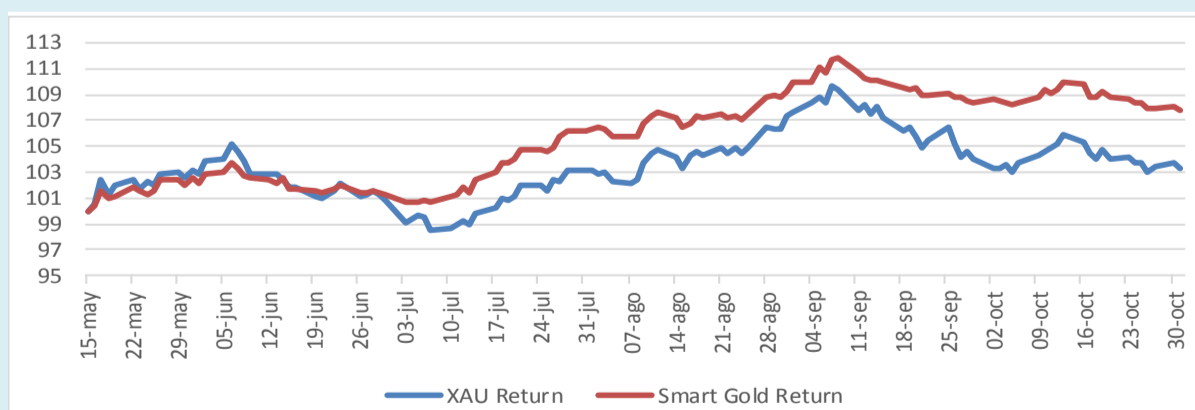
Absolute Allocations (% Live Delta)



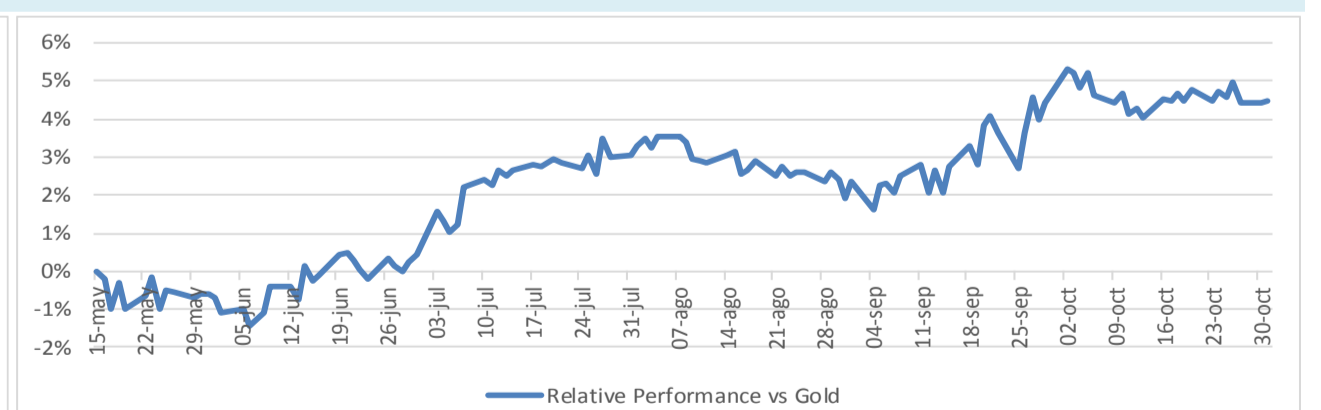
Relative Allocations (% Live Delta)



Absolute Performance (%)



Relative Performance (%)



	Jan	Feb	Mar	Apr	May	June	July	Aug	Sep	Oct	Nov	Dec	FY 2017
Smart Gold					2,6%	-1,2%	4,6%	2,9%	-0,8%	-0,6%			7,8%
GOLD ETF					3,1%	-2,2%	2,2%	4,1%	-3,2%	-1,1%			2,9%
Relative Performance					-0,5%	1,0%	2,4%	-1,2%	2,4%	0,5%			4,9%

DISCLAIMER. This fact sheet is not a sales prospectus. The materials are intended solely for general information about the Strategy. Past performance is no guarantee of future results. Realized performance may differ from Target Performance, and can be positive or negative. Calculations do not include any fees.