

Quadrigo Igneo UCITS

31 Aug 2018

Quadrigo Investors Igneo UCITS is a liquid absolute return strategy with a long directional bias to the Precious Metals and US Treasuries, a long bias to insurance and implied volatility, and long-only tail risk insurance. Quadrigo Igneo UCITS follows a proprietary multi-factor investment process that combines 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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Quadrigo Igneo UCITS Update

Quadrigo Igneo UCITS was -0.7% in Aug, holding well the hostile conditions for precious metals and is well positioned to capture a stronger USD, stronger precious metals, higher implied and realized volatility, and tail risk events. **The bulk of MTM losses in Igneo are attributed to its 50% attribution to Smart Gold, where** MTM losses in relative value strategies (silver -7.0% in Aug, -15.0% YTD) were broadly offset by gains in the long insurance and tail risk portfolios. The other 50% of the portfolio is allocated to Smart Treasuries where gains on its core long US Treasuries were largely offset by time decay in insurance and tail risk in US Treasuries and US High Yield.

Global markets have polarized even further in August driven by two dramatically different perspectives: 1) **US markets** making new historical highs (“risk-on” US-centric view of the world), and 2) **EM markets** havoc (“risk-off” EM-centric view of the world), which - for the time being - continue their divergent paths with very limited interconnection. The US market is not talking about “decoupling” to explain the divergence, and instead seems to be largely ignoring EM and any potential impact on US markets under the shadow of protectionism measures (“America first”) and “trade wars” (WTO, tariffs, etc).

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It is remarkable how poorly precious metals have performed within this context, clearly dominated by the “risk-on” US-centric view of the world. Gold (down -8% YTD) and Silver (down -15% YTD) largely ignoring safe-haven considerations, so far. The underperformance of precious metals is easy to explain and totally consistent with higher real interest rates and US Treasury yields, but in my view is grossly omitting and underestimating the probability and severity of adverse events and offer attractive risk reward. Also remarkable how **low implied volatility** and **correlations**, which are highly unstable and can shift from “plus one” to “minus one” very quickly, exposing “false diversification” and other hidden risks. A word of caution also on the ballooning open interest and **speculative short position**, systematic trend followers continue to increase their positions during the sell-off, pushing to or near historical highs.

Reference	Gold ETF
Total	100%
Gold ETC	50%
Silver ETC	-
Platinum ETC	-
Palladium ETC	-
Gold Miners	-
Options	-
Tail Risk	-
US Treasuries	50%
RV US-T	-
FI Options	-
Tail Risk HY	-
Tail Risk FI	-

Igneo	Funded	Notional	Delta	Delta
Total	100%			
Gold ETC	35.0%	35%	1.00	35%
Silver ETC	15.0%	15%	1.00	15%
Platinum ETC	-	-	0.70	-
Palladium ETC	-	-	0.60	-
Gold Miners	-	-	0.00	-
Options	3.0%	50%	-0.56	(28%)
Tail Risk	6.0%	200%	0.05	10%
US Treasuries	39.0%	39%	1.00	39%
RV US-T	-	-	1.00	-
FI Options	-	-	-0.50	-
Tail Risk HY	1.0%	25%	-0.36	(9%)
Tail Risk FI	1.0%	150%	0.17	26%

Absolute Allocations (% Live Delta)

* Recently launched Fund

Relative Allocations (% Live Delta)

* Recently launched Fund

Absolute Performance (%)

* Recently launched Fund

Relative Performance (%)

* Recently launched Fund

	Jan	Feb	Mar	Apr	May	June	July	Aug	Sep	Oct	Nov	Dec	FY 2018
Quadrigo Igneo UCITS							-0.4%	-0.7%					-1.2%

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.