

SIL



NAV 27/09/2019: 25,7528

**INVESTMENT TEAM**

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**QUADRIGA RHO INVESTMENTS**

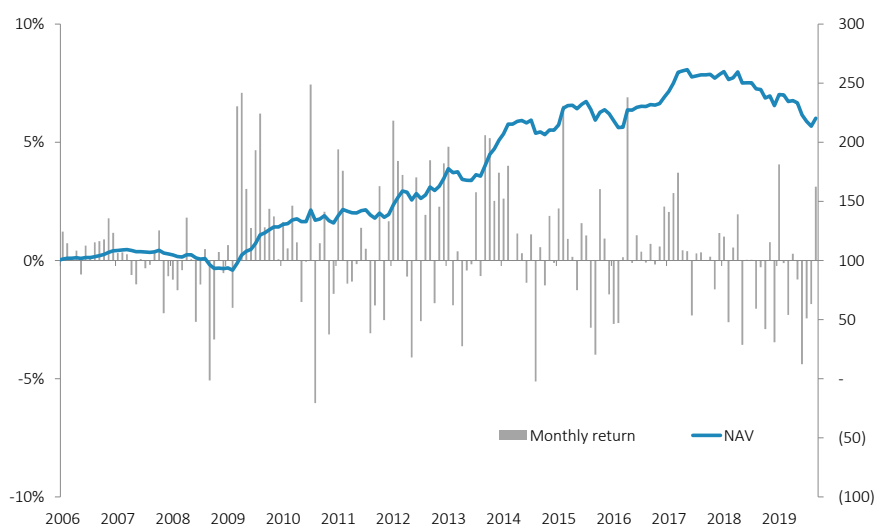
The fund's objective is to return net positive returns every year, regardless the behavior of traditional assets. To achieve it, the fund allocates to six different strategies: Active, Relative Value, Macro Selection, Micro Selection, Special Situations and Deep Value. The strategies are focused on finding cheap assets with asymmetric profiles.

**September 2019 Update**

September was a very solid month for performance, in which Rho delivered on its pre-ECB strategy outlined in our previous newsletter, and generated returns in line with equity markets but with limited market exposure and only a fraction of realised equity volatility. Rho returned +3.1% net with limited market exposure and only a fraction of realised equity volatility. Rho returned +3.1% net in the month vs total returns of +4.2% for the Ibex 35, +3.6% for the Eurostoxx 50, +1.3% and -0.1% (in US\$ terms) respectively for the S&P 500 and the Nasdaq 100 and -1.4% for the 5-year Itraxx Crossover index. The bulk of the performance was captured by short-term active option-trading strategies (+1.95%) predicated around the ideas of strongly diminishing returns derived from monetary policy at negative rates and the short-term imperative for the ECB to repair the credit transmission channels (as exemplified by the introduction of a depo tiering system and generous TLTRO terms announced on September 12th) amid severely challenged EU banks' profitability. **Cont...**

**Fund Facts**

Structure	SIL
Domicile	Luxembourg
Mgmt. Fee	0,0%
Perf. Fee	0,0%
Min. Investment (Professional inv.):	50,000€
Min. Investment (Well-informed inv.):	100,000€
NAV Currency	EUR
Liquidity	Weekly
ISIN	ES0155144035
Bloomberg Code	S1412 SM
Custodian	Banco Santander

**Historical Evolution (% Net) (\*)****Monthly Returns (% Net) (\*)**

	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec	Year
2006	1.2%	0.7%	0.0%	0.4%	-0.6%	0.6%	0.1%	0.8%	0.8%	0.9%	1.8%	1.2%	8.2%
2007	0.3%	0.3%	0.3%	-0.6%	-1.0%	0.1%	-0.3%	-0.2%	0.4%	1.3%	-2.2%	-0.7%	-2.4%
2008	-0.8%	-1.3%	-0.4%	1.8%	0.1%	-2.6%	-1.0%	0.5%	-5.1%	-3.3%	0.4%	-0.5%	-11.8%
2009	0.7%	-2.0%	6.5%	7.1%	3.0%	1.4%	4.7%	6.2%	1.4%	2.2%	1.9%	0.0%	38.0%
2010	1.6%	0.5%	2.3%	0.8%	-1.8%	0.0%	7.4%	-6.0%	0.7%	2.1%	-3.1%	-1.4%	2.5%
2011	4.7%	3.8%	-1.0%	-0.9%	-0.2%	1.4%	0.5%	-3.1%	-1.9%	3.1%	-2.5%	1.7%	5.4%
2012	5.9%	4.2%	3.6%	-0.7%	-4.1%	3.5%	-2.6%	1.9%	4.2%	-1.8%	2.3%	4.1%	22.1%
2013	4.8%	-1.9%	0.4%	-3.6%	-0.4%	-0.2%	2.9%	-0.7%	5.3%	5.2%	2.5%	3.7%	19.0%
2014	2.6%	4.0%	0.0%	1.1%	0.3%	-0.9%	1.1%	-5.1%	0.6%	-1.1%	1.9%	-0.1%	4.2%
2015	2.2%	6.5%	0.9%	0.2%	-1.3%	1.6%	1.1%	-2.8%	-4.0%	3.0%	0.9%	-1.4%	6.7%
2016	-2.7%	-2.6%	-0.8%	7.9%	-0.1%	1.1%	0.4%	-0.1%	0.6%	-0.2%	0.6%	2.3%	6.2%
2017	2.1%	2.9%	3.7%	0.4%	0.4%	-2.3%	0.3%	0.3%	0.0%	0.2%	-1.2%	1.2%	8.0%
2018	1.0%	-2.6%	0.5%	1.2%	0.2%	-3.7%	0.0%	-2.1%	-0.3%	-2.9%	0.8%	-1.8%	-9.4%
2019	4.1%	-0.1%	-2.3%	0.3%	-0.8%	-4.4%	-2.5%	-1.8%	3.1%				-4.6%

(\*) Since inception

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## Comparative Risk / Return

	RETURNS (CAGR)			VOLATILITY		
	5 years	3 years	Since inception	5 years	3 years	Since inception
Rho Investments	0.48%	-2.61%	5.72%	8.25%	7.41%	8.82%
Stoxx 600	3.32%	6.02%	1.95%	12.47%	10.67%	14.18%
Iboxx Eur Corporate	2.35%	1.96%	3.76%	2.70%	2.54%	3.78%

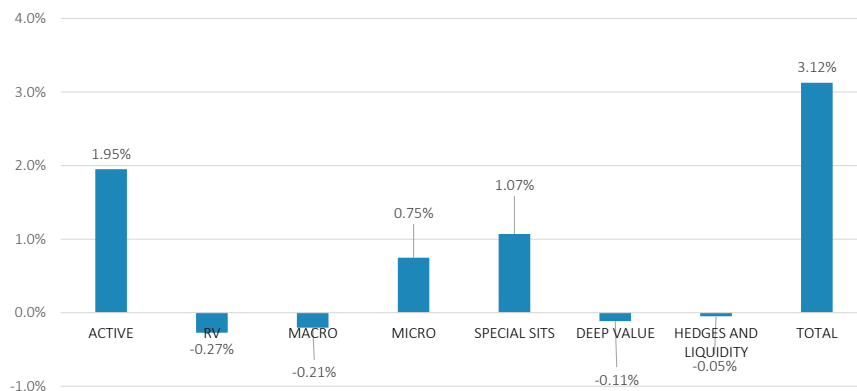
## Returns (% Net)

2019	-4.62%
CAGR*	5.72%
September 2019	3.12%

## Risk / Return

Volatility*	8.72%
Sharpe Ratio*	0.66
Sortino Ratio	0.97
Parametric VaR 1-d	0.86%

## Performance attribution across strategies (% Net)\*



## Top Five Positions

German Govt. Bond Future	-10.33%
NATLA Secured Loan	8.13%
BNP Corp Bond	8.05%
BFCM CORP PERP	6.07%
BCCP Corp Bond	5.93%

## % Exposure

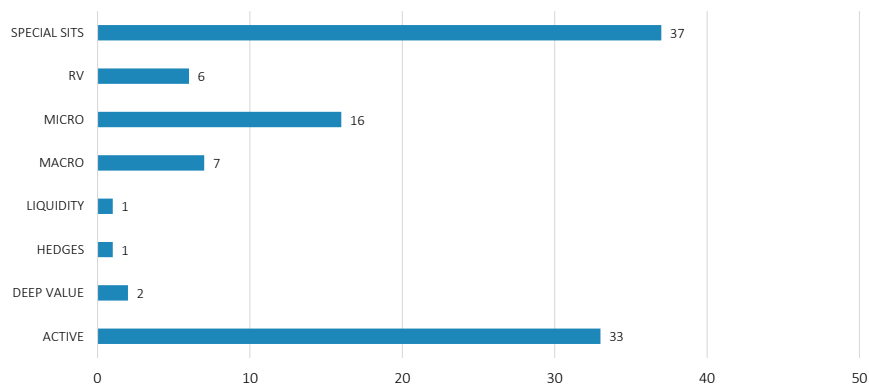
Gross	155.55%
Net	78.12%

## % of Gross Exposure per Strategy

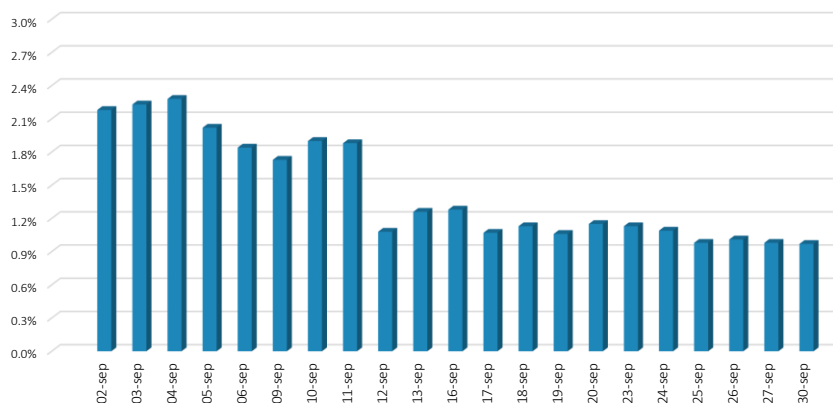
Active	26.21%
Relative value	6.37%
Macro	8.83%
Micro	13.97%
Special Situations	22.87%
Deep Value	3.47%
Hedges	7.10%
Liquidity	11.18%

## Risk Concentration and Distribution Metrics

### Number of positions per strategy



### Var % Contrib Hist 3Y

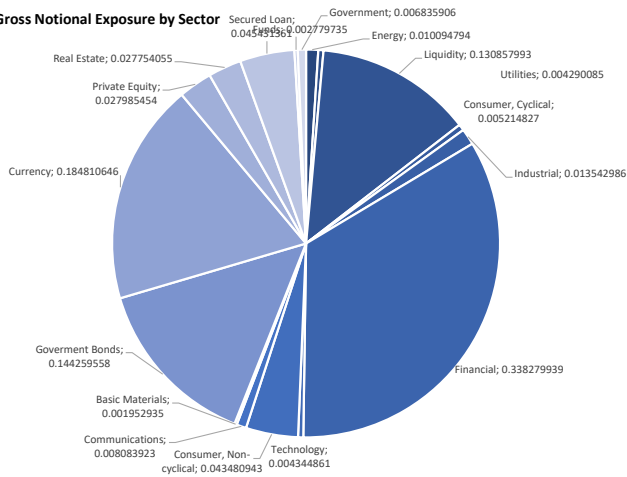


(\*) Since inception

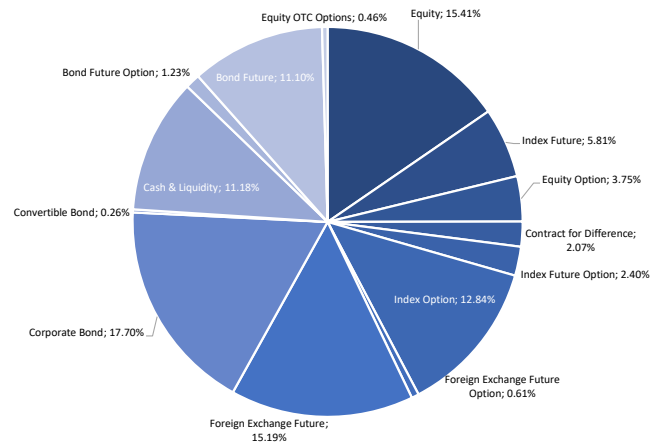
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## Risk Concentration and Distribution Metrics (2)

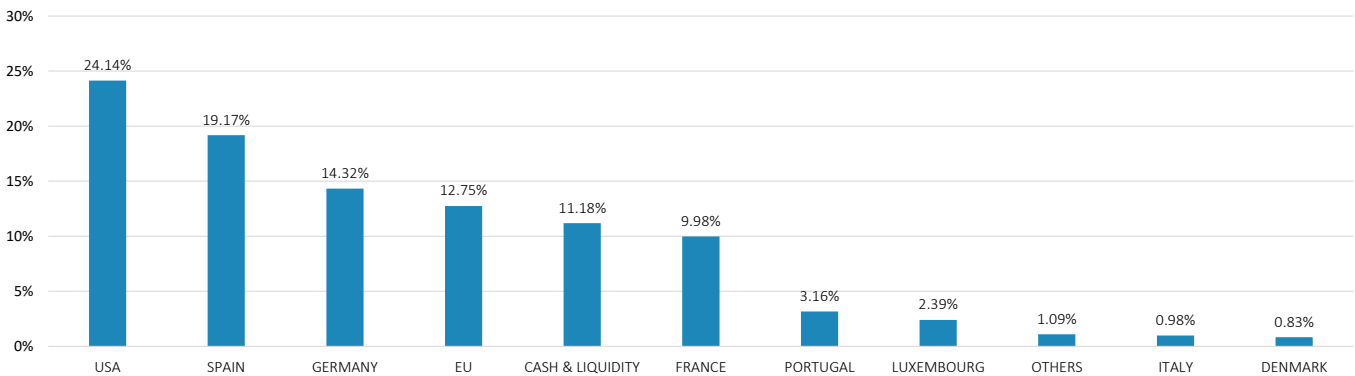
Gross Notional Exposure by Sector



Gross Notional Exposure by Asset Class



Net Notional Exposure by Country



## September 2019 Update (cont...)

**Cont...** The Special Situations part of the portfolio has yet to deliver its full potential in terms of event-driven positioning (particularly in relation to small Iberian banks M&A) but saw however good contribution from distressed investments (Rallye SA bonds in particular) and legacy bank capital securities, generating a total return of +1.1%. Overall the fund remains cautious in terms of market exposure and concerned about overstretched valuations and underlying political risk premia not being fully reflected in market pricing. The negative carry and lack of short-term catalysts in some of the optionality and volatility-driven plays within Macro strategies have impaired performance (-0.2%) but constitute good protection vs outright directional exposure contained within Micro strategies (+0.8% total contribution to returns on the month) and to a lesser extent also within Special Situations. Structurally the fund looked to protect itself from severely asymmetric events such as hard Brexit or China-US trade negotiations, where we considered that the market was not accurately pricing left-tail events. The fund remains positioned for an environment where economic growth will continue to suffer a substantial and synchronous global deceleration which is very likely to fall short of a recession (particularly in the US), but crucially at a time where the effectiveness of monetary policy has reached an asymptotic limit and where fiscal policy will need to pick up the slack, particularly amid growing pressure from populism/social inequality across the developed world. As we anticipated in our previous newsletter, in terms of risk, at the end of September the fund substantially reduced gross market exposure (from 4.3 times at the end of August to only 1.9 times at the end of September) by shifting a number of delta-one exposures to low delta (net long-gamma) option strategies. Net leverage increased somewhat from close to delta neutral at the end of August to a 69% long exposure at the end of September. However statistical risk usage, measured as 1-day 99.5% confidence parametric VaR, deals better with commingling different asset classes risk profile, and reflects the fairly cautious approach we highlighted above. From this metric's point of view VaR was drastically reduced from 2.45% at the end of August to 0.86% at the end of September. Average daily VaR utilisation also decreased from 2.04% throughout the month of August to 1.57% throughout September.

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