

SIL



NAV 31/10/2019: 26,1169

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.

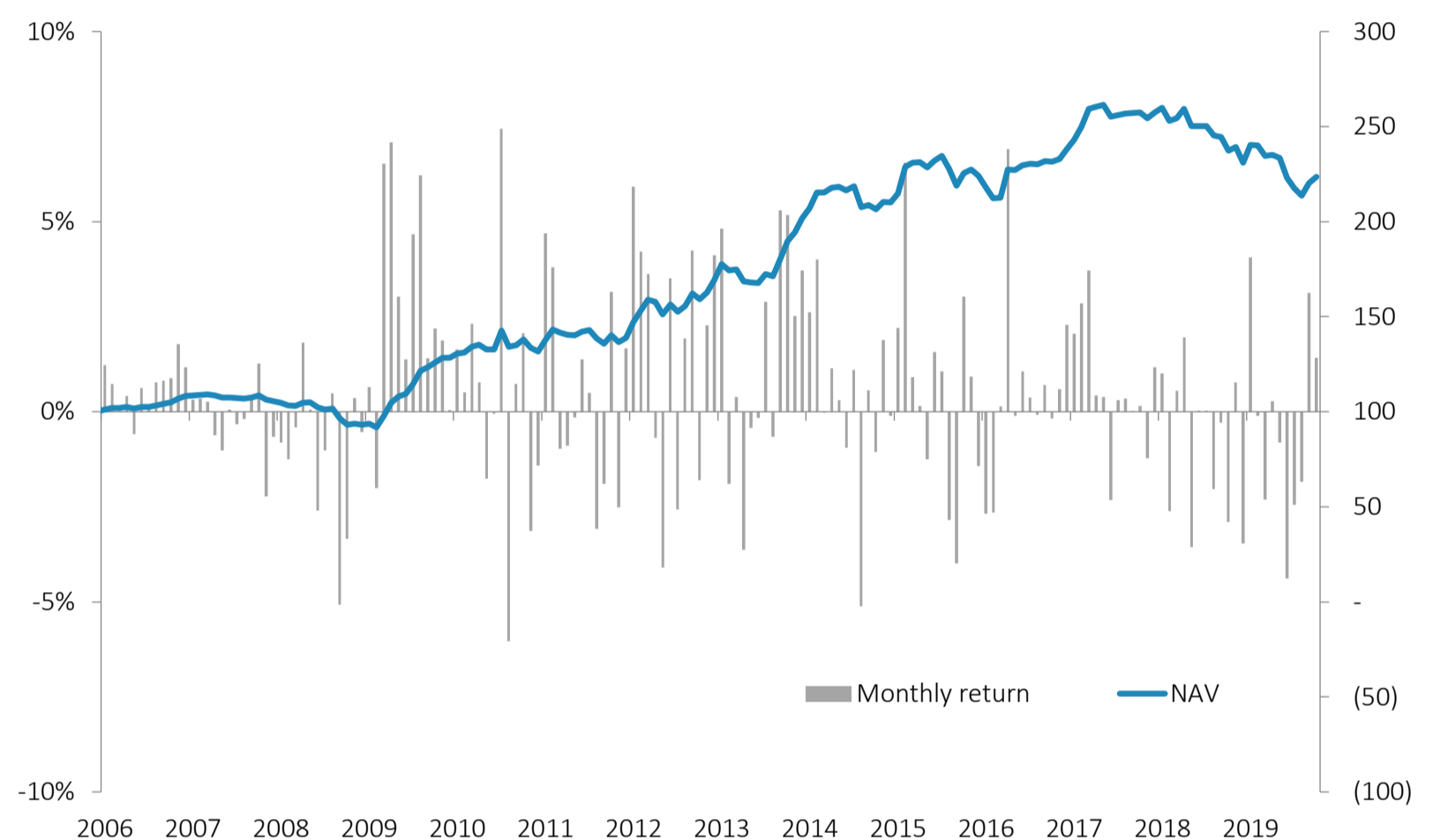
October 2019 Update

October was another positive month, which saw the fund return a solid +1.4% net of fees despite a very low usage of risk exposures and the negative carry associated with owning substantial downside risk protection. Despite volatility associated to the aftermath of pivotal monetary policy decisions in September and a backdrop of global uncertainty related to US-China trade talks, most equity markets generated positive returns on the month, with the Ibex 35 and Eurostoxx 50 generating total returns of +1.4% and +1.8% respectively and the S&P 500 and Nasdaq 100 +2.7% and +5.3% in US\$ terms. Credit market performance, as proxied by the total return in the Itraxx 5-year Crossover CDS index, was -19bps in the month. Despite of its larger reliance on credit over stocks for directional exposures (in particular within the Special Situations bucket), our fund managed to outperform overall credit market returns due to its positioning in legacy bank capital bonds, where we still continue to see substantial upside as bank issuers optimize and streamline their capital stack ahead of EBA's pronouncement expected for next year...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%	1.4%			-3.3%

(*) 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	0.60%	-2.35%	5.75%	8.25%	7.47%	8.79%
Stoxx 600	3.26%	6.03%	2.00%	12.43%	10.62%	14.14%
Iboxx Eur Corporate	2.12%	2.28%	3.70%	2.70%	2.49%	3.77%

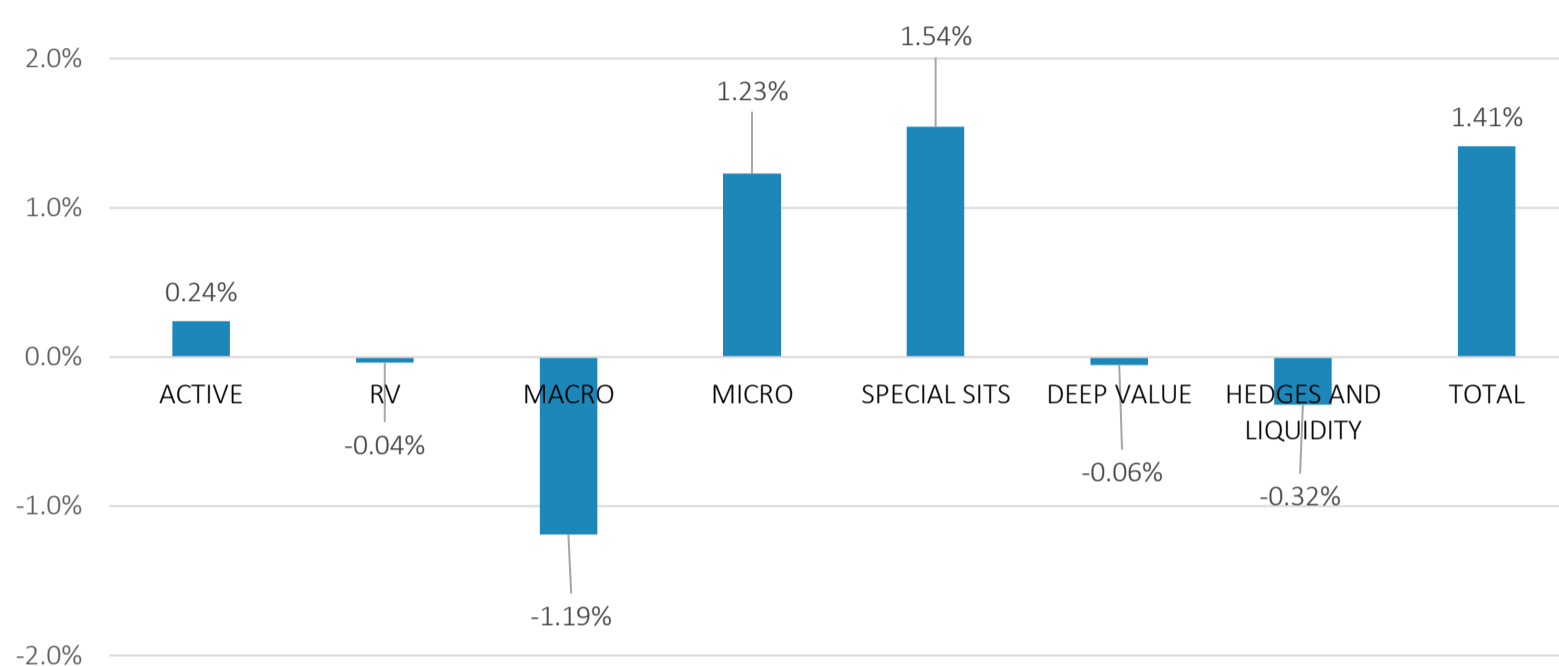
Returns (% Net)

2019	-3.27%
CAGR*	5.75%
October 2019	1.41%

Risk / Return

Volatility*	8.72%
Sharpe Ratio*	0.66
Sortino Ratio	0.98
Parametric VaR 1-d	0.42%

Performance attribution across strategies (% Net)*



Top Five Positions

BNP Corp Bond	8.66%
BFCM CORP PERP	6.93%
Queka PE	6.59%
German Govt. Bond Future	-6.31%
NATLA Secured Loan	5.28%

% Exposure

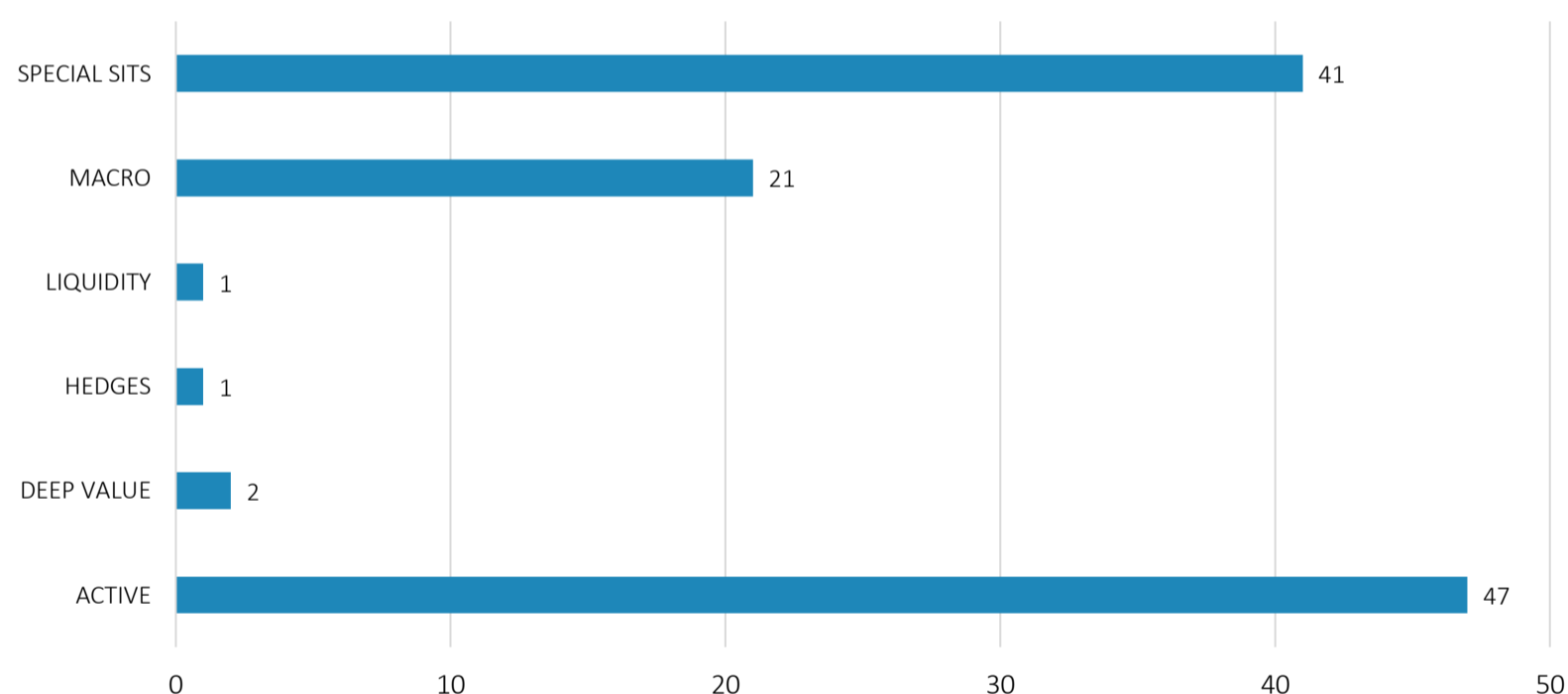
Gross	185.98%
Net	69.59%

% of Gross Exposure per Strategy

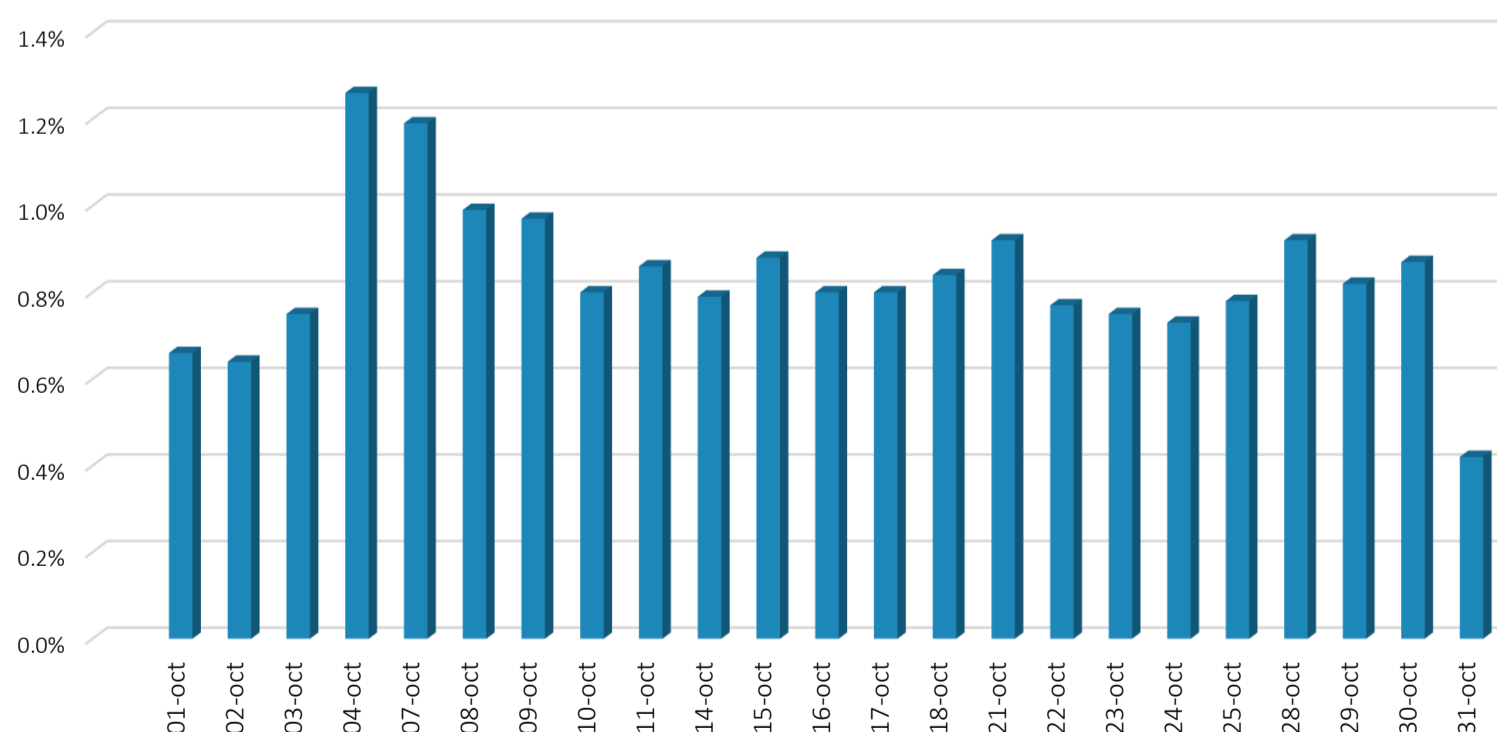
Active	33.88%
Relative value	0.00%
Macro	16.11%
Micro	9.98%
Special Situations	14.82%
Deep Value	3.94%
Hedges	6.61%
Liquidity	14.66%

Risk Concentration and Distribution Metrics

Number of positions per strategy



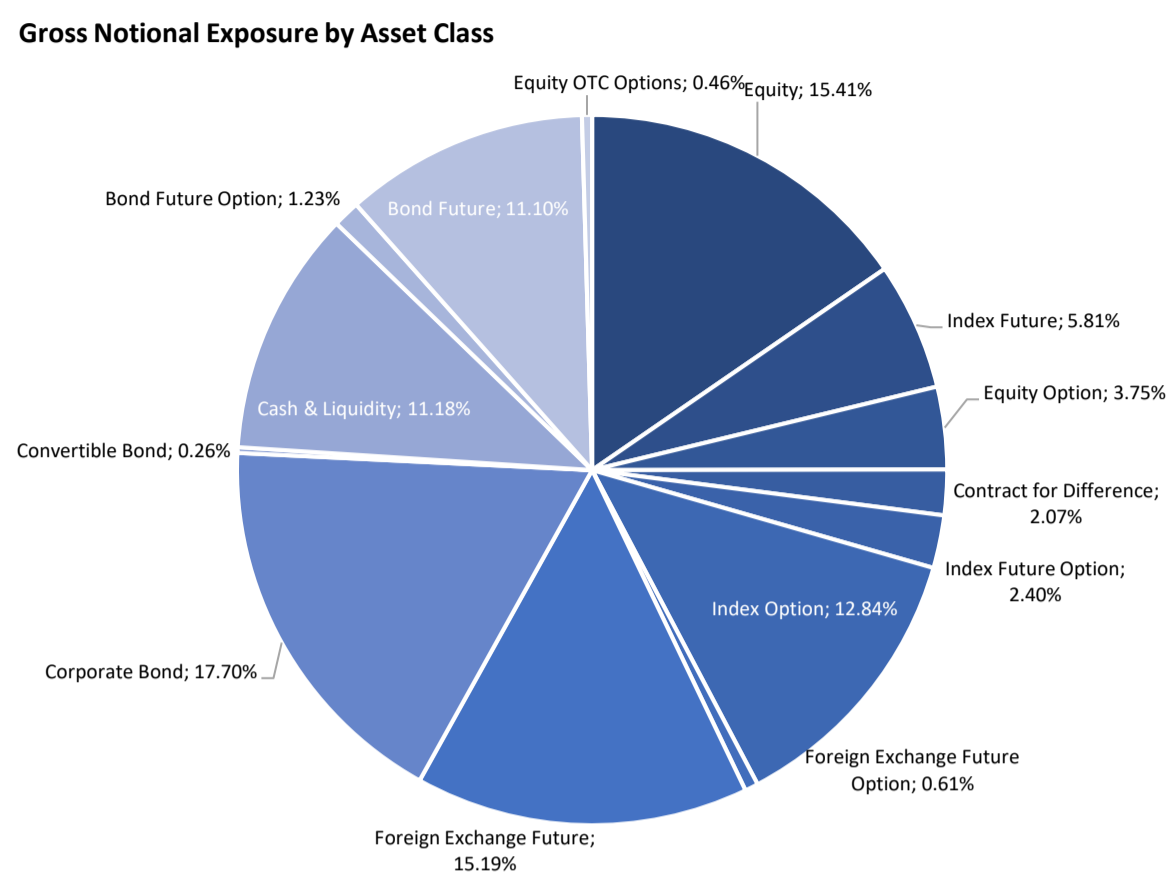
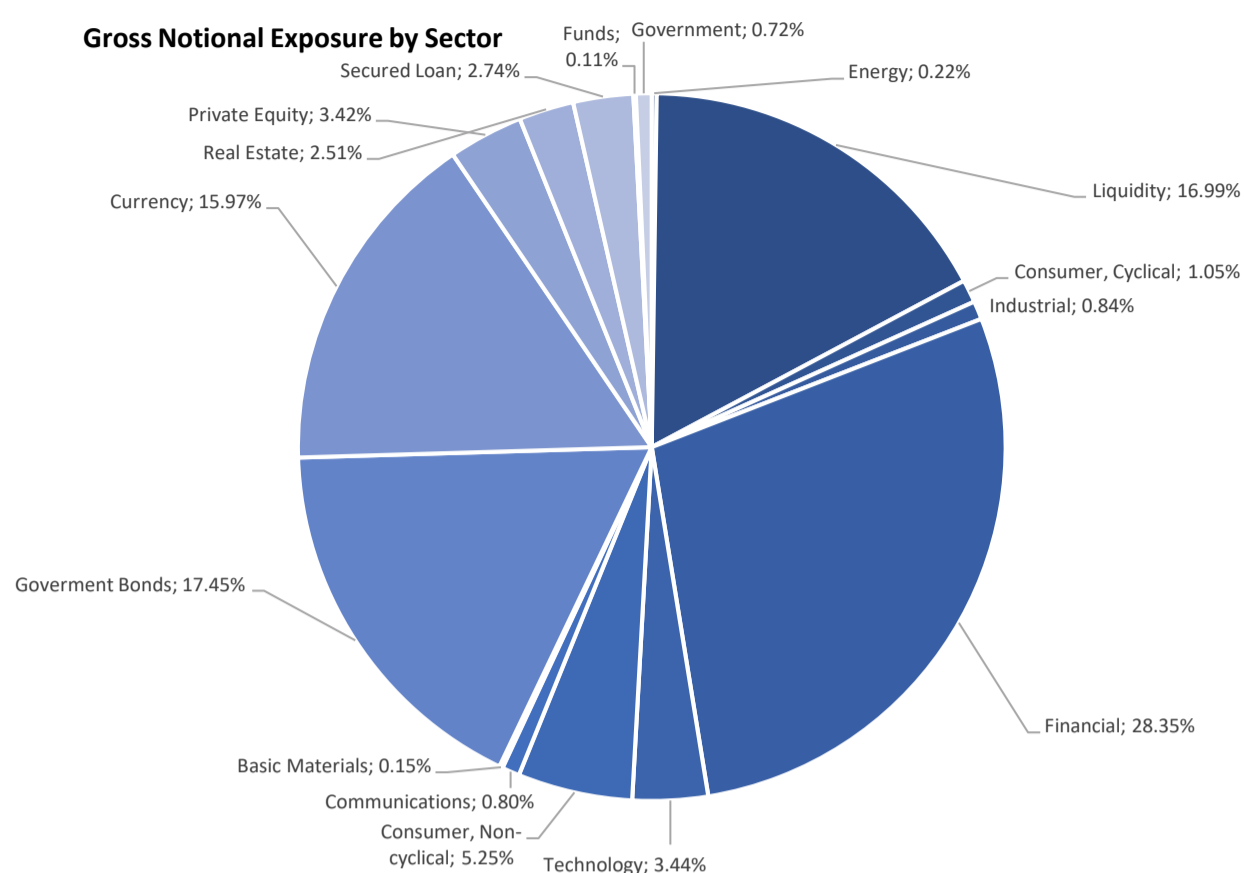
Var % Contrib Hist 3Y



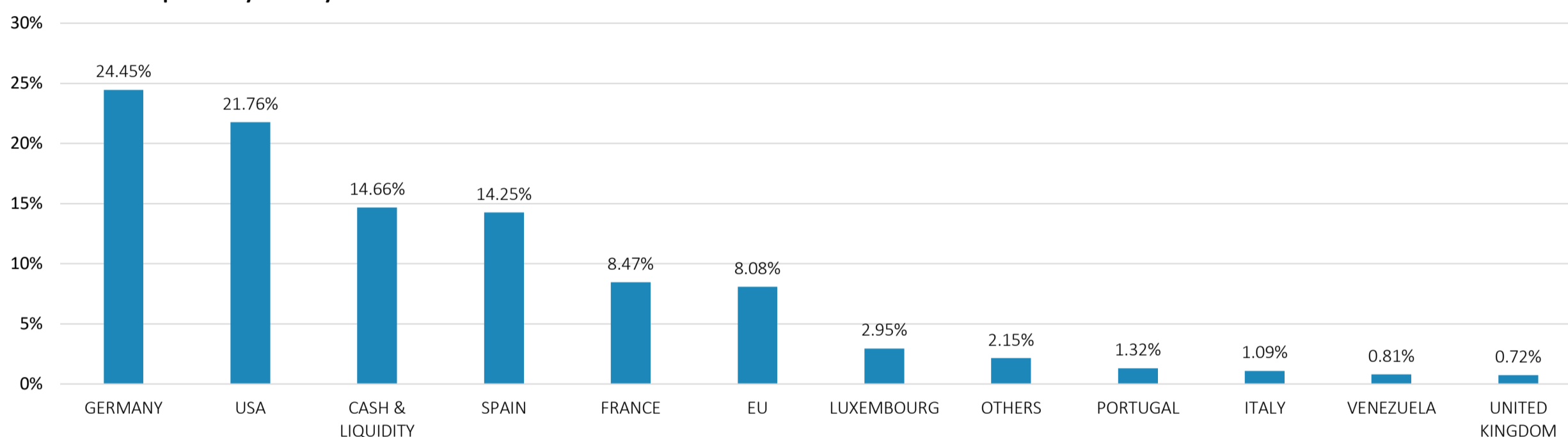
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Risk Concentration and Distribution Metrics (2)



Net Notional Exposure by Country



October 2019 Update (cont...)

cont... In absence of strong relative value opportunities across asset classes we will continue to rely on Special Situations strategies for revenue generation, as they offer the strongest asymmetric profile we see in the market and are largely unaffected by the big momentum over value rotation that informs directional exposures in stocks that we typically adopt in Micro strategies. A corollary of the longer-term investment preference of earnings momentum over value pervades also over trading oriented strategies in the form of a preponderance of trend-following strategies which negate the efficacy of mean-reversion based systems. As a result we have reduced and intend to limit in the foreseeable future the amount of capital allocated to the Active bucket in favour of a larger allocations to Special Situations and less liquid Deep Value strategies for as long as monetary repression continues to inform "herd" investment decisions. The "grab for yield" theme is a tune that we are likely to hear being played over and over beyond what common sense dictates. We have seen the "wisdom of the (investing) crowds" at work in the past, and many situations that we currently witness have echoes of episodes we have seen in our extensive investment careers. "Tourist investors" style-drifting into new pastures to find elusive carry, cumbersome retail structures creating self-fulfilling prophecies as market makers hedge deltas in the market which in turn tighten yields and collapse vols...we have seen it all before, it is just the names that change. Go back in history and change autocallables for CPDO/CDO squared, or disruptive start-ups for "dot.com" (bubble), or (some) crypto currencies for Compagnie du Mississippi shares (granted this is way before our times in the market... we are experienced yet not that old!). Yet the same common denominator from the days of John Law in charge of the Banque Royale to the times of our quantitative-easing central bankers is that of excessive monetary expansion. Yet paraphrasing Reinhart and Rogoff, in our contagious financial folly we always fool ourselves into believing that "this time is different...". It is our duty to remain in high alert, checking our own sanity and refusing to succumb to a herd mentality in search of yield and carry at any cost. The risks are skewed to the downside but we have to be cognizant that playing against the monetary tide is the financial equivalent of the proverbial urination against the wind so our strategy whilst our strategy will be informed by our fear of the big bubble burst, we will be focused on minimizing the carry and cost impact of any contrarian macro views on the portfolio. In terms of risk, at the end of October the fund continued its strategy of reducing gross exposures due to the absence of sufficient dispersion and stable correlations needed to allocate more capital to RV strategies. Net leverage increased from 69% at the end of September to 83% at the end of October as the fund exited some short exposures. However statistical risk usage, measured as 1-day 99.5% confidence parametric VaR, continued its diminishing trend and finished the month at the lowest level recorded in the last four years (0.42%) vs 0.86% at the end of the previous month. Likewise average daily VaR utilization also decreased from 1.57% throughout September to 0.84% throughout October.

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