SIL

NAV 29/05/2020: 23,8828

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.

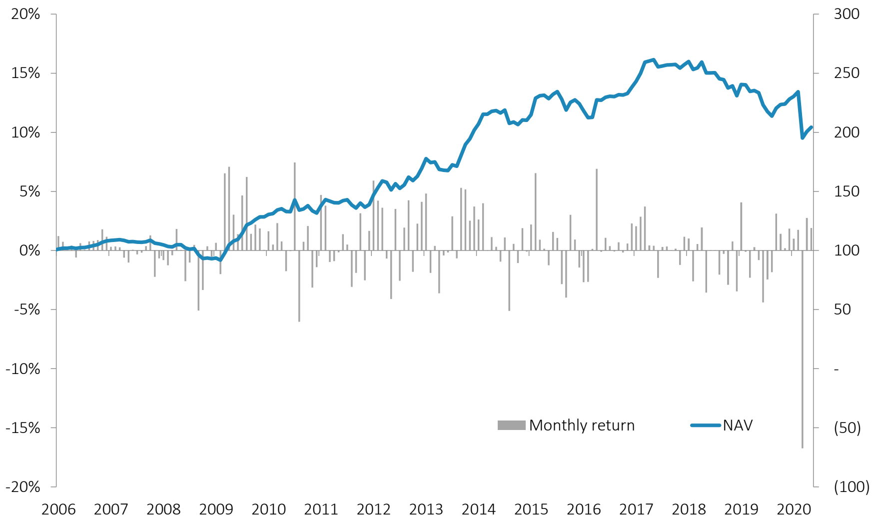
May 2020 Update

Once again we hope this fund that this fund update finds you all and your loved ones in fine health and good spirits. Certainly a lighter mood and more hopeful outlook permeates now across Europe. With Covid curves successfully flattened, the continent has embarked on a slow reopening of the economy. This temporary epidemiological success was widely celebrated in May with a solid performance across risky assets . Whilst the impact of second order effects on the real economy remains a substantial threat that we will need to face in Q4 and Q1 2021, financial assets were happy to decouple from the broad deflationary pressures seen at work in all developed economies. The better tone observed in financial markets was ratified by very solid hard and soft data, which easily beat (very pessimistic) consensus. Furthermore, fueled by unprecedented monetary and fiscal stimuli, cash inflows continued to find their way into the investment community, where many fund managers, analysts , brokers and advisors now saw the half empty glass as a half full drink which they were now once again allowed to enjoy sitting outside their favourite pub. Cont.

Fund Facts

Structure	SIL
Domicile	Luxembourg
Mgmnt. 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%	-2.4%	-1.8%	3.1%	1.4%	0.2%	1.8%	**-1.3%**
2020	1.0%	1.7%	-16.7%	2.8%	1.9%								**-10.4%**

(*) Since inception

Comparative Risk / Return

	RETURNS (CAGR)			VOLATILITY		
	5 years	3 years	Since inception	5 years	3 years	Since inception
Rho Investments	-3.10%	-8.09%	4.86%	10.85%	11.89%	9.78%
Stoxx 600	-1.10%	-1.66%	1.06%	14.35%	14.85%	14.73%
Iboxx Eur Corporate	1.98%	1.24%	3.42%	4.50%	5.22%	4.27%

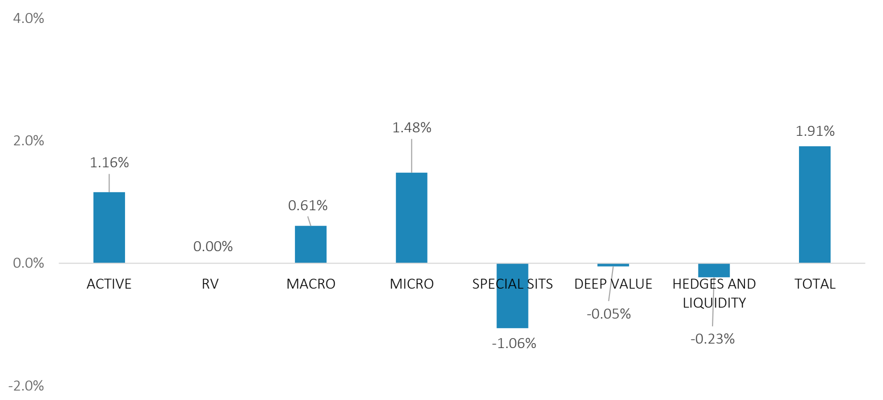
Returns (% Net)

2020	-10.40%
CAGR*	4.86%
May 2020	1.91%

Risk / Return

Volatility*	8.72%
Sharpe Ratio*	0.56
Sortino Ratio	0.62
Parametric VaR 1-d	3.63%

Performance attribution across strategies (% Net)*



Top Five Positions

DAX Index Options	19.40%
Bund Futures	-12.06%
BNP Disco $ FRN	10.72%
Queka PE	7.85%
Dax Futures	6.43%

% Exposure

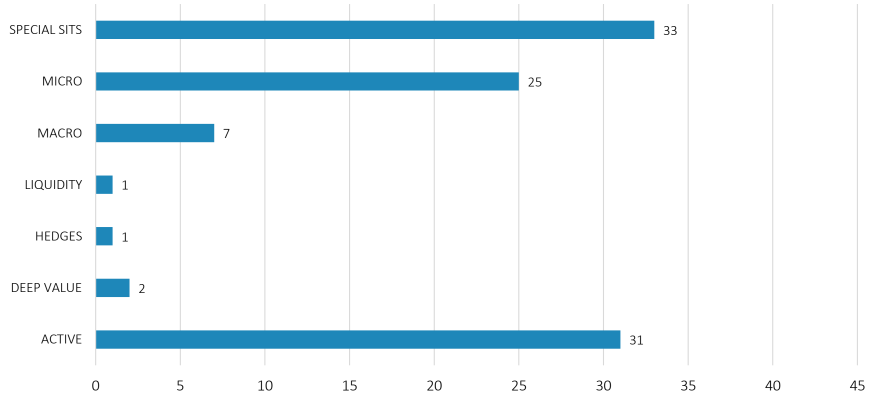
Gross	210.94%
Net	127.92%

% of Gross Exposure per Strategy

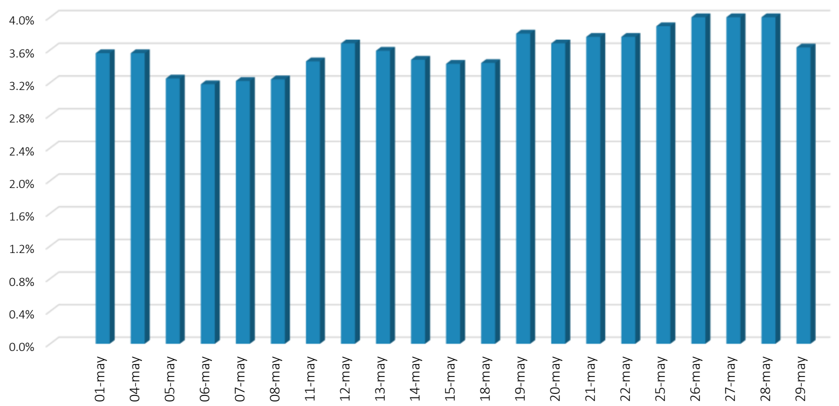
Active	30.75%
Relative value	0.00%
Macro	15.55%
Micro	19.81%
Special Situations	20.92%
Deep Value	5.26%
Hedges	6.69%
Liquidity	1.02%

Risk Concentration and Distribution Metrics

Number of positions per strategy

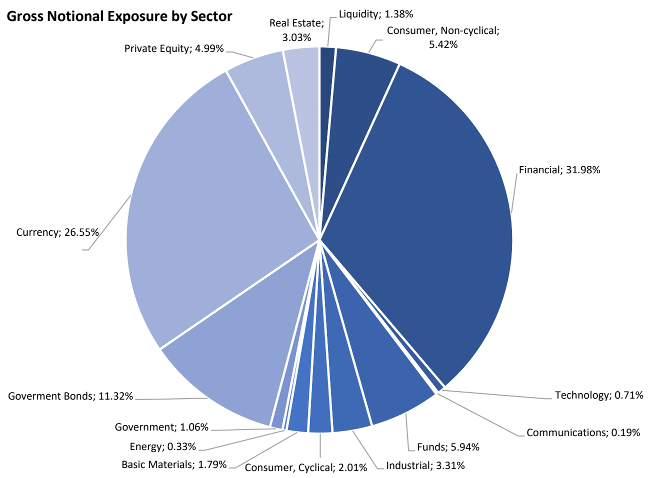


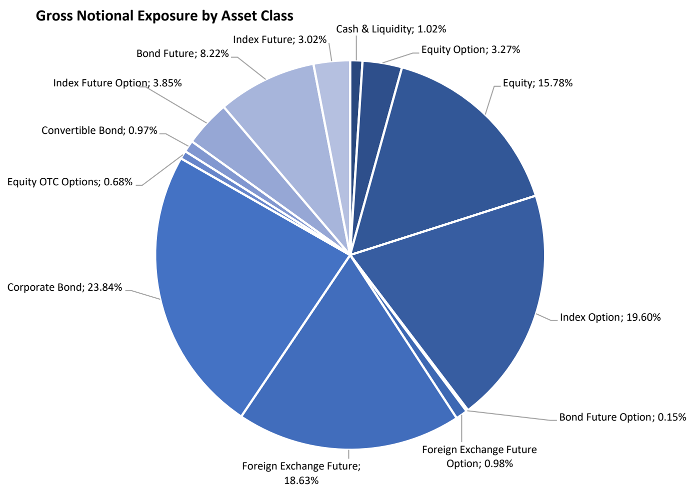
Var % Contrib Hist 3Y

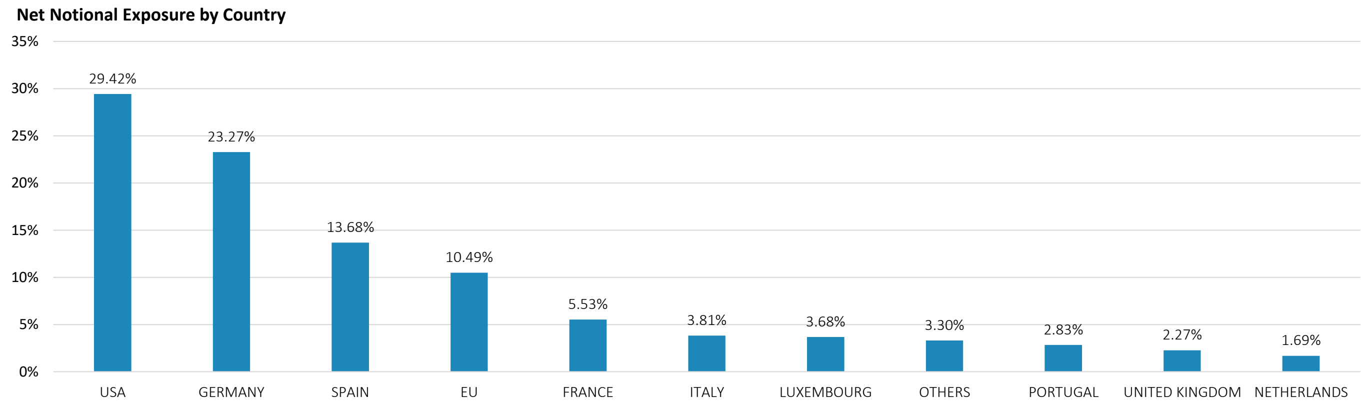


(*) Since inception

Risk Concentration and Distribution Metrics (2)







May 2020 Update (cont...)

In this context where the light could be seen glimmering full of hope at the end of the tunnel, equity markets saw solid returns, with the US once again outperforming. The S&P 500 and Nasdaq returned 4.8% and 6.3% respectively (in US$ terms), while Europe lagged somewhat with the Eurostoxx 50 returning 4.9% and the Ibex 2.6%. Credit markets had a strong month fueled by broad monetary support for financial conditions, and where corporate bonds all the way to fallen angels have become an important tool for implementing monetary policy both at the Fed and (to a lesser extent thus far) at the ECB, which translated into substantial performance (Itraxx 5-year Crossover CDS index returned +3.1% in the month) and credit compression (exception made of financial cap structures which remained strained amid concerns about potential regulatory pressures to extend the ban on any distributions by banks and insurance companies). In this context Rho Investments performed reasonably well, returning +1.9% net of fees. Performance was driven by Micro strategies returning +1.5% (as a result of a substantial revaluation of the selection of subordinated bank capital positions bought during the March turmoil), short-term trading strategies (Active +1.2%) and to a lesser extent by Macro positions (+0.6%). On the negative side, Special Situations strategies (-1%) were lagged by the weak performance of some of the distressed credit positions (where Covid uncertainty has stalled or complicated several corporate restructuring situations we are involved in, but where the "going concern" case remains strong), as well as by the new hurdles that the Covid aftermath and ensuing legislation have created for M&A activity in Europe, which hindered the performance of our event-driven exposures. The fund's current strategic stance is predicated by a very constructive short-term view for the market, which however does not go beyond September. We believe that monetary conditions, thin liquidity and substantial money inflows to be deployed across credit and equities create a "perfect storm" for a summer rally. However, we see the last part of the year as potentially more challenging as a result of three important trends we see emerging. Firstly the gap between Wall St and the real economy is likely to increase, as is the social divide arising from the asymmetric nature of the Covid shock on unemployment (hitting disproportionally low-qualification jobs where disruptive pressures were already at play). This social polarisation will exacerbate the populist political trends unfolding in much of the world which shall have significant implications in terms of a retrenchment of globalisation forces and a loss of many of the efficiencies arising from the off-shoring of value chains, which have already been put in question amid critical supply shortages at the peak of the crisis. We will be looking at a world of pressures for higher income redistribution, provision of universal basic income (as the aftermath of Covid accelerates the effects of tech disruption), and lower levels of mobility of labour force and capital. Secondly the normalisation of economic and social activity will coincide in much of the northern hemisphere with a time of the year more fertile for epidemiological events: the chance of a second wave of the virus is significant, and there is a possibility of new strains thereof. A renewed wave of lockdowns would deliver a dramatic blow to sentiment and economic expectations. Finally, later in the year, as some of the fiscal stimuli created to prop up aggregate demand and corporate support Cont...

May 2020 Update (cont...)

measures (beyond accommodative rates) start to wear off, the market will have some visibility into the structural earnings impact for some of the more battered sectors, which could provide tangible and quantifiable ground for added pessimism. However, in the short-term, the effects of government intervention to stabilise markets and prop up the economy are more likely to overshoot and exacerbate financial inflation, so from a portfolio strategy point of view we belive that any threats to the rally are only likely to start to take form well into Q3. Accordingly, our overall portfolio positioning has increrased its bullish stance, however we have continued to focus on keeping substantial cash buffers and increasing the average liquidity of our holdings in order to have good flexibility to turn it around if we see signs of an acceleration in the three worrying trends previously described. In terms of the expression of this tactical bullish stance we have not deviated from the approach highlighted in our previous newsletter: *"In terms of broad macro positioning the fund is relying on long risk credit exposures (and bank AT1 and legacy bank capital in particular) given the very attractive risk-adjusted returns available courtesy of the "solvency put" written by central banks through their extensive liquidity programs. In the realm of equities, despite the unbridled market euphoria we expect margins if not profitability altogether will be under substantial pressure, visibility will be poor and political intervention might curtail the ability of some (bailed-out) corporates to pay dividends as regulatory action has already established for banks in order to build larger capital buffers. As a result, we think the optimum exposure to participate in an European equity rally is best achieved in terms of option premia rather than delta-one, even after taking into account the still elevated levels of implied volatility. From this point of view Rho is positioned long upside risk in longer-dated expiries via outright Dax calls"* . From a risk perspective gross leverage increased month on month from 1.86 to 2.11 times. Net leverage also increased slightly from 102% to 128% (a level we consider short-term peak utilisation and which we will be adjusting down over the course of the summer). From the point of view of statistical risk utilization measured as 1-day 99.5% confidence parametric VaR, risk increased from 3.43% at the end of April to 3.63% at the end of April, and average risk utilization throughout the month also increased from 2.50% to 3.61%.