

SIL



NAV 30/10/2020: 26,3412

## 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 2020 Update

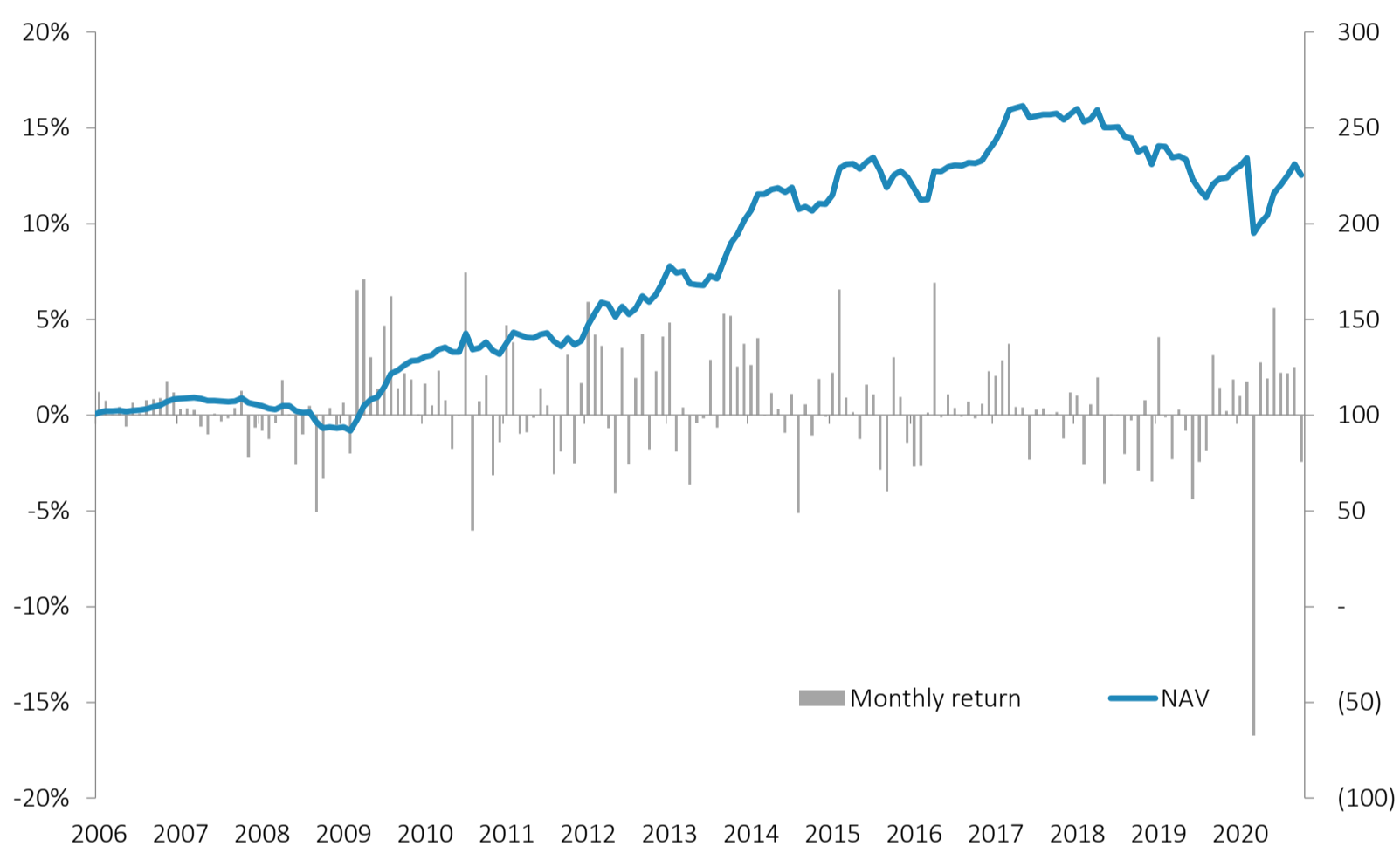
The month of October saw the first drawdown experienced by the fund since the March sell-off. Disappointing as any loss is, given our particular focus on capital preservation and our absolute return mandate, when put in context vs market returns the performance looks very favourable. Rho returned -2.45% vs a significant sell-off in European stocks (Ibex 35 -3.6%, Eurostoxx 50 -7.2%) and a less pronounced one in the US (S&P 500 and Nasdaq 100 -2.7% and -2.4% respectively in UDS terms). The comparison only looks unfavourable vs high-beta credit as proxied by the iTraxx 5-year Crossover CDS index, which returned -1% in the month. From a performance attribution point of view the biggest drawdown in performance came from Macro strategies (-1.1%) where bullish positioning for a broad European cyclical recovery via stock index options (DAX in particular) suffered adverse (yet limited given that the net exposure trades net long volatility) mark to market. As we type these lines we have seen an encouraging reversal of this trend which has returned these investments back to profitability and which

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## 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%	-2,4%	-1,8%	3,1%	1,4%	0,2%	1,8%	-1,3%
2020	1,0%	1,7%	-16,7%	2,8%	1,9%	5,6%	-2,5%	2,2%	2,5%	-2,5%			-1,2%

(\*) Since inception

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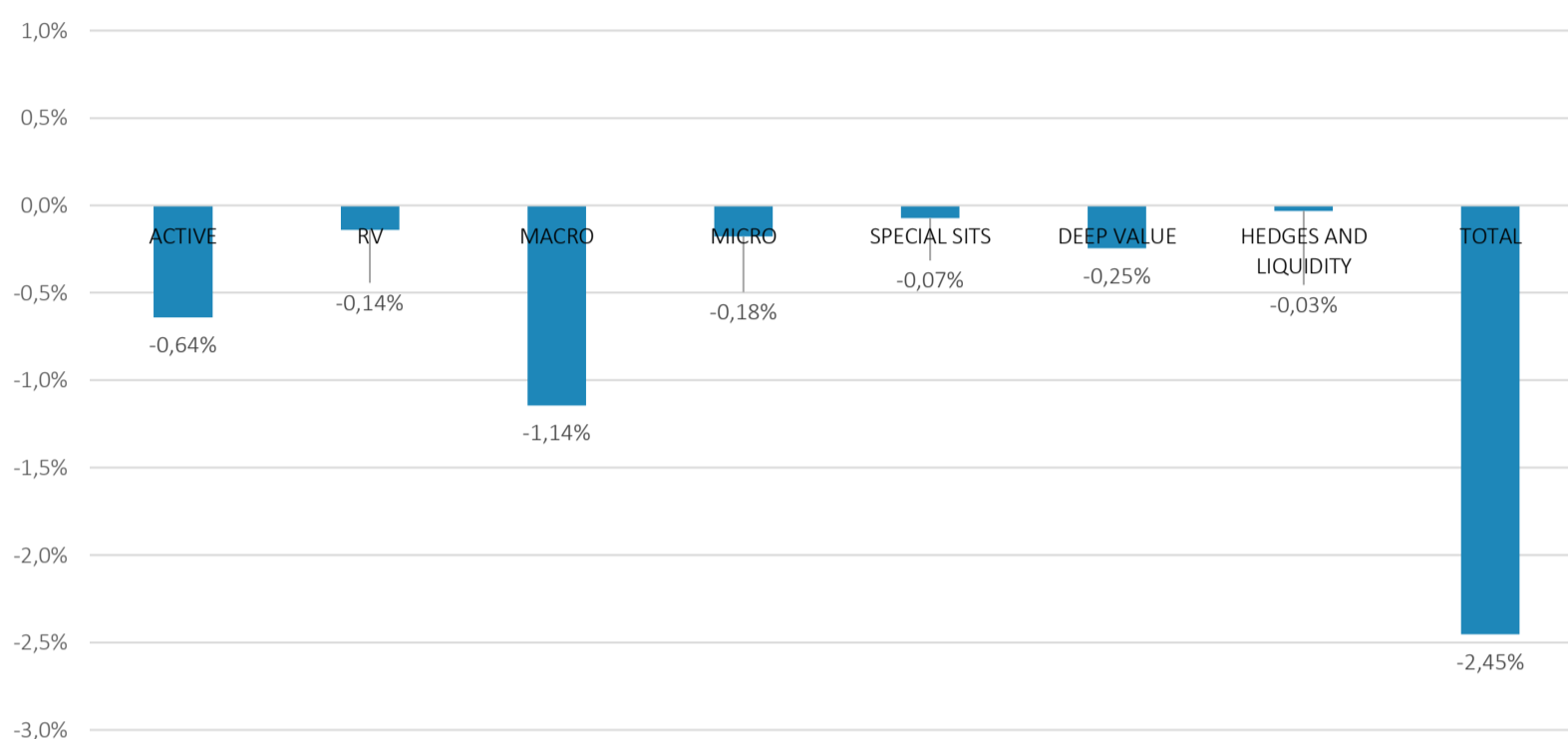
## Comparative Risk / Return

	RETURNS (CAGR)			VOLATILITY		
	5 years	3 years	Since inception	5 years	3 years	Since inception
Rho Investments	-0,79%	-4,91%	5,42%	11,14%	12,56%	9,82%
Stoxx 600	-1,76%	-3,03%	0,88%	-1,76%	-3,03%	14,63%
Ibex	-6,13%	-13,90%	-3,13%	17,13%	15,07%	19,54%

## Returns (% Net)

2020	-1,17%
CAGR*	5,42%
October 2020	-2,45%

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



## Risk / Return

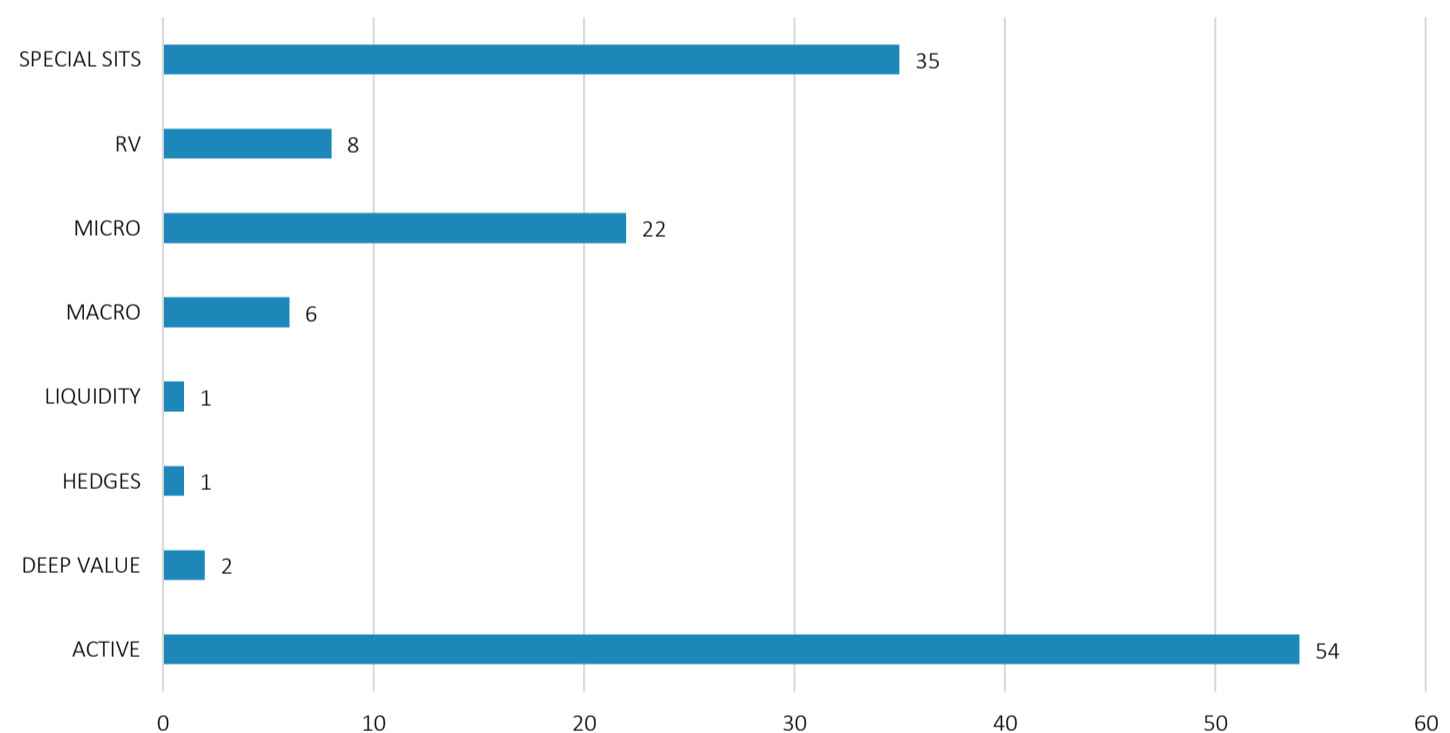
Volatility*	9,82%
Sharpe Ratio*	0,55
Sortino Ratio	0,76
Parametric VaR 1-d	4,26%

## Top Five Positions

American Well Corp Equity	9,74%
DAX Index June 2021 Call Options	9,15%
Bund 30yr-10yr steepener	8,40%
Queka PE	8,22%
RABOBK 6 ½ PERP	4,90%

## Risk Concentration and Distribution Metrics

### Number of positions per strategy



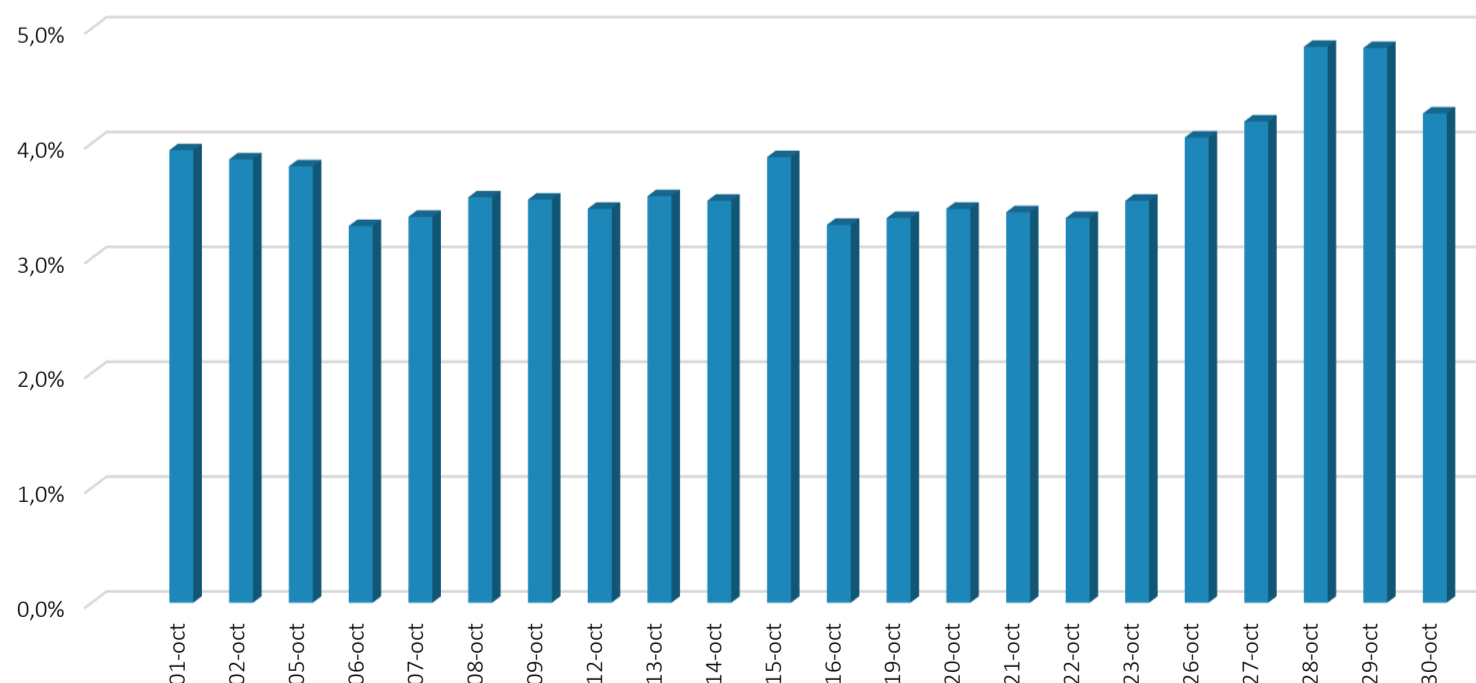
## % Exposure

Gross	208,08%
Net	128,57%

## % of Gross Exposure per Strategy

Active	33,79%
Relative value	7,79%
Macro	12,18%
Micro	15,53%
Special Situations	9,79%
Deep Value	7,97%
Hedges	5,29%
Liquidity	7,66%

### Parametric VaR 1-day

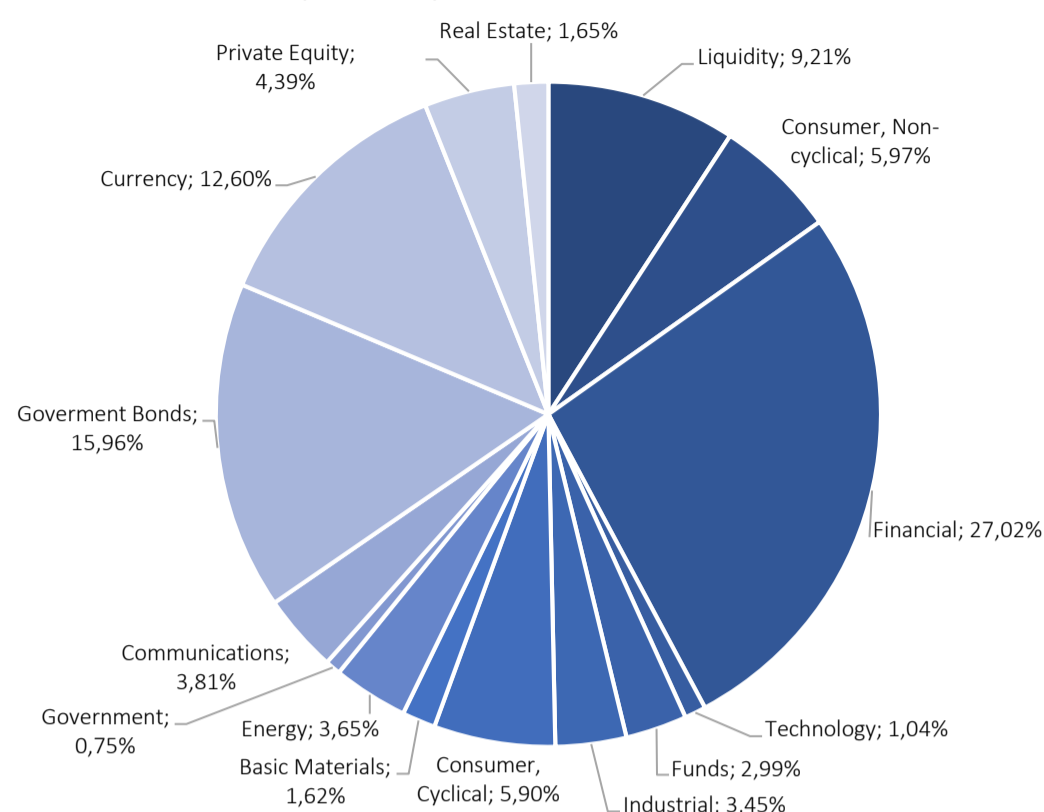


(\* ) Since inception

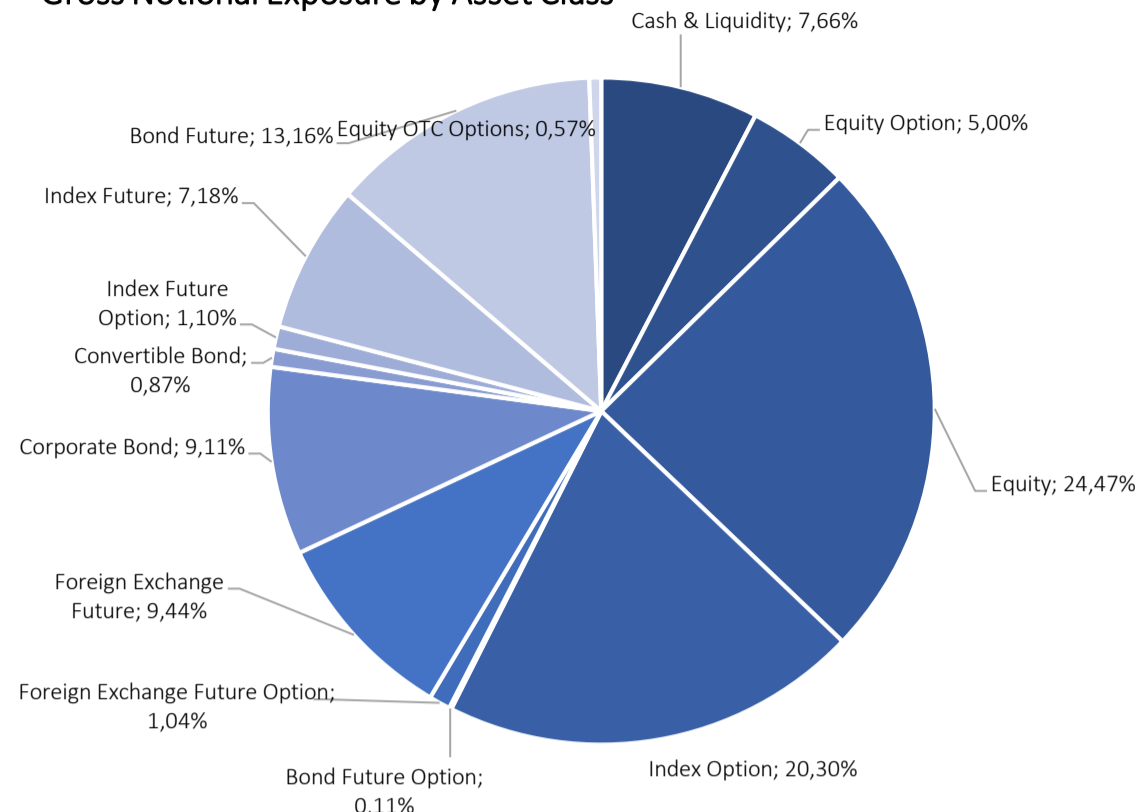
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## Risk Concentration and Distribution Metrics (2)

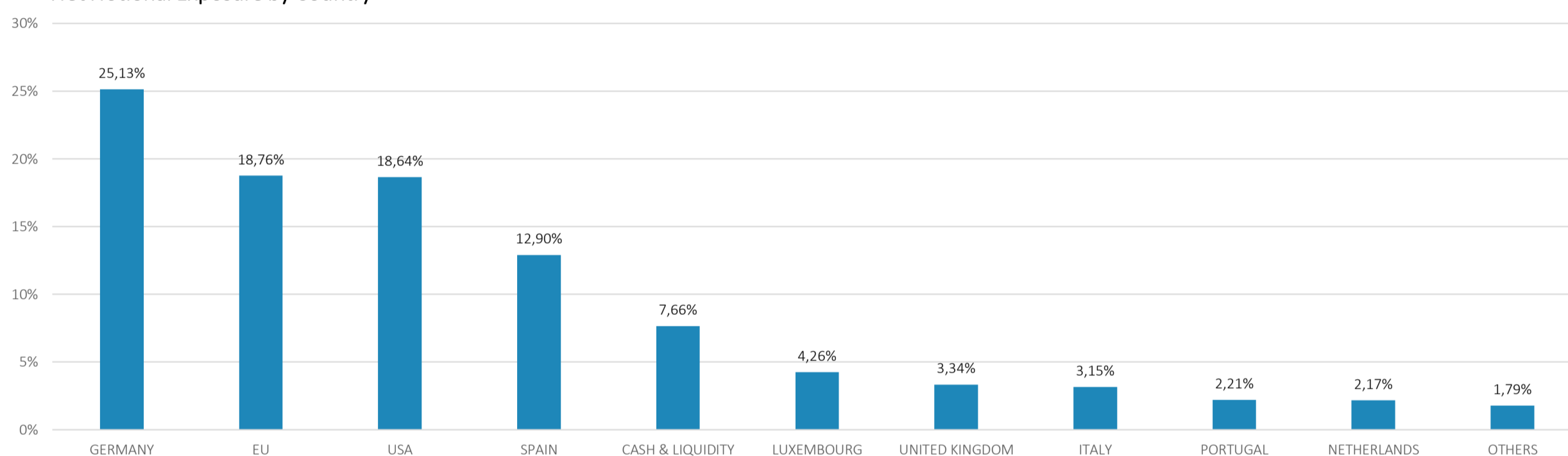
### Gross Notional Exposure by Sector



### Gross Notional Exposure by Asset Class



### Net Notional Exposure by Country



## October 2020 Update (cont...)

stand to gain from substantial convexity. Despite their directional nature Micro exposures (-0.1%) remained fairly resilient to broad market weakness. The substantial outperformance of the strategy was predicated on strong returns from Rabobank 6.5% certificates which were well supported by the issuer's intention to pay a scrip distribution which continued to attract new buyers and which the fund has utilized to slowly exit the position, fully crystallizing substantial gains. Additionally, within the Micro bucket the fund continued with its long-term focus on adding value positions within the renewables sector, where we envisage a great potential for multiples expansion all the way into bubble territory given the substantial tailwinds for the sector (EU "Green Deal", focus on ESG investment amid shortage of viable investment opportunities, and more recently in the month of November Biden's provisional election victory). In particular the fund participated in Soltec's successful IPO which was launched at a very attractive discount to sectoral peers. Active strategies (-0.6%) were dragged by the relative absence of premia in primary credit supply and by net long-risk positioning across short-term trading exposures. Elsewhere returns were relatively flat and still remain fairly disappointed by the lackluster returns within the Special Sits bucket (-0.1%) which at the moment is reliant on a number of restructuring situations which have seen their catalysts being extended in time, yet we still believe that the investment thesis (for situations such as OHL, Abengoa, Tap Airlines, etc.) remains intact and we comfortably expect the bucket to conservatively generate about 5% in terms of NAV within the next 3-4 months. In terms of broad strategic positioning the fund remains positioned for signs of a broad European cyclical recovery by the summer of 2021. Whilst we still remain in the (low rates for longer) deflationary camp we do see particularly strong value in the banking sector as a very convex way to express this cyclical recovery view, and which notwithstanding unfavourable term structure of rates and uptick in cost of risk headwinds, should enjoy strong support from the substantial momentum in bank M&A activity, with the added kicker that any meaningful upside movement will be technically exacerbated by growth-into-value portfolio rotation flows. The fund still envisages a growing opportunity set within the Special Situations space as the Covid 19 pandemic aftermath accelerates structural changes across sectors, challenging traditional metrics and value considerations, rendering some traditionally strong business inviable and some long-term viable business financially challenged in the short-term. Despite the increase in exposures and risk undertaken over the last two months, the fund retains prudential liquidity (currently in excess of 17% of NAV) to take advantage of future opportunities as the real (as opposed to financial) economy further deteriorates into 2021. However, given the substantial opportunities we see (in particular within our home Iberian market) for many of which critical mass and scale are a considerable advantage, the fund will soon commence an investor roadshow in order to seek new capital commitments. Should any of our current or prospective investors be interested in further discussing these opportunities please do not hesitate to contact the team. Finally, from a risk point of view, net leverage increased significantly from 107% at the end of September to 129% by the end of October.

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#### October 2020 Update (cont...)

Gross leverage also increased substantially from 138% at the end of September to 208% at the end of October. Despite the increase in gross and net exposures, average risk utilization from a statistical point of view is substantially below (by a magnitude of 1.2 to 1.5 daily percentage points of VaR over NAV) those employed during the 2020 VaR peaks in the months of June and July. This is largely explained by the increase in positions with offsetting risk (essentially currency hedges for the substantial net USD exposure built up in our Amwell position) and fairly large notional, yet relatively low risk, positions (such as a Bund 30-10 year curve steepener), which have both increased our use of net and gross leverage yet translated in little incremental risk. Risk usage, expressed as 1-day 99.5% confidence parametric VaR, increased from 3.7% at the end of September to 4.6% at the end of October. However looking at the increase in average risk utilization in the month paints a (from 3.6% during the month of September to 3.7% during the month of October).

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