SIL

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.

NAV 28/08/2020: 26,3387

INVESTMENT TEAM

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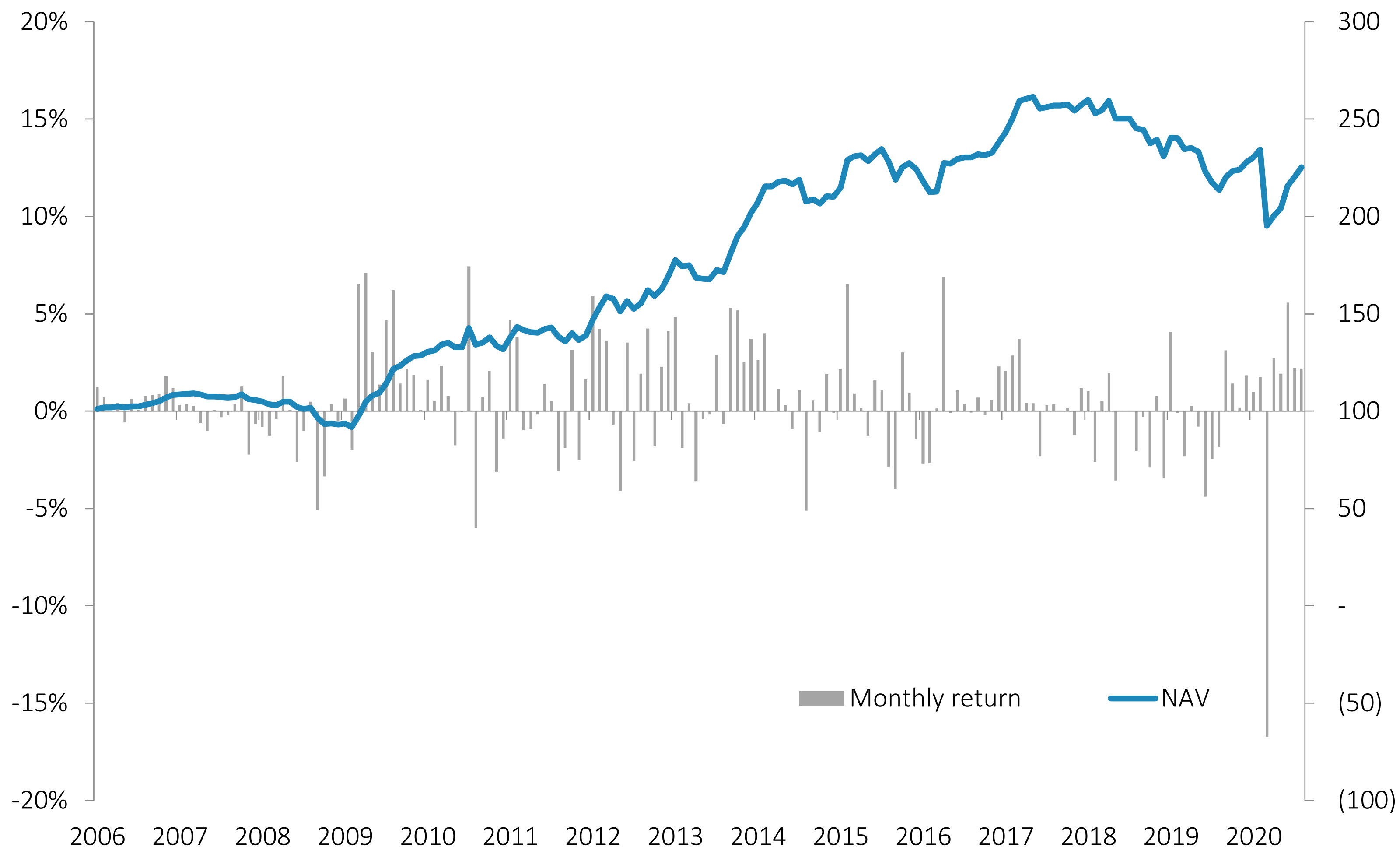
August 2020 Update

August was yet another month of very solid returns in both risk-adjusted and relative terms vs the market. The fund generated +2.2% net of fees which compares very favourably vs European stocks and credit, and in particular vs Iberian risk, which is our main area of focus for highly idiosyncratic investments. The fund (based on NAV dates for the SIF master fund) outperformed the Ibex 35 by +3.35%, the Eurostoxx 50 by 40bps and the total return in the Itraxx 5-year Crossover CDS index by 15bps. Outperforming US stocks remains a daunting task given the predominantly European focus of most of the six strategies underlying the fund given the equity context characterized by a profound love affair with technology. We do however think that, despite of some bubble qualities of the rally, parts of the technology spectrum offer a very asymmetric and attractive long-term optionality, which has been accelerated by the impact of Covid19 on disruption trends. As such, the fund has been positioned in the sector for the last 2-years via an investment in tele-health within the Deep Value bucket, which will finally see a positive catalyst that will unlock substantial value and liquidity, which will enable the fund to close some of the gap vs US stocks. Furthermore, whilst the ...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%	5,6%	2,2%	2,2%					**-1,2%**

(*) Since inception

Comparative Risk / Return

	RETURNS (CAGR)			VOLATILITY		
	5 years	3 years	Since inception	5 years	3 years	Since inception
Rho Investments	-0,82%	-5,24%	5,48%	11,14%	12,56%	9,82%
Stoxx 600	0,80%	0,32%	1,35%	13,71%	15,00%	14,68%
Ibex	-6,13%	-12,44%	-2,90%	17,71%	17,55%	19,60%

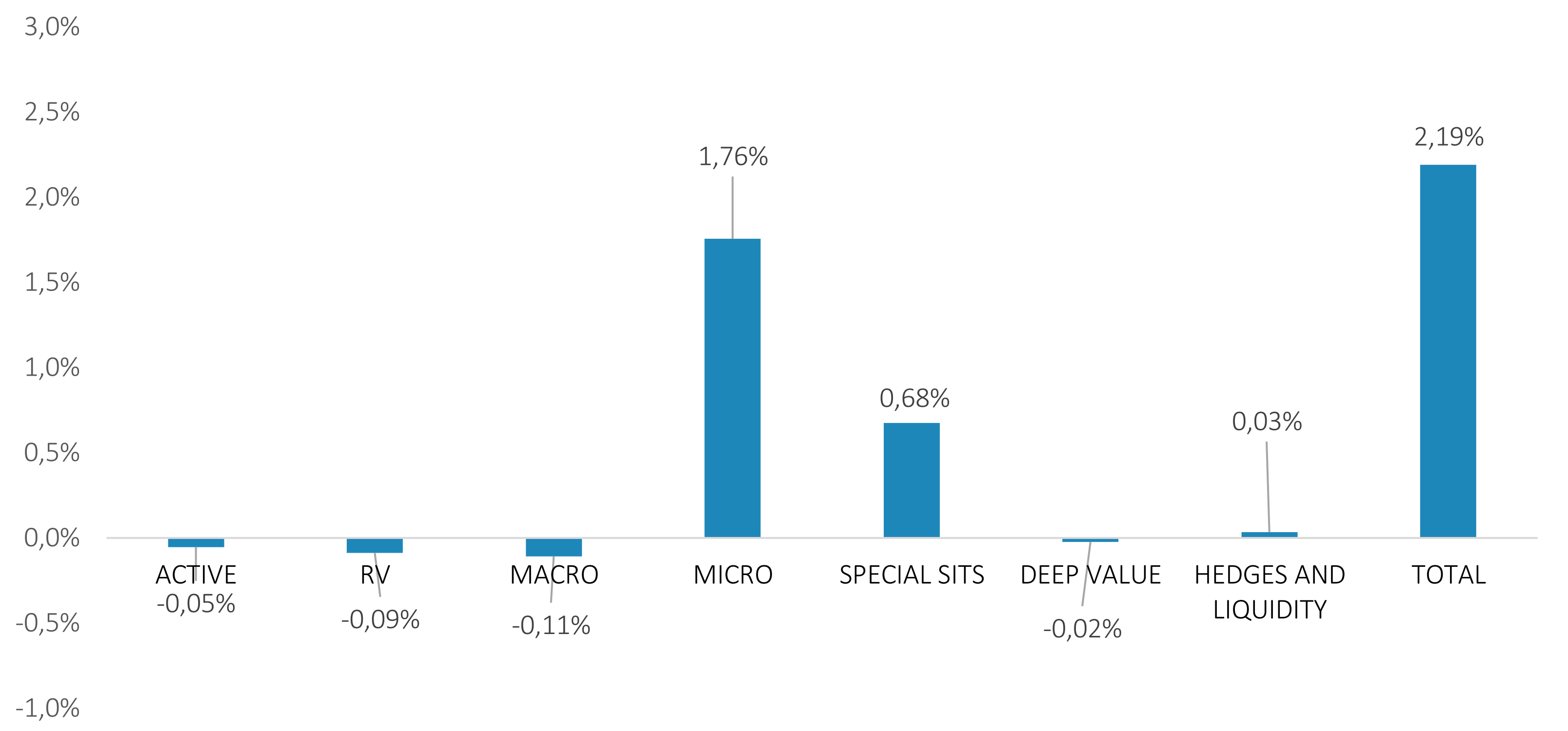
Returns (% Net)

2020	-1,17%
CAGR*	5,48%
August 2020	2,19%

Risk / Return

Volatility*	8,72%
Sharpe Ratio*	0,63
Sortino Ratio	0,72
Parametric VaR 1-d	1,75%

Performance attribution across strategies (% Net)*



Top Five Positions

Rabobank 6.5 PERP Bond	18,68%
Queka PE	8,24%
Unicredit 3.875% AT1 Bond	5,08%
Santander 4.75% PERP Bond	4,34%
Liberbank SM Equity	4,16%

% Exposure

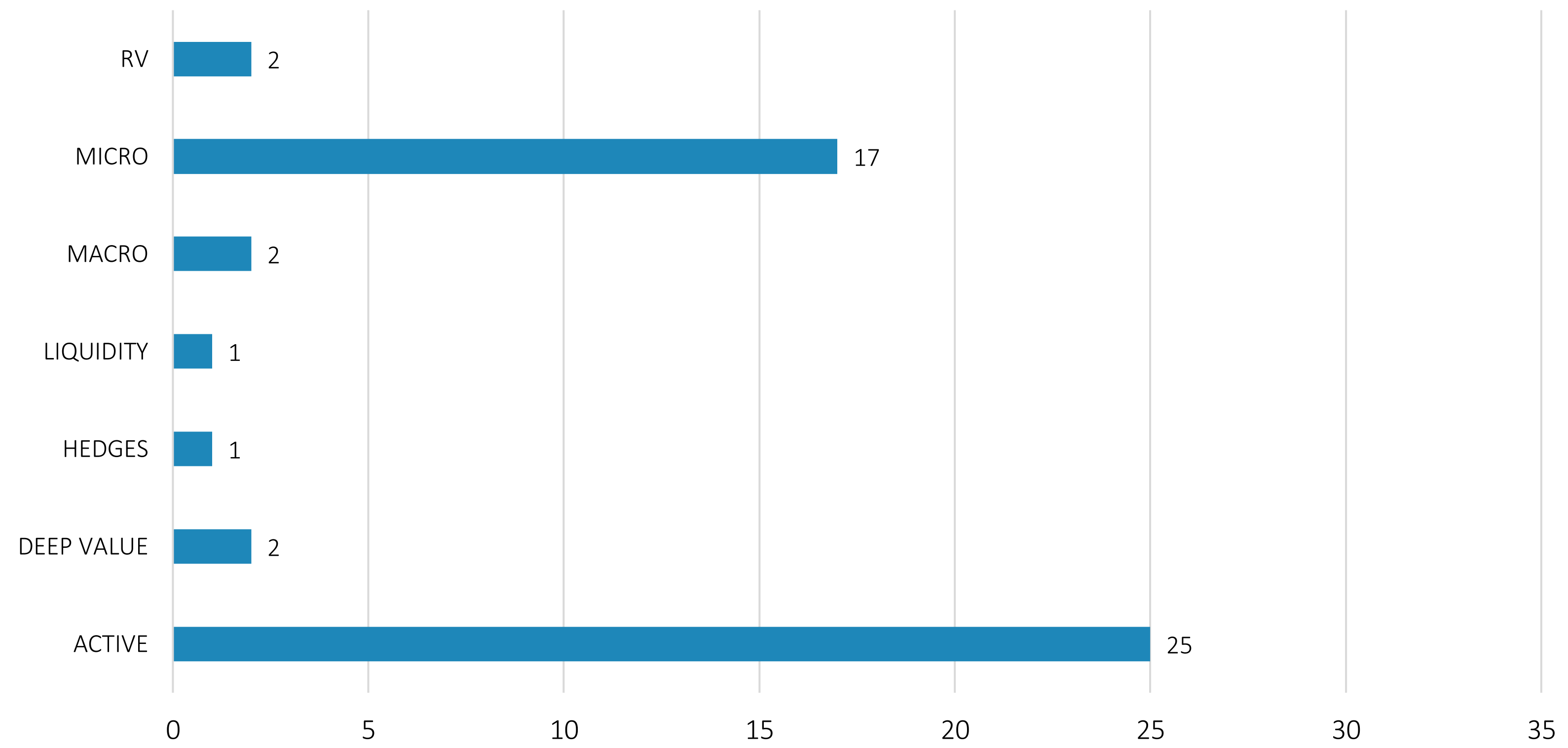
Gross	118,72%
Net	83,25%

% of Gross Exposure per Strategy

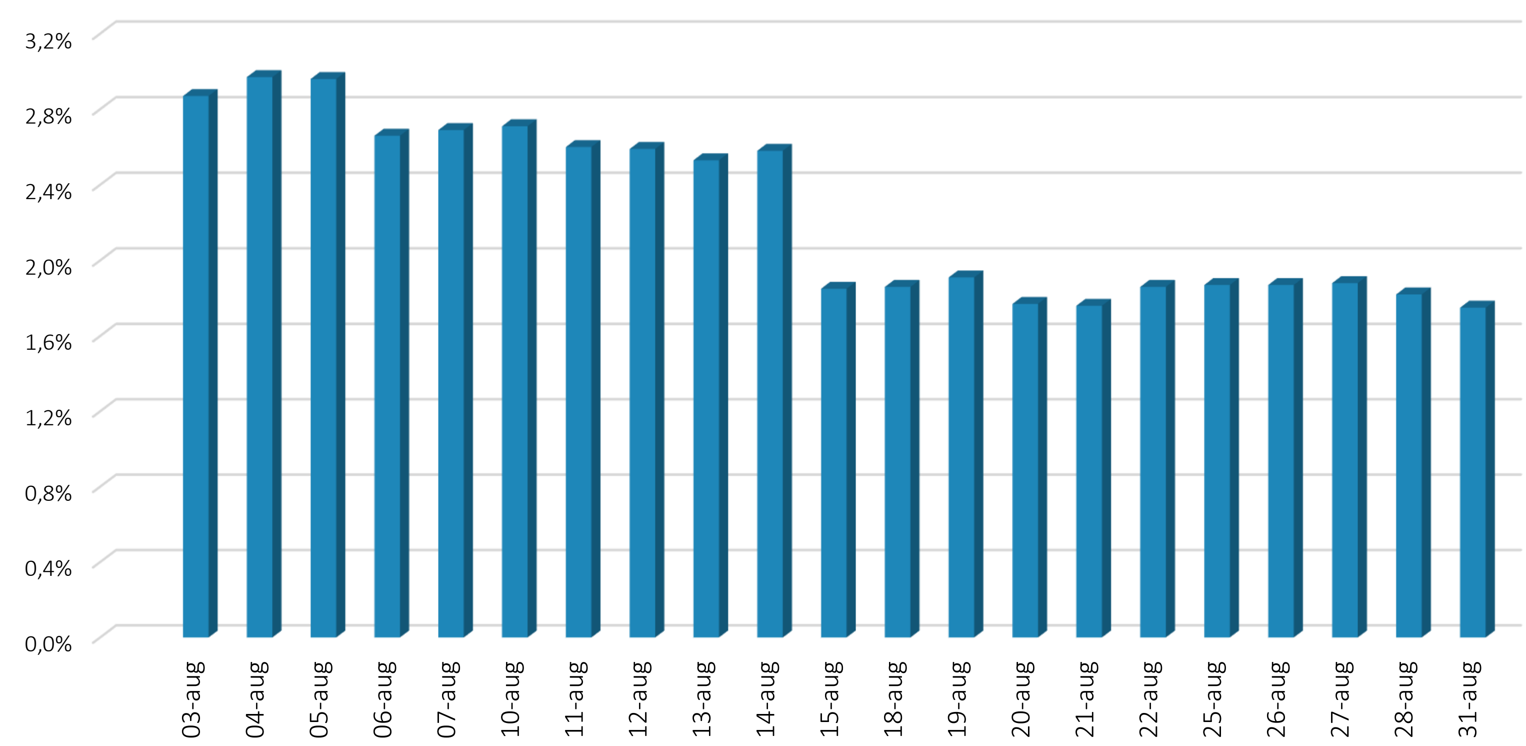
Active	15,74%
Relative value	5,80%
Macro	6,30%
Micro	36,39%
Special Situations	13,39%
Deep Value	8,45%
Hedges	4,56%
Liquidity	9,38%

Risk Concentration and Distribution Metrics

Number of positions per strategy

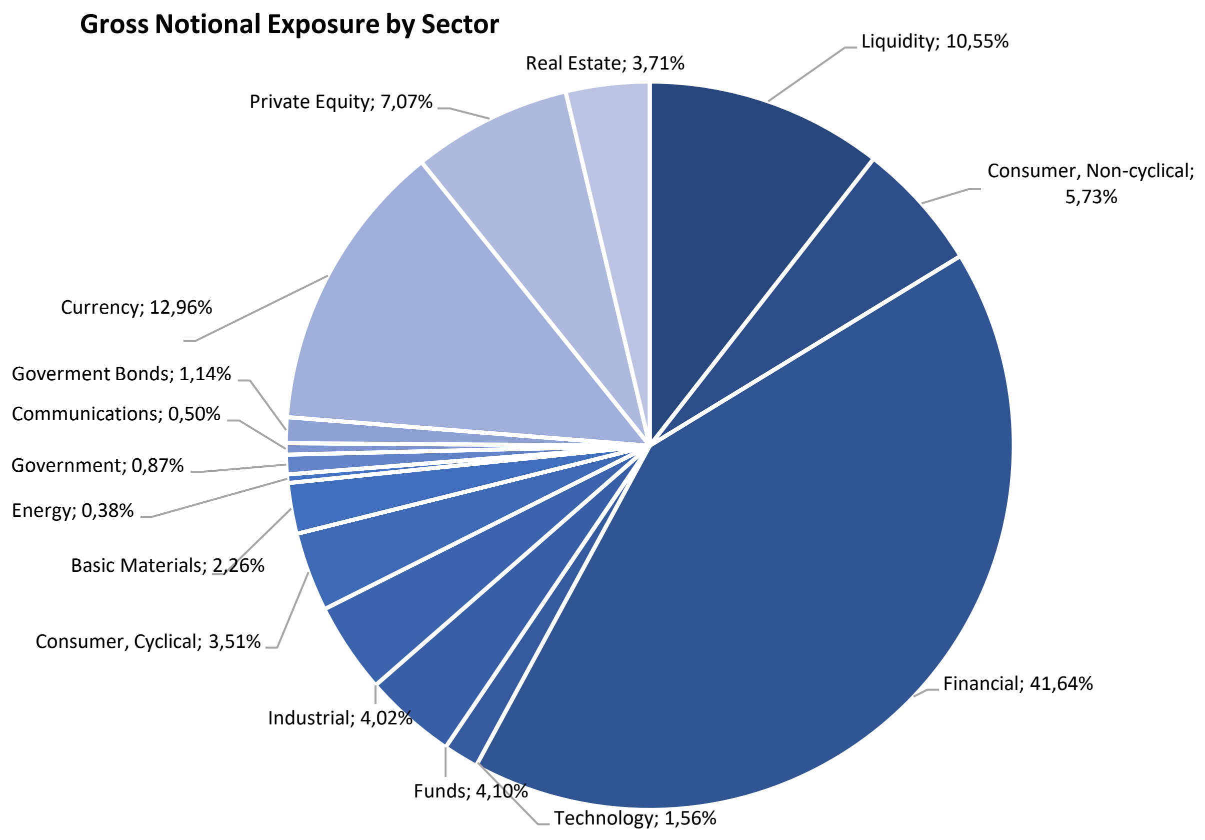


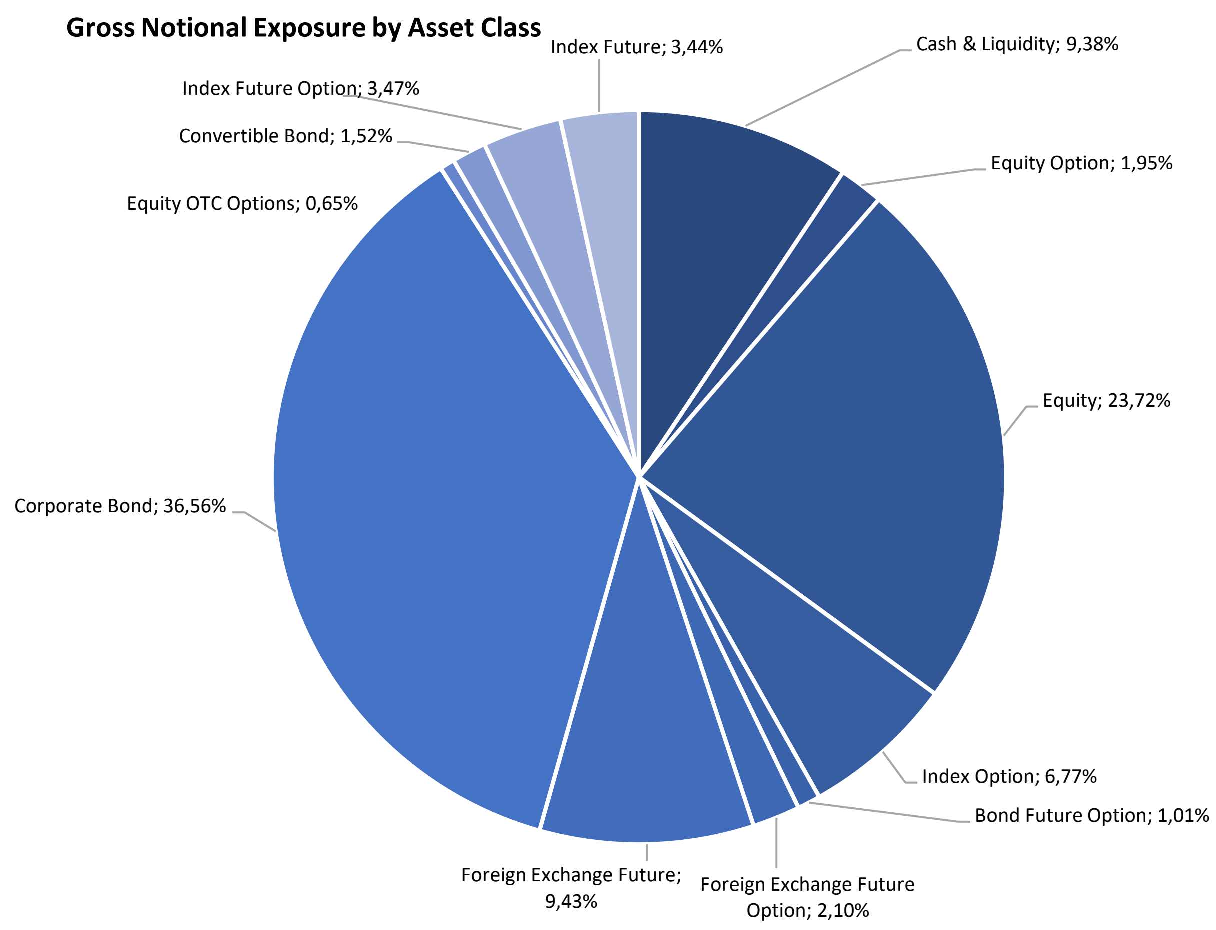
Var % Contrib Hist 3Y

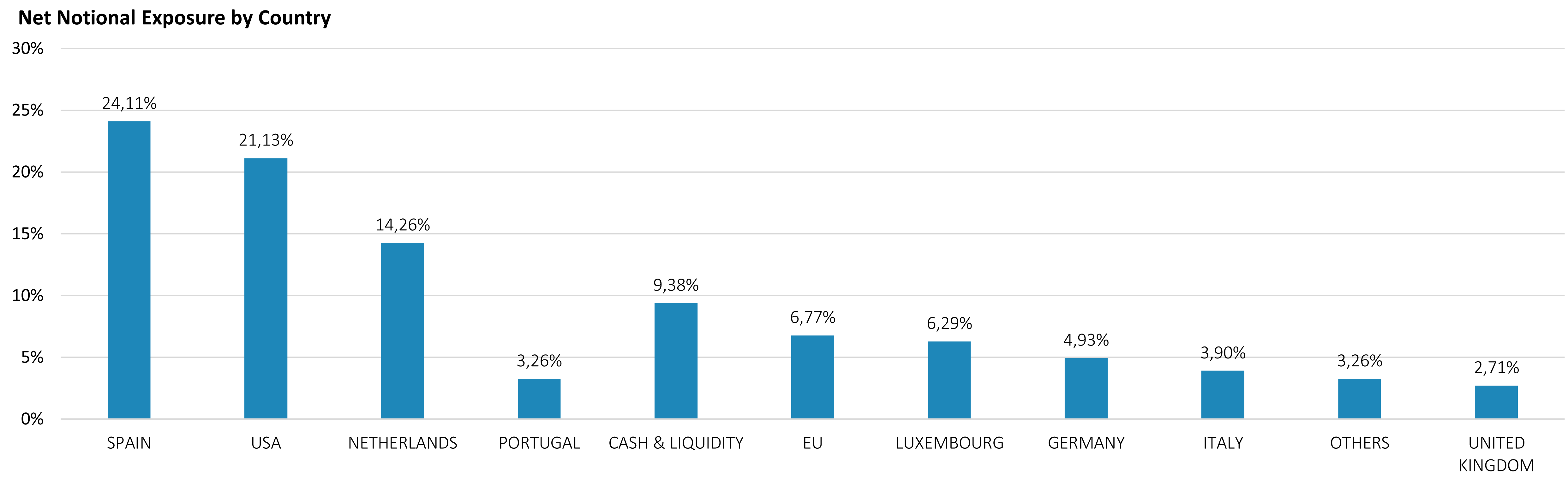


(*) Since inception

Risk Concentration and Distribution Metrics (2)







August 2020 Update (cont...)

Nasdaq 100 and S&P 500 returned 12.4% and 6.9% in USD terms, as we type these lines the tech rally is seeing a substantial correction whilst the fund remains resilient to the sell-off. In terms of performance attribution much of the profitability was concentrated in the Micro bucket (+1.8%) where AT1 securities (to which we gradually increased exposure during the March sell off) have continued to perform strongly, and Rabobank 6.5% certificates (our biggest risk exposure in the fund) in particular, as the market validated our initial thesis that the bonds would see a substantial uplift derived from the issuer´s intention to increase distributions to make up for foregone coupons, which might take the form of a scrip coupon that the borrower is allegedly considering. We are however using current market strength to trim some of the credit exposures across the bucket as we see risk-reward starting to look less attractive in the asset class. Special Situations provided relatively lackluster (just +0.7%) returns given our ex-ante expectations in terms of profitability and the substantial higher capital charge we assign to investments within this bucket. This underwhelming performance is explained by the relatively high dispersion of returns within the strategy, where event driven trades (bank M&A ones in particular which yielded in excess of +1.1%) were disappointingly largely offset by adverse mark-to-market in distressed debt positions (-0.8%), which we see as transitory and we still expect a meaningful positive contribution from corporate restructurings (Abengoa´s convertible debt in particular) by the end of Q4. In terms of strategic positioning, after having de-risked the portfolio gradually during the summer, we have now taken a slightly more constructive stance on the market based on recent Fed dovishness and are happy to redeploy some risk from a micro perspective around cyclical recovery, picking up value propositions in those battered sectors where we see long-term business viability, whilst from a macro point of view we will begin to analyze optionality in reflation-driven trades. We will however try to rely as much as possible on both relative-value exposures and highly idiosyncratic credit plays in order to minimize portfolio volatility. Given our focus on de-risking over the summer net leverage came down from 97% at the end of July to 83% at the end of August, whilst gross leverage saw a less significant reduction (marginally down from 124% at the end of July to 119% at the end of August), and we expect it to actually increase over the course of the next few months as the fund prioritizes relative-value exposures in investment idea construction. When looking at risk reduction from a statistical point of view the portfolio de-risking effort becomes more apparent. Risk utilization, expressed as 1-day 99.5% confidence parametric VaR, came down from 3.3% at the end of July to 1.7% at the end of August, whilst average risk utilization in the month came down from 5.25% throughout July to 2.2% throughout August.