SIL

NAV 26/06/2020: 25,2153

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.

June 2020 Update

June was a very strong month in terms of absolute and relative performance for the fund. Rho Investments returned +5.6% net of fees vs total returns (including dividends) of +0.9% for the Ibex 35, +5.1% for the Eurostoxx 50, +0.6% and 6.0% respectively for the S&P 500 and Nasdaq 100 (in USD terms) or +1.9% for the Itraxx 5-year Crossover CDS index. Fund performance was largely driven by Micro strategies (+2.5%), wherein the fund has expressed a high-conviction view regarding bank capital valuations. To the existing core holdings of high-quality AT1 and T2 positions already added amid the March market meltdown, the fund has been gradually and selectively increasing exposure to the sector with a focus on "national champions". This reliance on the asset class for performance within the Micro bucket is predicated upon three pillars. Firstly that unlike in the previous large global crisis where the banks were at the centre of the problem, this time around banks are an integral part of the solution and any policy (fiscal and monetary alike) response measures. Secondly, from a regulatory stand point we see banks' ability to pay discretionary AT1 coupons as strongly bolstered from restrictions to dividend

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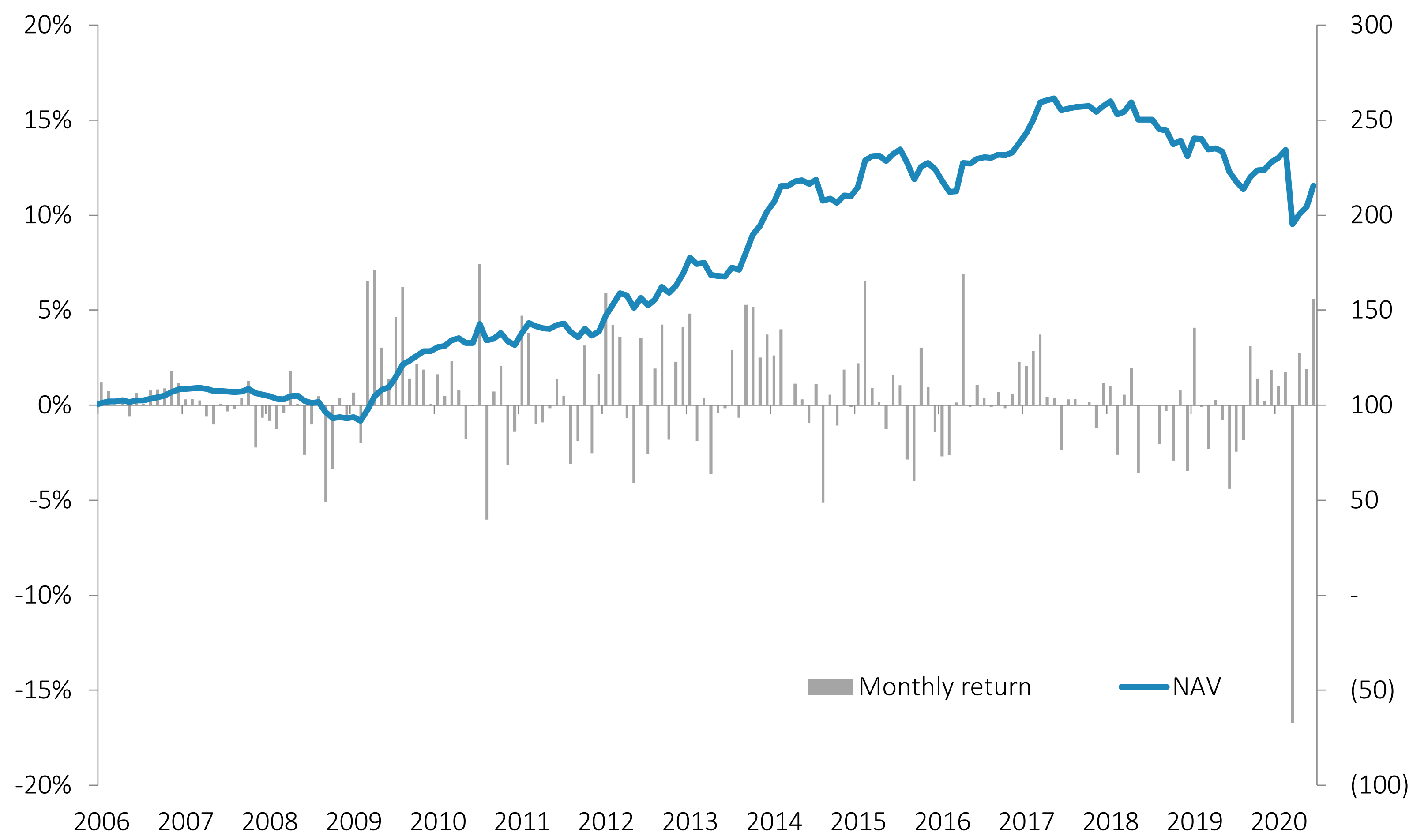
Fund Facts

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%							**-5.4%**

(*) Since inception

Comparative Risk / Return

	RETURNS (CAGR)			VOLATILITY		
	5 years	3 years	Since inception	5 years	3 years	Since inception
Rho Investments	-2.04%	-6.41%	5.23%	11.12%	12.39%	9.84%
Stoxx 600	-0.54%	-1.66%	1.25%	14.29%	14.85%	14.70%
Ibex	-8.35%	-11.70%	-2.69%	18.03%	17.38%	19.67%

Returns (% Net)

2020	-5.39%
CAGR*	5.23%
June 2020	5.58%

Risk / Return

Volatility*	8.72%
Sharpe Ratio*	0.60
Sortino Ratio	0.68
Parametric VaR 1-d	5.59%

Top Five Positions

DAX Index Options	21.48%
Rabobank 6.5 PERP Bond	17.49%
Queka PE	7.43%
Eurostoxx 50 Futures	5.01%
Unicredit 3.875% AT1 Bond	4.96%

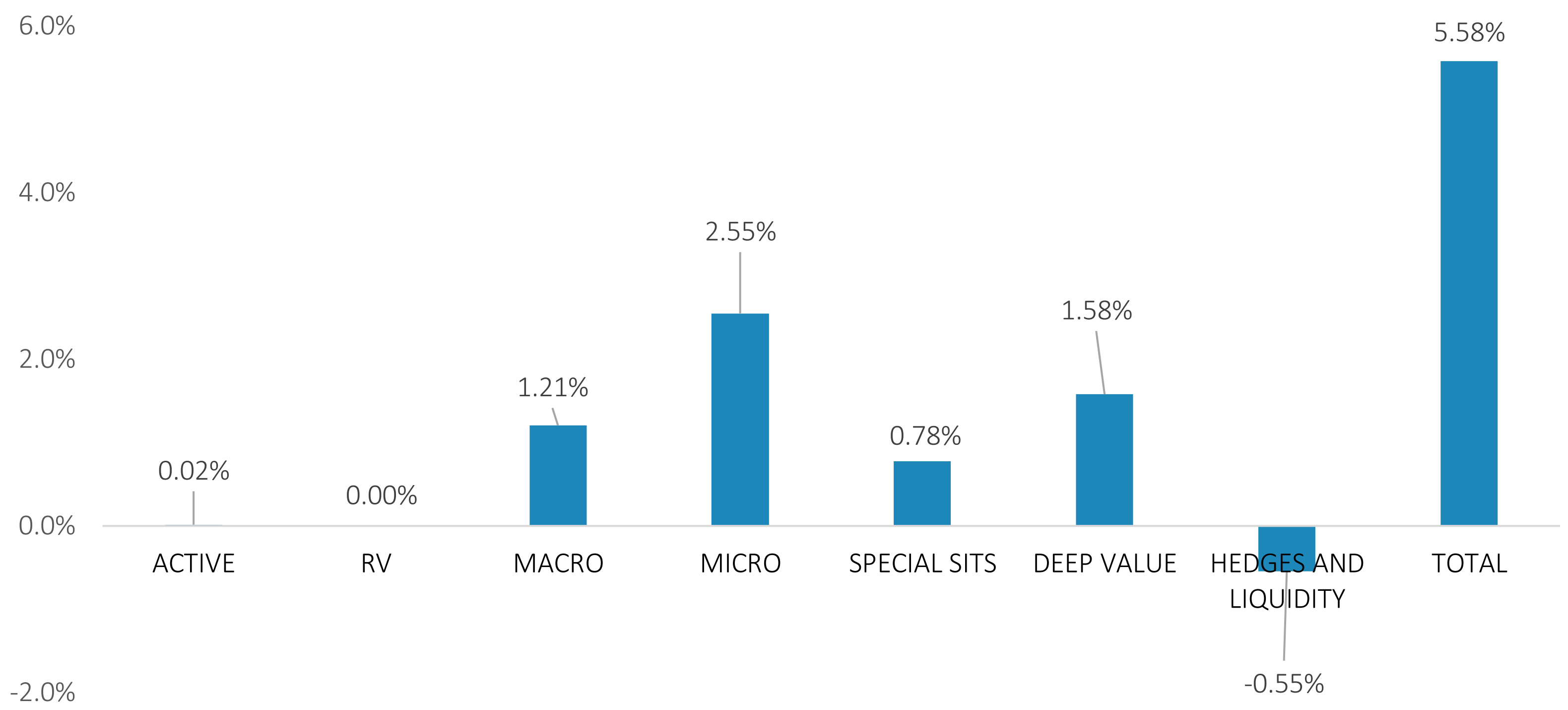
% Exposure

Gross	176.97%
Net	135.84%

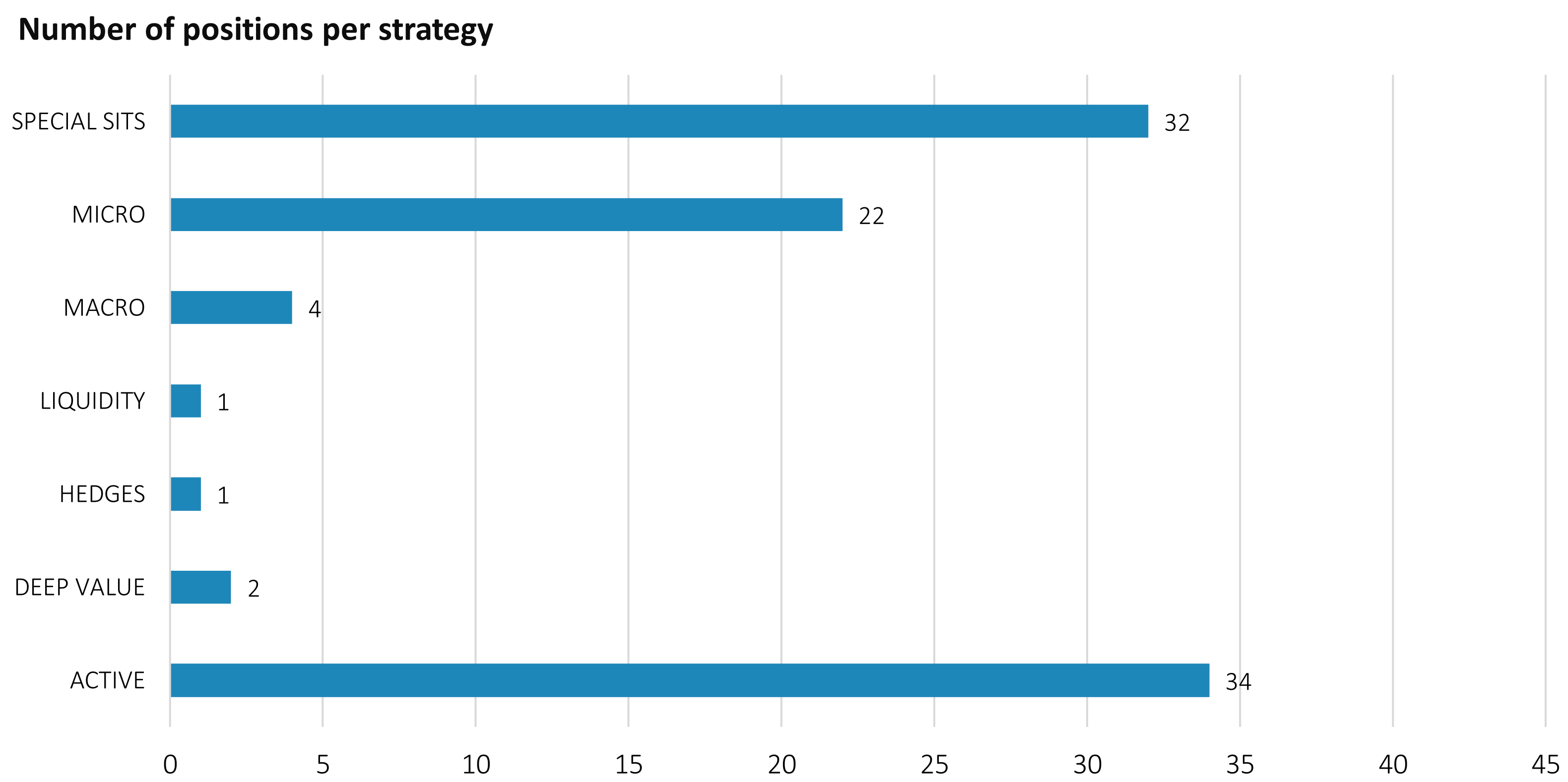
% of Gross Exposure per Strategy

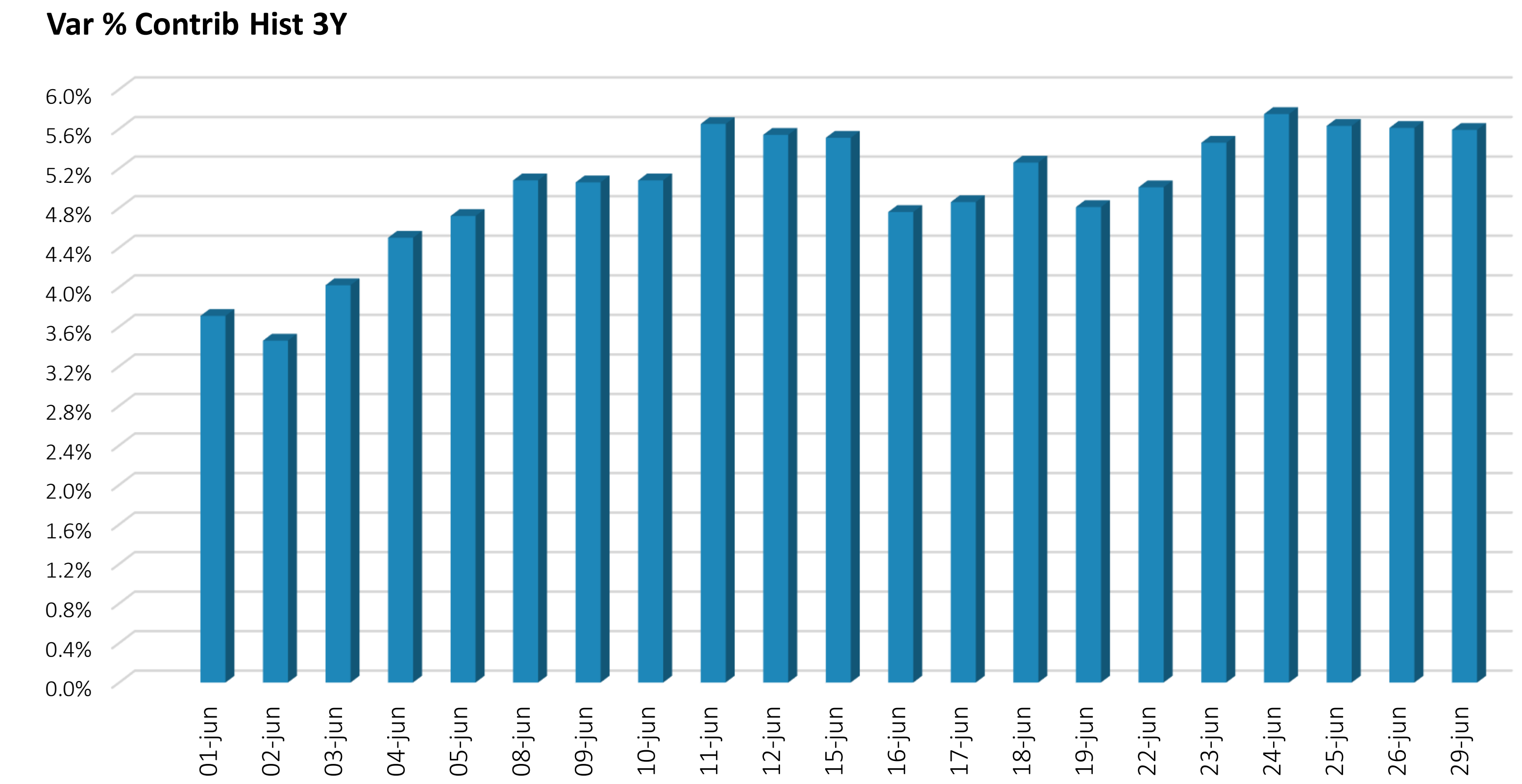
Active	29.94%
Relative value	0.00%
Macro	13.80%
Micro	29.18%
Special Situations	12.87%
Deep Value	5.86%
Hedges	6.95%
Liquidity	1.41%

Performance attribution across strategies (% Net)*



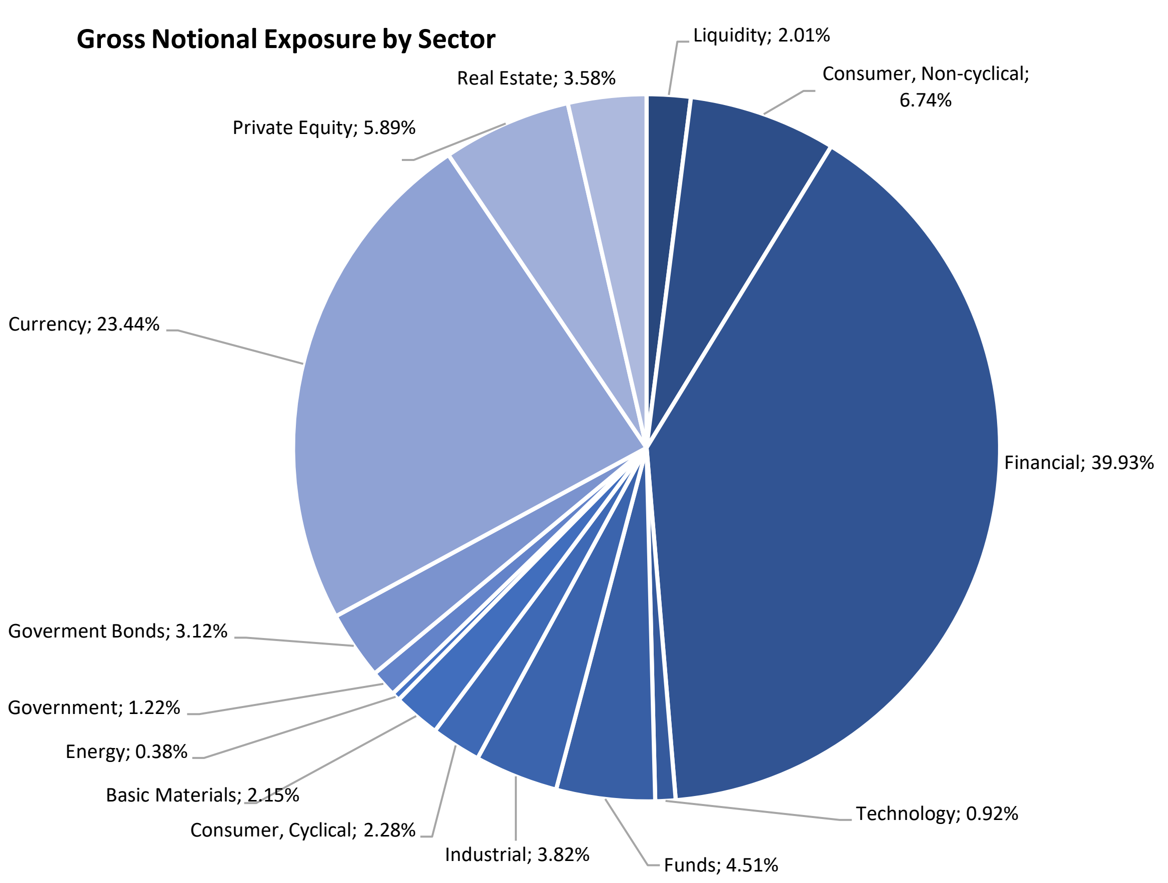
Risk Concentration and Distribution Metrics

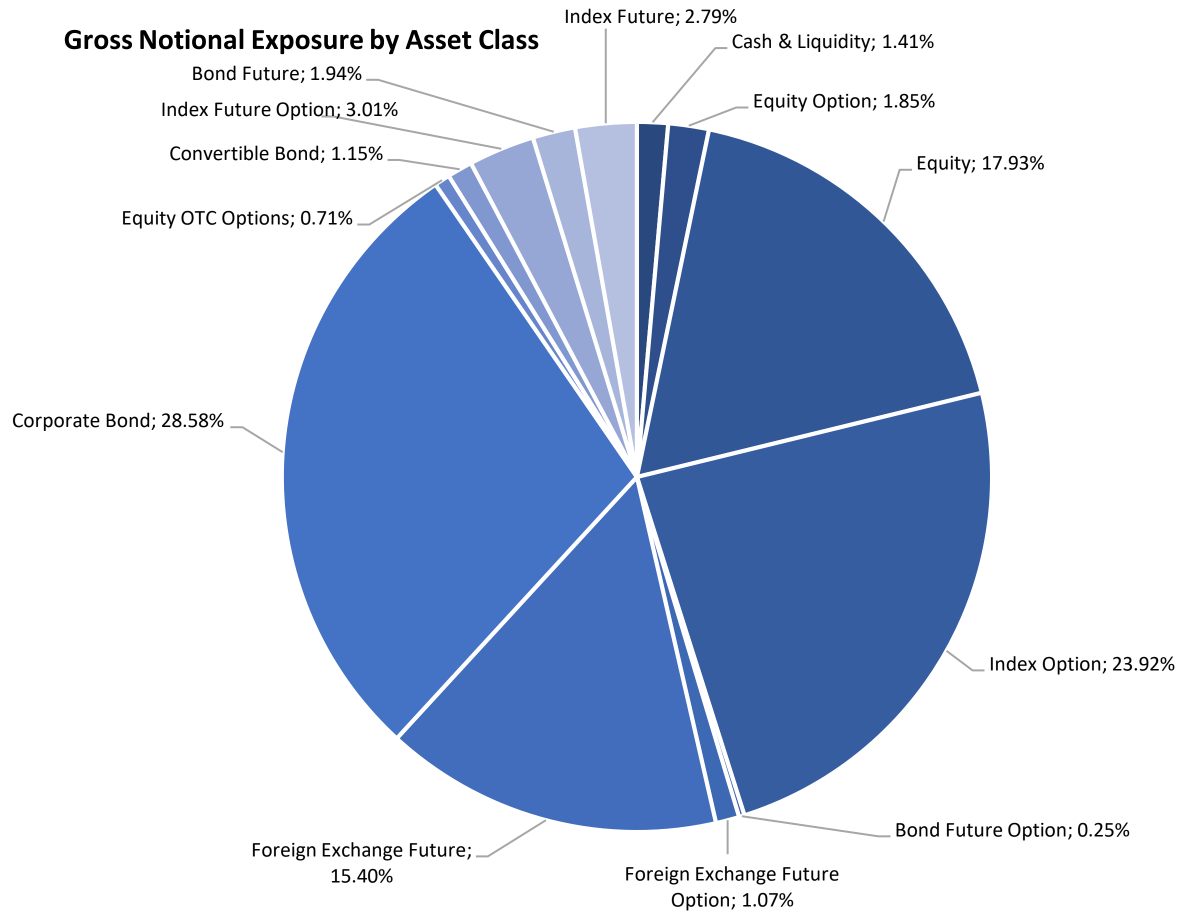


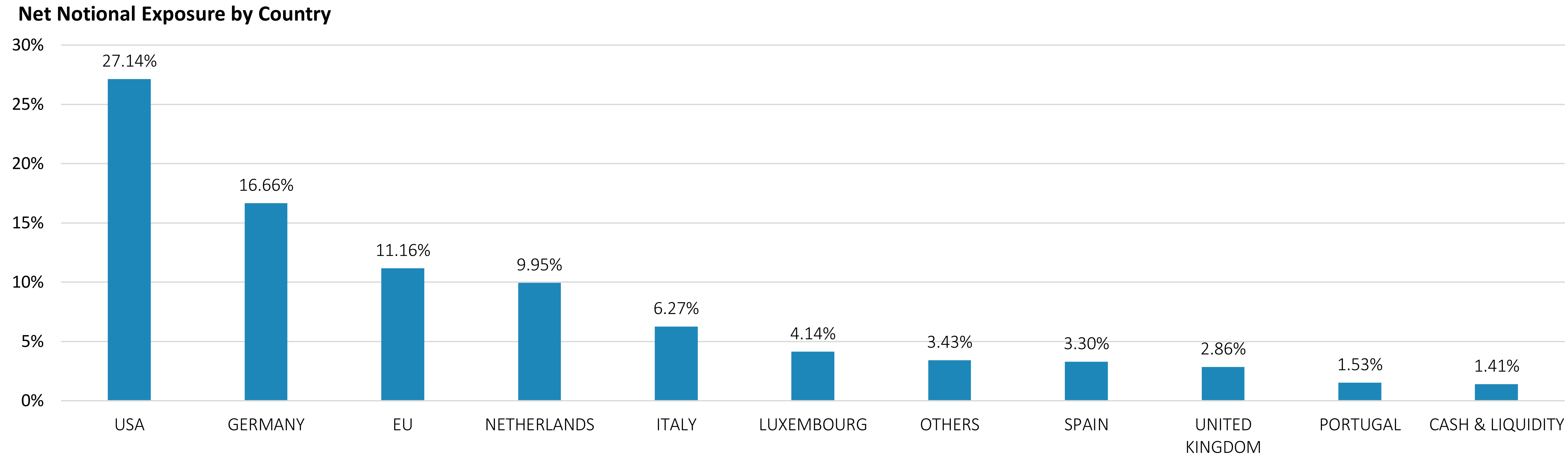


(*) Since inception

Risk Concentration and Distribution Metrics (2)







June 2020 Update (cont...)

payments and a regulatory will to protect hybrid sources of financing in a context where rights issues remain prohibitive for shareholders (SX7E P/TBV still as low as 0.43x) and where the RWA inflation arising from additional support to SME and households sector and any additional P2R needs will be more efficiently met with AT1 issuance. In this context extending any bans on distributions beyond those in place for dividends and bonuses would be a proverbial regulatory shot in the foot, as it would de facto close this attractive source of capital for the banking system. Thirdly, and beyond beetter visibility in coupons vs dividends, AT1s constitute, in volatility-adjusted terms, a more attractive way to buy into a cyclical European recovery with more margin for error than (bank) stocks. Within the strategy we have a particularly strong view on Rabobank 6.5% certificates, which is a (quasi equity perpetual allowing for discretion on the magnitude of distributions regardless of the minimum 6.5% coupon) structure where we see strong optionality arising from our view that from October onwards the regulatory stance in Europe will be to allow distributions on a case by case basis depending on financial strength rather than a blanket extension of the ban on bonuses and dividends, and that we believe the issuer will likely compensate (majority retail) investors for the foregone last two distributions. Macro (+1.2%) strategies also had a very solid performance driven by our short-term bullish stance on European stocks (and Dax in particular), which is expressed via long calls which limits the downside on any unforeseen "black summer swan" (in terms of NAV maximum 6% downside for a current 25% equity delta in terms of NAV). Our very long-term Deep Value strategies also had a +1.6% contribution due to the positive revaluation of our investment in Queka PE. Also within this bucket we expect soon further positive contributions, as our investment in the US telehealth sector should see a significant catalyst within the next two months. Disappointingly, and despite the very strong market backdrop the Special Situations bucket registered a more modest +0.8% performance. This lukewarm performance in a strong market is due to the lack of financial visibility and uncertainty post Covid19 booth delaying some of the positive event-driven catalysts (M&A in particular) and slowing down or seriously threatening viable restructuring processes. In particular the strategy has seen very adverse mark to market in our holdings of Abengoa SOM, but with very conservative pricing we think our exposure has close to 500% upside if, as all seems to indicate at the moment, the company avoids bankruptcy proceedings. In terms of overall positioning and risk stance the fund has felt comfortable adding risk strategically for a technical summer grind, where the potential positive catalysts of the EU Recovery Fund and ample liquidity should remain supportive. As we type these lines we have already begun to take some profits in a disciplined manner, and our aim is to substantially reduce our exposures going into September and, levels of implied volatility allowing, potentially buy some downside protection into year end. We think that the balance of forces are currently strongly tilted towards liquidity technicals and hard data also remain supportive (largely due to pessimistic consensus) whilst Q2 corporate reporting (beyond the odd meaningful company guidance here and there) is fairly backward looking. However, we see Q4 as potentially fraught with problems ranging from seasonal epidemiological concerns, to US elections and Q3 reporting likely to reflect a gloomier picture and hard data feeling the pinch of structural shifts in the economy

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June 2020 Update (cont...)

which will not only accelerate the pace of tech disruptions but also accentuate social and economic disparities and foster the rise of new populisms and geopolitical tensions. Many of these medium and long term considerations are currently not in the price of risky assets and we believe that if volatility continues to abate and optimism remains high, driven by expectations of a successful vaccine and of monetary and fiscal support ad infinitum, then a good set of asymmetric optionality investments will emerge. In particular, as we envisage substantial structural economic shifts in the wake of the Covid pandemic, our focus will be on identifying the winners and losers of the Covid crisis as long/short long-term investment propositions. In terms of risk metrics, given our short-term tactical risk boost the portfolio net market exposure has increased marginally (from 128% at the end of May to 136% at the end of June). However the fund has utilised substantially less gross leverage in order to generate returns, with June month-end exposure standing at 177% (vs 211% at the end of May). From the point of view of statistical risk utilization measured as 1-day 99.5% confidence parametric VaR, risk increased from 3.63% at the end of May to 5.6% at the end of June (largely an effect of the increase in the delta of many of the existing option exposures in the portfolio), and average risk utilization throughout the month also increased from 3.61% to 5%.