

SIL



NAV 01/10/2021: 34.79

## 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.

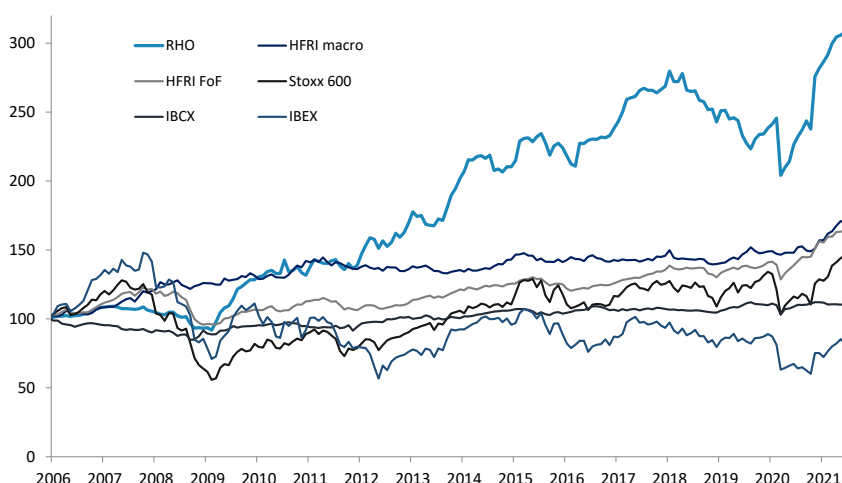
## September 2021 Update

As we had anticipated in our previous newsletter, we expected Q4 to be a catalyst-rich period for the optionality sowed in the Deep Value and Special Sits buckets over the last 18 months. September brought an early bountiful harvest, delivering very strong outright and relative performances that further reinforce the Rho Investments value proposition as an alpha-rich uncorrelated fund. The fund generated a 3.1% net return to investors despite a very weak market backdrop for both equities and credit with the Ibx 35 down -1%, the Eurostoxx 50 shedding -2.3%, the S&P 500 and Nasdaq 100 losing -2.9% and -4.0% respectively (in USD terms) and the iTraxx 5-year Crossover CDS index generating a total negative return of -20bps in the month. In terms of performance attribution, the bulk of returns were generated from Deep Value strategies (+3.0%), where our position in Queka PE saw a 120% revaluation and a capital return equivalent to c. 7% of RHO SIF's NAV. Notwithstanding weak market conditions for risky assets our Micro bucket produced a +0.6% return despite its inherently directional nature and its current net long risk exposure (19% in terms of NAV and 51% of total portfolio VaR). (cont...)

## Fund Facts

|                                       |              |
|---------------------------------------|--------------|
| Structure                             | SIL          |
| Domicile                              | Spain        |
| 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                             | Novo Banco   |

## Historical Evolution vs Indexes (% 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% | 0.0%  | -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%  | -5.6%  |
| 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%  | 2.5%  | -2.5% | 15.7% | 2.2%  | 16.8%  |
| 2021 | 1.6%  | 1.7%  | 2.6%   | 1.5%  | 0.4%  | 0.7%  | -1.5% | 1.0%  | 3.3%  |       |       |       | 11.7%  |

(\*) Since inception - Rho SIL until June 2017, since June 2017, Rho SIF Multi-strategy

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## Comparative Risk / Return

|                 | RETURNS (CAGR) |         |                 | VOLATILITY |         |                 |
|-----------------|----------------|---------|-----------------|------------|---------|-----------------|
|                 | 5 years        | 3 years | Since inception | 5 years    | 3 years | Since inception |
| Rho Investments | 4.79%          | 6.43%   | 7.06%           | 12.66%     | 15.68%  | 10.32%          |
| Stoxx 600       | 5.81%          | 5.88%   | 2.46%           | 14.17%     | 17.09%  | 14.75%          |
| Ibex            | 0.04%          | -2.15%  | -1.26%          | 19.81%     | 23.13%  | 20.18%          |

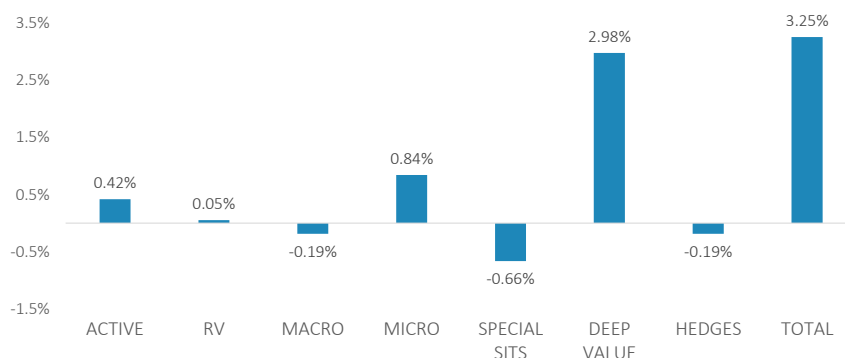
## Returns (% Net)

|          |        |
|----------|--------|
| 2021     | 11.70% |
| CAGR*    | 7.06%  |
| Sep 2021 | 3.25%  |

## Risk / Return

|                    |        |
|--------------------|--------|
| Volatility*        | 10.32% |
| Sharpe Ratio*      | 0.68   |
| Sortino Ratio      | 0.93   |
| Parametric VaR 1-d | 1.26%  |

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



## Top Five Positions

|                      |        |
|----------------------|--------|
| SX5E 4200 Oct21 call | 6.07%  |
| Grifols A shares     | -5.98% |
| Grifols B shares     | 5.86%  |
| Unicaja shares       | 4.07%  |
| Queka PE             | 4.01%  |

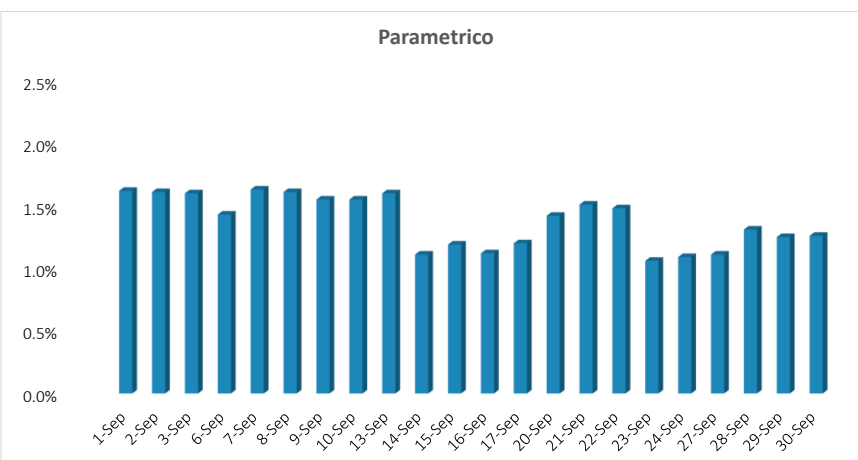
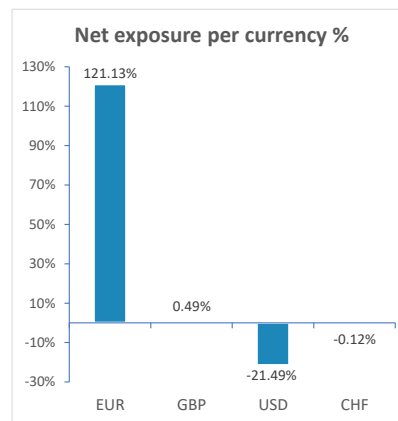
## % Exposure

|       |         |
|-------|---------|
| Gross | 141.39% |
| Net   | 45.49%  |

## % of Gross Exposure per Strategy

|                |        |
|----------------|--------|
| Active         | 31.51% |
| Deep value     | 4.04%  |
| Hedges         | 7.73%  |
| Liquidity      | 25.50% |
| Macro          | 5.48%  |
| Micro          | 7.57%  |
| Relative value | 13.42% |
| Special sits   | 4.75%  |

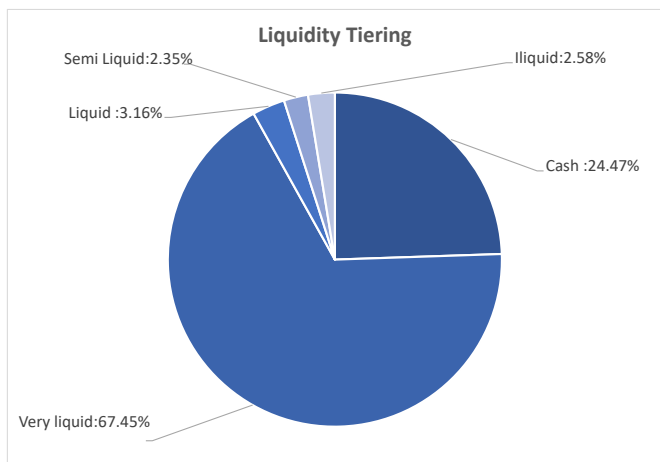
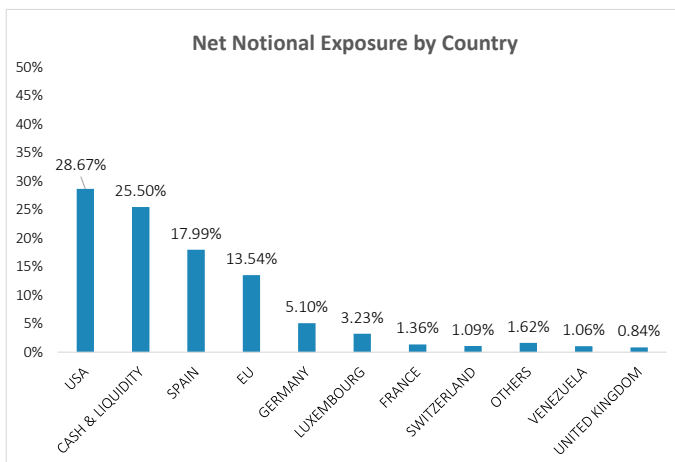
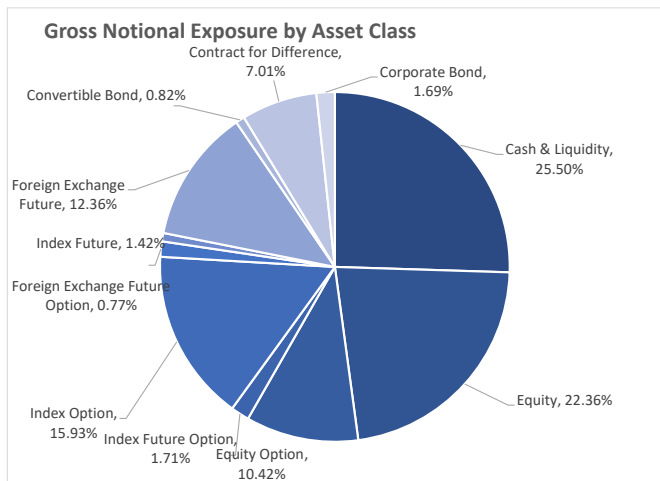
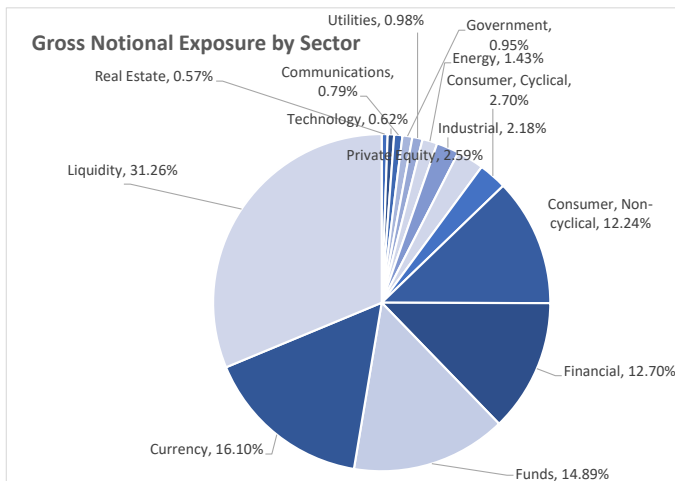
## Risk Concentration and Distribution Metrics



(\*) Since inception

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## Risk Concentration and Distribution Metrics (2)



## September 2021 Update (cont...)

Performance within the bucket was driven by Unicaja shares, IAG shares (which we exited during the month on the back of its strong performance) as well as a solid performance from all our renewable energy exposures, and Portuguese stock Greenvolt in particular. Short-term-oriented Active trading strategies also brought a positive contribution, generating +0.4% in the month aided by higher levels of intraday volatility. Relative Value strategies generated a mere +5bps and continue to be predicated around delta-neutral positioning across European bank stocks (Santander vs BBVA, Commerzbank vs Deutsche Bank, CS vs UBS, Unicredit vs SX7E, etc.), although this month we added some diversification into the Spanish biotech sector with a new trade in Grifols prefs vs common shares, where the 40% discount of prefs to common coupled with high company indebtedness (c.6x Net debt/EBITDA), generate a strong incentive for management to achieve financial deleverage via conversion of prefs into common. On the negative side the Special Situations bucket registered a -0.7% loss in the month dragged by adverse mark-to-market in shares of Spanish retailer Dia (-26% MtD equivalent to -0.7% over the fund's NAV), where nonetheless our thesis remains undented, and we see a base case with a 100% upside potential in the stock within 18 months if management delivers on the current restructuring plan. Macro strategies also slipped -0.2% as we decided to take profits on our long-standing 115-105 SX7E Dec 21 call spread due to a deteriorating risk-reward (given our new valuation model assumptions and theta profile) as we approach expiry. From a portfolio construction angle, the fund retains the cautious stance highlighted in our pre-summer strategic review. In a market where we see valuations grossly overstretched (having reached peak EPS in the cycle and with artificially reduced default rates due to central banks' intervention) and risks mounting around QE exit strategies against a backdrop of rising headline inflation, our profit generation approach will be informed by the following guidelines:

- higher levels of Relative Value strategies utilization
- an increase in highly idiosyncratic exposures (distressed debt and event-driven situations in particular)
- a selective increase in directional short risk exposures within Micro, Special Situations and Macro
- making the portfolio more robust to any liquidity shocks

Finally, from a risk metrics point of view, net leverage clearly illustrates the substantial risk reduction undertaken by the fund, with exposure coming down from 63% at the end of August to 45% at the end of September, as the fund simplified the portfolio and raised substantial liquidity. Likewise, gross market exposure decreased, albeit less markedly, from 1.5x at the end of August to 1.4x at the end of September. From a statistical point of view, expressed as 1-day 99.5% confidence parametric VaR, we also see risk drop from 1.6% at the end of August to 1.3% at the end of September, with average daily VaR utilization throughout the month also diminishing from 1.6% during August to 1.4% during September.

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