

SIF



NAV 23/02/2022: 124.31

INVESTMENT TEAM

Rodrigo Hernando, CEO

José Mosquera, CIO

Imanol Urquizu, PM

José Martín-Vivas, Sr. Analyst

Jorge Peñalba, Sr. Analyst

QUADRIGA RHO INVESTMENTS

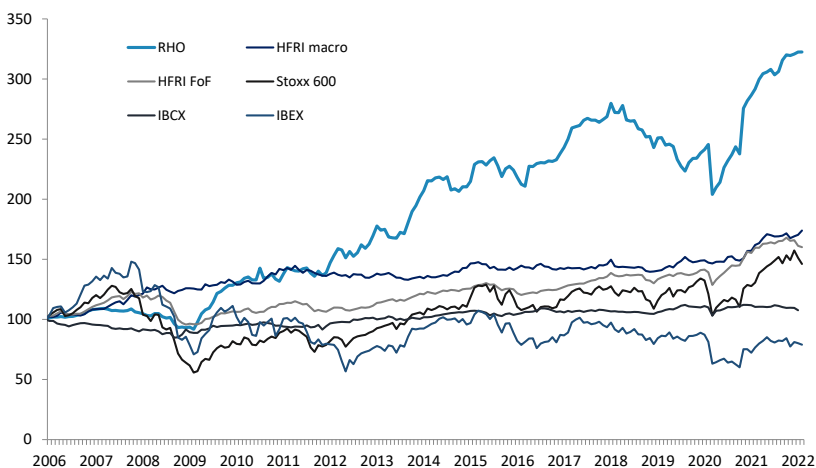
The fund's objective is to return net positive returns every year, regardless the behavior of traditional assets. To achieve it, the fund allocates to six different strategies: Active, Relative Value, Macro Selection, Micro Selection, Special Situations and Deep Value. The strategies are focused on finding cheap assets with asymmetric profiles.

February 2022 Update

February brought once again a very strong relative performance from Rho Investments vs the market and peers. The fund's low net return (a mere +1bp) must be put in context of significant weakness in risk assets, with the Eurostoxx 50 losing -4.5%, the Spanish Ibex 35 dropping -2.1%, S&P and Nasdaq 100 shedding -4.5% and -2.7% respectively (in USD terms) and European credit suffering a particularly bad month as exemplified by the -3.6% total return on the 5-year iTraxx Crossover CDS index. As we had anticipated in our recent strategic update from Q4 2021, we envisaged 2022 as a difficult year broadly characterized by a dramatic increase in both asset volatility and dispersion of returns. Whilst we actively sought to sow optionality around geopolitical risks (heightened tensions in Eastern Europe in particular) we found few asymmetric ideas within our areas and markets of expertise, and we attributed a much larger disruptive potential to monetary stimuli withdrawal than to a potential conflict in the Ukraine. With the benefit of hindsight this view has had a large opportunity cost in terms of potential performance. (cont...)

Fund Facts

Structure	SIF
Domicile	Luxembourg
Class	A / B
Mgmt. Fee	1% / 2%
Perf. Fee	20% / 20%
Min. Investment	500,000€ / 125,000€
NAV Currency	EUR
Liquidity	Weekly
ISIN	LU1610886332 / LU2403116234
Bloomberg Code	RHOSIFA LX / RHOSIFB LX
Custodian	Société Générale SS

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%	0.6%	-0.2%	0.6%	2.3%	6.2%
2017	2.1%	2.9%	3.7%	0.4%	0.4%	1.6%	0.6%	-0.6%	0.0%	-0.7%	0.9%	0.9%	12.8%
2018	4.1%	-2.7%	-0.1%	2.2%	-4.4%	-0.4%	0.2%	-2.6%	-0.4%	-2.3%	0.2%	-4.0%	-9.9%
2019	4.5%	0.1%	-2.5%	0.3%	-0.8%	-4.4%	-2.5%	-1.8%	3.2%	1.5%	0.1%	1.8%	-0.7%
2020	1.2%	1.8%	-16.9%	2.9%	2.0%	5.7%	2.5%	2.2%	2.7%	-2.4%	16.0%	2.3%	18.3%
2021	1.6%	1.8%	2.7%	1.6%	0.4%	0.7%	-1.5%	0.9%	3.1%	1.4%	-0.2%	0.4%	13.8%
2022	0.5%	0.0%											0.5%

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

DISCLAIMER. Performance quoted is past performance and cannot guarantee comparable future results; current performance may be lower or higher. The investment return and principal value of an investments in the product will fluctuate so that an Investor's shares, when redeemed, may be worth more or less than the original cost. Current performance and expense ratios may be lower or higher than the data quoted. For performance data current to the most recent month-end, visit www.quadrigafunds.com.

Comparative Risk / Return

	RETURNS (CAGR)			VOLATILITY		
	10 years	3 years	Since inception	10 years	3 years	Since inception
Rho Investments	7.72%	8.67%	7.52%	11.09%	15.06%	10.23%
Stoxx 600	5.54%	6.72%	2.38%	13.20%	16.58%	14.73%
Ibex	0.02%	-2.96%	-1.45%	19.56%	22.82%	20.08%

Returns (% Net)

2022YTD	0.52%
CAGR*	7.52%
February 2022	0.01%

Risk / Return

Volatility*	10.23%
Sharpe Ratio*	0.73
Sortino Ratio	1.31
Parametric VaR 1-d	1.55%

Top Five Positions (Delta exposure as % of NAV / Market value at risk as % of NAV)

Grifols B shares	5.4% / 5.4%
Grifols A shares	-5.3% / -5.3%
SX5E Mar-22 put fly 4150/3900/3650	-4.7% / 0.5%
Unicredit shares	4.6% / 4.6%
SX7E futures	-4.2% / -4.2%

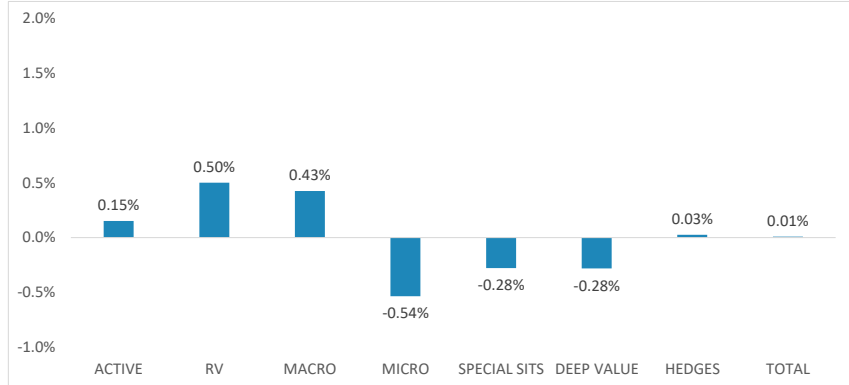
% Leverage

Gross	197.2%
Net	47.4%

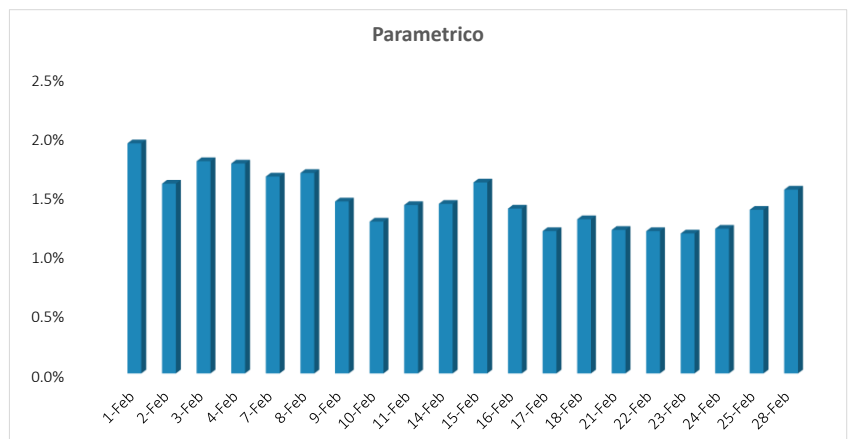
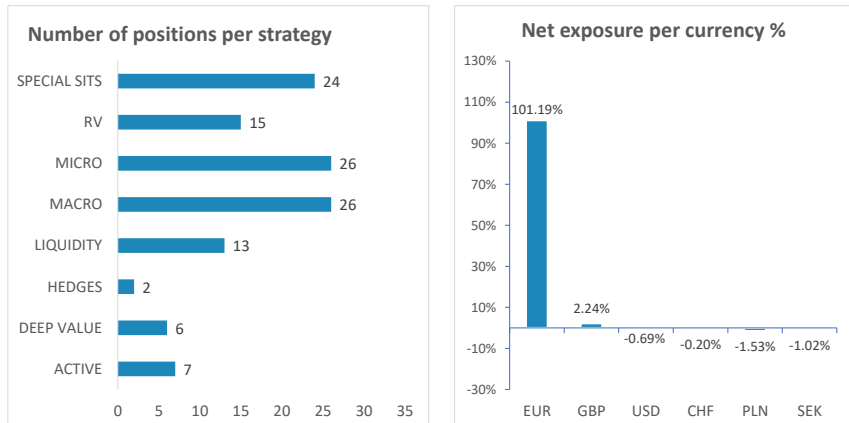
% of Gross Exposure per Strategy

Active	6.8%
Deep value	3.0%
Hedges	4.6%
Liquidity	21.4%
Macro	37.5%
Micro	10.5%
Relative value	13.8%
Special sits	2.5%

Performance attribution across strategies (% Gross)



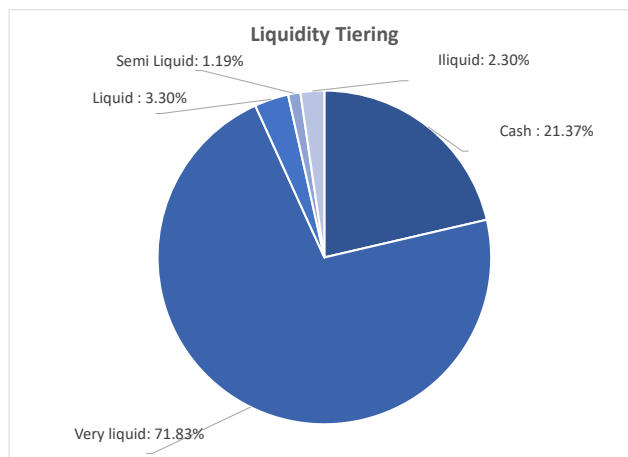
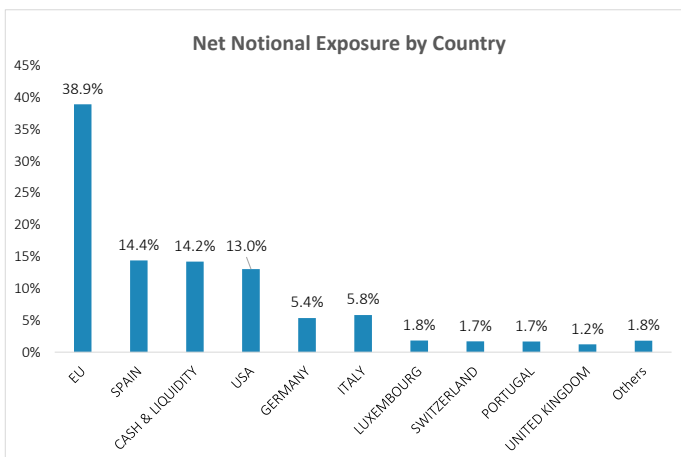
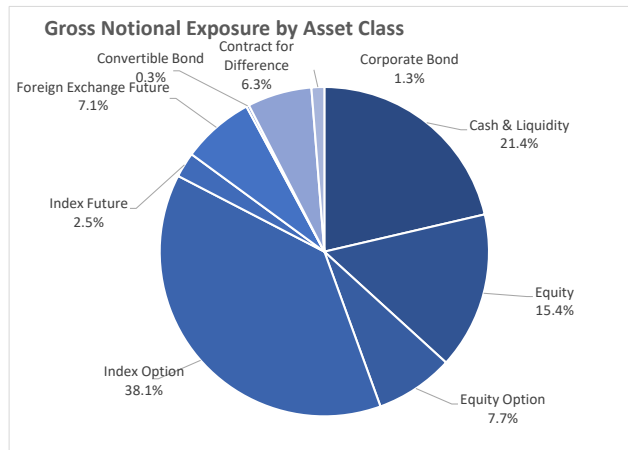
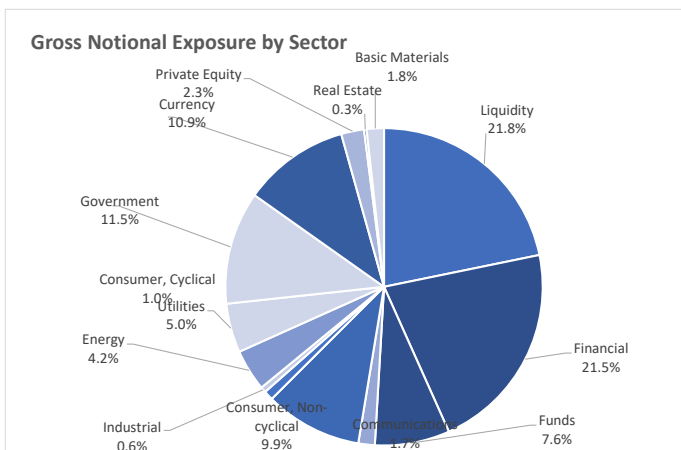
Risk Concentration and Distribution Metrics



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

DISCLAIMER. Performance quoted is past performance and cannot guarantee comparable future results; current performance may be lower or higher. The investment return and principal value of an investments in the product will fluctuate so that an Investor's shares, when redeemed, may be worth more or less than the original cost. Current performance and expense ratios may be lower or higher than the data quoted. For performance data current to the most recent month-end, visit www.quadrigafunds.com.

Risk Concentration and Distribution Metrics (2)



February 2022 Update (cont...)

(...cont) Indeed, the whole market (we included) had clearly underestimated the likelihood and severity of the Russian invasion, which now clearly has a few substantial implications of a long-term structural nature which will create meaningful dislocations and a richer opportunity set of highly asymmetric opportunities in financial markets derived from:

- an acceleration of onshoring processes with substantial fallout in terms of added inflationary pressures of a long-term nature at macro level, whilst at micro level generating significant headwinds or tailwinds for corporate profits (depending on sectoral and value chain positioning), thus also contributing to further dispersion in returns
- an acceleration of the green transition process envisaged for Europe, with added fiscal emphasis given the urgency for much of the continent of removing dependency on Russian energy imports
- further political cohesion in an inherently divided EU, which might finally lead to further harmonization in fiscal and regulatory matters (from banking and deposit insurance harmonization to defense policy)
- entering a new "cold war" which will have significant implications for tech companies in terms of being locked out of some export markets and experiencing further supply chain challenges

Some of these themes we were already significantly invested in (energy transition opportunities in particular), yet now offer novel catalysts and better payoff profiles, whilst other themes we have only just begun to explore. From a strategic point of view, the substantial sell-off seen in the markets since the invasion of the Ukraine has led us to a few tweaks in terms of risk allocation and exposures. In our previous newsletter we highlighted: "We envisage an even more stringent risk management approach that will inform all aspects of trade construction and strategy allocation, which will translate in practice into tighter stops and more diversification across themes in the Macro bucket, a higher percentage of tactical trading (Active), relative value and Special Situations allocations, as well as lower levels of VaR and net market exposure vs our historical average." As remarked in our previous newsletter, we believe that 2022 warrants a particular focus on volatility control (remember the anthem we anticipated for the year: "Look after the vol and the returns will look after themselves"). The execution of this enhanced volatility management approach is articulated around tighter stops, more frequent profit-taking ahead of envisaged catalysts for investments when in the presence of statistically significant moves and more theme diversification underlying each one of the sub-strategies. This stance continues to bear fruits since adoption in late Q4 2021 and has allowed the fund to keep subdued levels of realized (1-year weekly) volatility for the fund (6.4% as of end of February) despite the increase in market volatility (for comparison realized vol in the Eurostoxx 50 stood at 16.5%). It is however in the allocation of capital to the different sub-strategies where, against previous guidance, we have now felt compelled for the first time since Q3 2021 to add directional idiosyncratic risk by increasing allocations to Micro directional strategies, which will result, ceteris paribus, in an uptick in fund vol. We see amid the recent sell-off substantial value opportunities within those European stocks robust enough against moderate inflationary pressures, and particularly among those wherever there is also any form of some Russian exposure (which for the purpose of our analysis we prudentially have written down to zero) that has been magnified by the market in terms of SOTP overall valuation. From a performance attribution point of view, we saw overall performance led by positive contributions from tactical trading (Active bucket), Macro, and Relative Value strategies. As he had anticipated at the beginning of Q4 2021 we were going to substantially increase long-short positioning in the portfolio to capture higher dispersion of asset returns. (cont...)

DISCLAIMER. Performance quoted is past performance and cannot guarantee comparable future results; current performance may be lower or higher. The investment return and principal value of an investments in the product will fluctuate so that an Investor's shares, when redeemed, may be worth more or less than the original cost. Current performance and expense ratios may be lower or higher than the data quoted. For performance data current to the most recent month-end, visit www.quadrigafunds.com.

February 2022 Update (cont...)

(...cont) Our Relative Value bucket capitalized on higher realized dispersion to generate a 0.50% return over total portfolio NAV, with profitability largely driven by positive mark-to-market in our long Grifol prefs vs short Grifols ordinary shares and from exiting our short Millenium Bank shares vs long BCP shares which delivered on both envisaged dual optionality sources (capturing the intrinsic value of the domestic business of BCP group whilst also gaining optionality to heightened political risk in eastern Europe vis short in BCP-owned Polish bank Millenium). Macro strategies performance (+0.4%) largely capitalized on a timely exit of our SX7E 110-120 June 2022 call spread and positive mark-to-market in a March 2022 SX5E 4150/3900/3650 put fly. Finally, to wrap up the positive side of contributions Active tactical trading strategies took advantage of higher levels of short-term realized vol to contribute +0.1% towards overall performance. On the negative side, Micro strategies (-0.5%) performance was driven by adverse mark-to-market in French online used cars platform stock Aramis, oil and gas services French stock Petrofac and Unicredit "Cashes" hybrid capital instruments. Special Situations (-0.3%) was dragged by adverse mark-to-market on our exposure of shares of Spanish retailer Dia, whilst Deep Value (-0.3%) was adversely affected by our exposure to the telehealth growth theme (via both Amwell and Teladoc stocks).

Finally, from the point of view of risk metrics net leverage continued its projected downward trend from +58% at the end of January to 47% at the end of February. From these levels of relatively low net exposure we expect a meaningful increase over the next few months, as the fund deploys capital to Micro directional strategies to capitalize on opportunities created by the market sell-off as elaborated above. As we execute our 4-pillar strategic plan mentioned in our previous newsletters we will continue to see a gradual medium-term increase in gross leverage, thus from the small dip to 1.5x at the end of January the fund increased gross exposure to 2x by the end of February. From a statistical point of view, expressed as 1-day 99.5% confidence parametric VaR, we see that risk dropped meaningfully from 1.85% at the end of January to 1.55% at the end of February. Likewise, average daily VaR utilization throughout the month also decreased from 1.8% during January to 1.5% during February.

DISCLAIMER. Performance quoted is past performance and cannot guarantee comparable future results; current performance may be lower or higher. The investment return and principal value of an investments in the product will fluctuate so that an Investor's shares, when redeemed, may be worth more or less than the original cost. Current performance and expense ratios may be lower or higher than the data quoted. For performance data current to the most recent month-end, visit www.quadrigafunds.com.
