

SIF



NAV SIF 25-Jan-23: 127.45

INVESTMENT TEAM

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Fund Facts

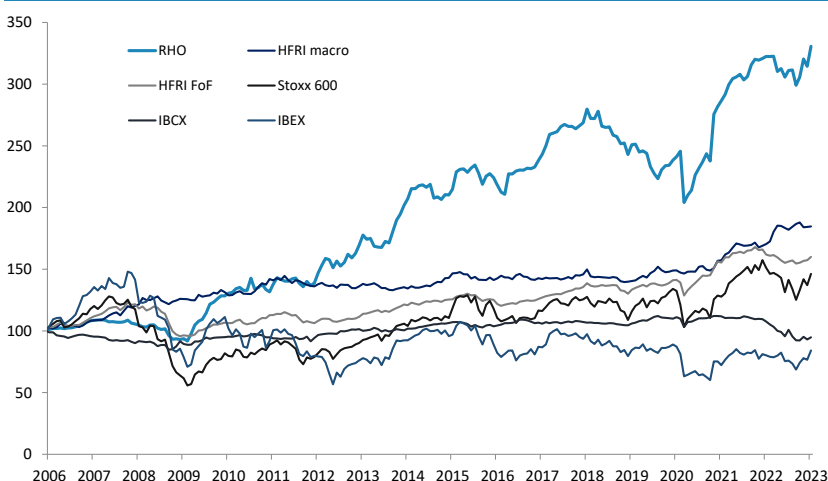
Fund size	EUR 116mm
Structure	SIF
Domicile	Luxembourg
Class	A / B
Mgmt. Fee	1% / 2%
Perf. Fee	20% / 20%
Min. Investment	500,000€ / 125,000€
NAV Currency	EUR
Liquidity	Weekly
ISIN	LU1610886332 / LU2403116234
Bloomberg Code	RHOSIFA LX / RHOSIFB LX
Custodian	Société Générale SS

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.

Jan 2023 Update

The fund had a very strong start to 2023, which must however be put into context against a backdrop of a very significant rally in risky assets, which resembled more a desperate childish rush to get a slice of cake at the end of a long birthday party than a measured and analytical assessment of market fundamentals by market participants. FOMO and substantial negative gamma, in a context in which most market participants were generally underinvested, prompted the mother of all January effects (largest European January rally for the Eurostoxx 50 in over thirty years) with little in the way of fundamental support other than a moderation in inflation data across the developed world, but which still sits at uncomfortable levels for central banks and with particularly sticky core readings. Against this backdrop Rho Investments generated a +5.2% net return to investors which unsurprisingly (given the fund's prudent risk stance) fell short in absolute terms of the strong performance seen across global stock markets, where the Eurostoxx 50 had a total return of +9.1%, the Ibx 35 +8.9% and the S&P 500 and Nasdaq 100 +6.3% and 10.7% respectively (in USD terms). However, the fund did strongly outperform HY credit and fixed income products, where the iTraxx Crossover 5-year CDS index generated a total return of +2.8%, the Iboxx Euro Corporates Overall Total Return Index +2.5% and 10-year Bunds +2.4%. (...cont)

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%	0.0%	-3.8%	0.7%	-2.2%	1.7%	0.1%	-4.0%	2.2%	4.8%	-1.9%	-2.0%
2023	5.2%												5.2%

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

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Comparative Risk / Return

	RETURNS (CAGR)			VOLATILITY		
	10 years	3 years	Since inception	10 years	3 years	Since inception
Rho Investments	6.41%	11.08%	7.26%	11.08%	15.40%	10.24%
Stoxx 600	4.67%	3.35%	2.25%	14.05%	18.92%	15.01%
Ibex	0.78%	-1.20%	-1.00%	18.33%	24.44%	20.02%

Returns (% Net)

2023YTD	5.16%
CAGR*	7.26%
Jan 2023	5.16%

Risk / Return

Volatility*	10.24%
Sharpe Ratio*	0.71
Sortino Ratio	1.26
Parametric VaR 1-d	1.98%

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

ITRX SUB FIN 5Y CDS	-25.8% / na
SX7E Jun-23 120 calls	12.2% / 0.8%
Grifols A shares	-5.1% / -5.1%
Grifols B shares	4.7% / 4.7%
Santander shares	4.4% / 4.4%

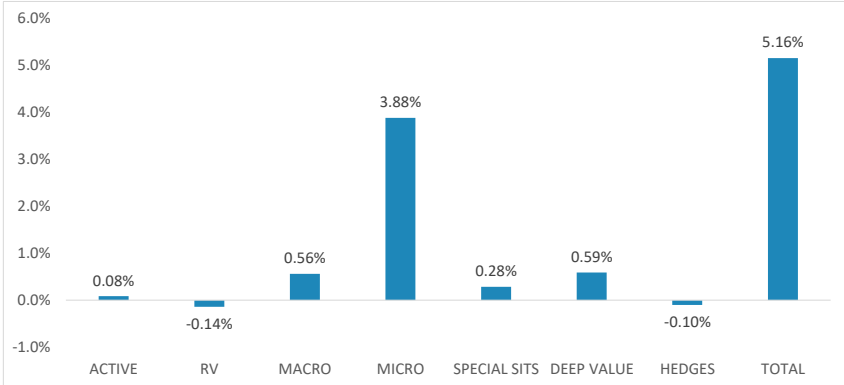
% Leverage

Gross	149.9%
Net	64.1%

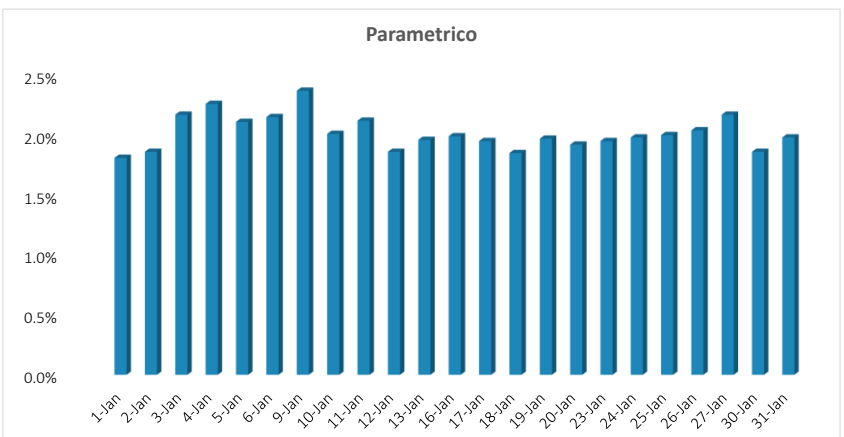
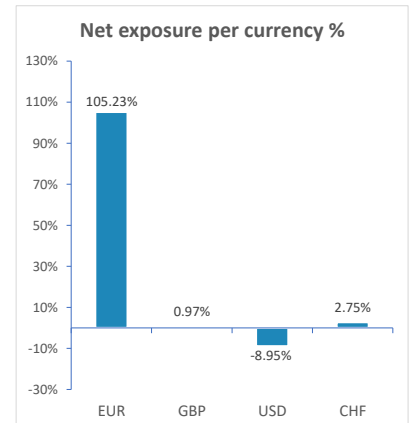
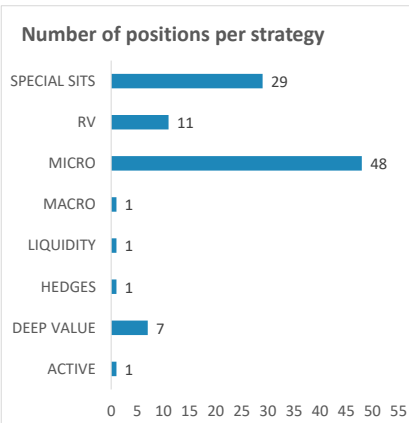
% of Gross Exposure per Strategy

Active	0.4%
Deep value	4.2%
Hedges	5.4%
Liquidity	6.0%
Macro	0.4%
Micro	39.4%
Relative value	38.4%
Special sits	5.8%

Performance attribution across strategies (% Gross)



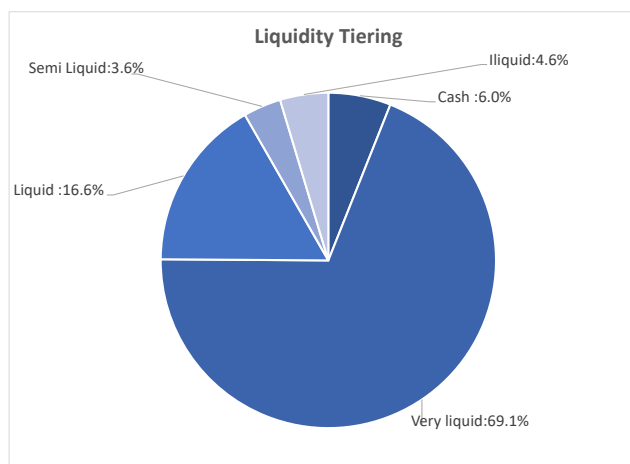
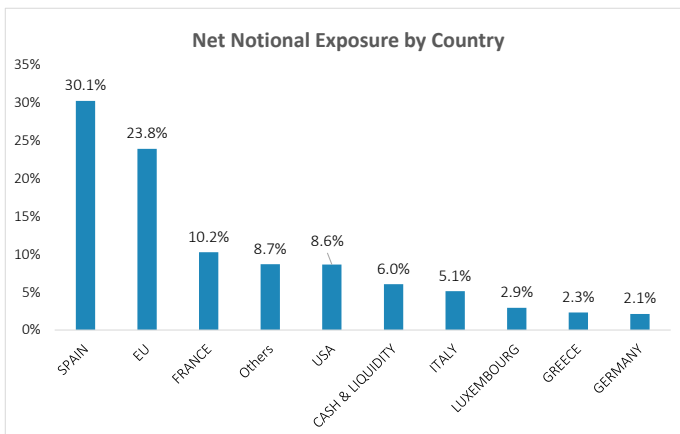
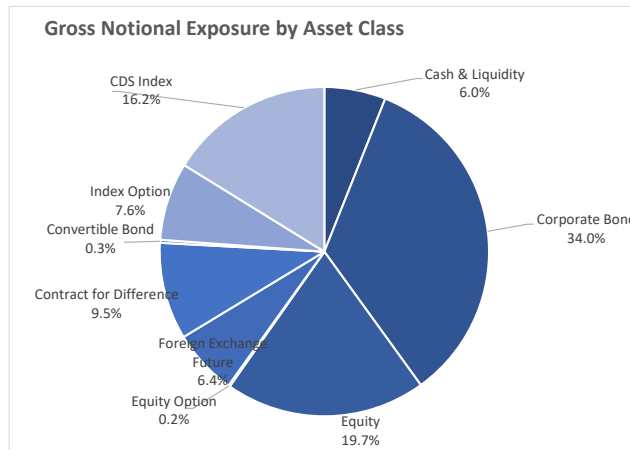
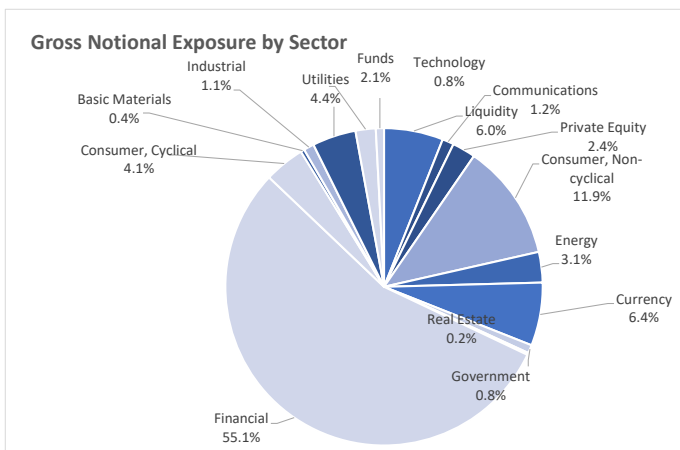
Risk Concentration and Distribution Metrics



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

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Risk Concentration and Distribution Metrics (2)



Jan 2023 Update (cont...)

It is worth highlighting once again that the fund generated such strong returns from a cautious stance on capital deployment and a moderate use of risk capacity (more granularity on this topic at the end of this commentary section). From a performance attribution point of view five out of the six underlying strategies generated positive returns. The Relative Value bucket (-0.1%) saw performance dragged by the incorporation of a relatively large new investment predicated on the divergent pricing of implicit cost of risk for banks in equity vs credit markets, and which takes the form of long SX7E June 2023 call options (0.8% of NAV at risk in premia paid) vs long protection on the iTraxx 5-year sub-fins CDS index (notional equivalent to 17% of fund's gross market exposure). Although performance for this new addition to the bucket amounted to a -0.2% contribution in January, so far in February has been a major driver of profitability, with this relative value positioning contributing close to +1% of net portfolio performance. Micro Strategies (+3.9%) performance was driven by a strong rally in European airlines, which prompted the fund to take profits in its entire holdings of Ryanair shares (amounting to 2% of NAV) and Wizzair shares (1% of NAV) which generated net returns over total NAV of +0.5% and +0.4% respectively. Within the bucket we continue to see strong performance in Spanish renewable energy stocks, which still exhibit very attractive valuation metrics and positive event risk optionality as we expect incumbent utilities to make acquisitions amid the independent smaller specialist renewable players to increase their green footprint. Soltec Power Holdings stock, which remains our highest conviction play within the space, generated +0.4% overall performance for the portfolio as the stock rose +32.5% in the month. Macro strategies (+0.6%) saw performance driven by 4200-strike May 23 calls on the Eurostoxx 50, that we decided to exit as the position maximized convexity to avoid unnecessary time decay on the exposure, particularly given our cautious view on equity market valuations. Special situations (+0.3%) saw gains driven by positive market to market in our holdings of shares of Spanish retailer DIA and our exposure to distressed senior unsecured bonds of French care homes operator Orpea, as the company advances in its restructuring plan with creditors. Active (short-term tactical trading) strategies generated a +0.1% contribution to overall performance driven by activity in very active credit primary markets, where new supply on average carried significant new issue concessions. Finally, liquid investments within the very long-term and thematic bucket Deep Value strategies (+0.6%) remain focused on the beleaguered US tele-health sector. Beyond long-term drivers (demographics, budget deficits associated with rising health care costs, deeper penetration of telehealth post covid 19, etc) we believe that themes of positive event risk and pressure from activist investors might emerge in our holdings of Amwell and Teladoc thus providing a good floor to stock prices. Our decision to add risk last December in both stocks was validated by price action in January (with Amwell gaining 38% and Teladoc 18%) which (coupled with very high levels of implied vol) makes resuming covered call overwriting on our exposures an attractive proposition that we are currently considering.

Finally, and from the point of view of risk metrics, the fund continued to trim its delta-one market exposures on valuation grounds prioritizing allocations to delta neutral relative value positioning. As a result, we saw levels of net exposure come down from 76% at the end of December to 64% at the end of January, whilst gross leverage rose from 1.1x at the end of December to 1.5x at the end of January. The picture from a statistical point of view, expressed as 1-day 99.5% confidence parametric VaR, shows VaR increasing marginally from 1.8% at the end of December to 2% at the end of January. If we analyze average daily VaR utilization, we can see that it also increased from 1.6% during December to 1.9% throughout January as the fund deployed more risk to take advantage of short-term tactical trading opportunities associated with the seasonal reopening of primary credit markets.

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