

SIF



NAV 26/10/2022: 117.83

INVESTMENT TEAM

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QUADRIGA RHO INVESTMENTS

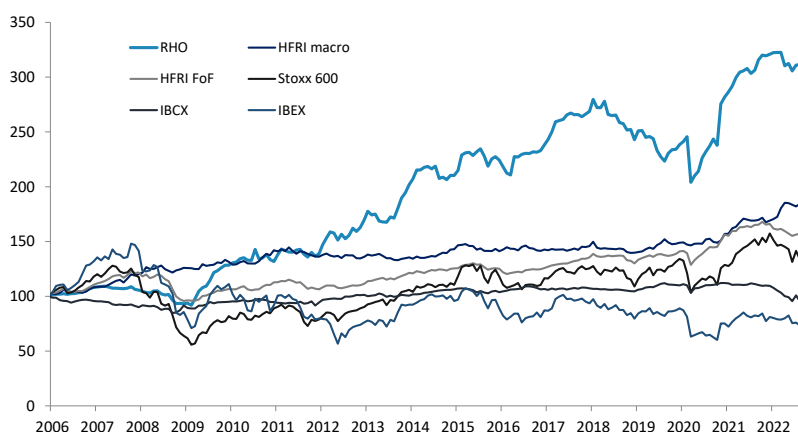
The fund's objective is to return net positive returns every year, regardless the behavior of traditional assets. To achieve it, the fund allocates to six different strategies: Active, Relative Value, Macro Selection, Micro Selection, Special Situations and Deep Value. The strategies are focused on finding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

Oct 2022 Update

The month of October was a solid month in terms of absolute performance, with the fund generating a +2.2% net return to investors. However, in relative terms the Rho Investments only managed to capture a fraction of the surprisingly (given the relative lack of fundamental or macro developments) strong rebound in risk sentiment across all asset classes because of the fund's prudent stance on risk going into end of 2022, amid what had all the hallmarks of a bear market squeeze/FOMO rally. Thus, the fund underperformed the strong returns seen across most markets, except for US tech which added yet another weak month, with the Nasdaq 100 losing -0.73% in October adding more pain to an already very difficult year for growth stocks. The Eurostoxx 50 gained 8.1%, the Ibx 35 -5.9% and the S&P 500 +3.1% (in USD terms), whilst high-beta European credit, as proxied by the iTraxx Crossover 5-year CDS index, returned 4.1% in the month. The month did once again put in perspective the fund's current active focus on volatility management, with Rho Investments further reducing its relative volatility vs the market, with a 1-sigma of 1-year weekly returns for Rho Investments standing at 1.5% vs 3.0% in the Eurostoxx 50, 2.7% in the Ibx 35, 2.9% in the Dax, 3.6% in the Nasdaq or 2.8% in the S&P 500. (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%	0.0%	-3.8%	0.7%	-2.2%	1.7%	0.1%	-4.0%	2.2%			-4.7%

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

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Comparative Risk / Return

	RETURNS (CAGR)			VOLATILITY		
	10 years	3 years	Since inception	10 years	3 years	Since inception
Rho Investments	6.74%	9.34%	6.87%	10.97%	14.97%	10.18%
Stoxx 600	4.31%	1.29%	1.71%	13.73%	18.14%	14.93%
Ibex	0.14%	-4.92%	-1.76%	18.03%	23.61%	19.99%

Returns (% Net)

2022YTD	-4.72%
CAGR*	6.87%
Oct 2022	2.21%

Risk / Return

Volatility*	10.18%
Sharpe Ratio*	0.67
Sortino Ratio	1.19
Parametric VaR 1-d	2.47%

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

Crossover CDS ITRX 500 12/20/27	56.8% / na
Cajama 8% Senior preferred 09/22/26	6.8% / 6.8%
Grifols B shares	4.7% / 4.7%
Grifols A shares	-4.7% / -4.7%
SX5E 3800/3100 Dec-22 collar	-4.0% / -0.2%

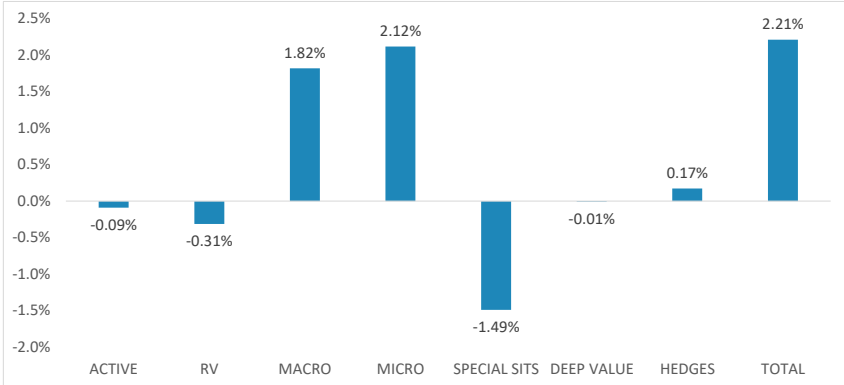
% Leverage

Gross	186.6%
Net	125.6%

% of Gross Exposure per Strategy

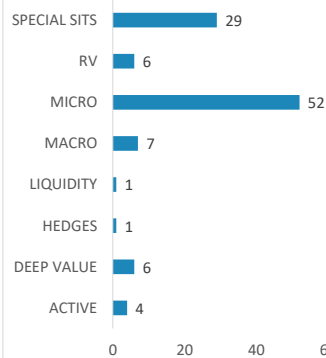
Active	2.5%
Deep value	3.5%
Hedges	5.5%
Liquidity	9.6%
Macro	37.4%
Micro	28.7%
Relative value	8.3%
Special sits	4.5%

Performance attribution across strategies (% Gross)

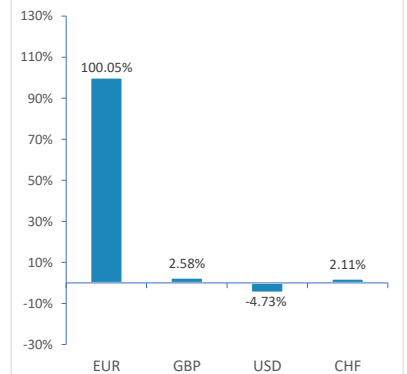


Risk Concentration and Distribution Metrics

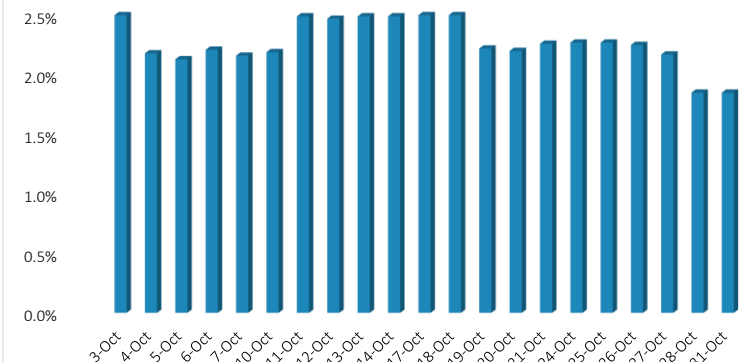
Number of positions per strategy



Net exposure per currency %



Parametric

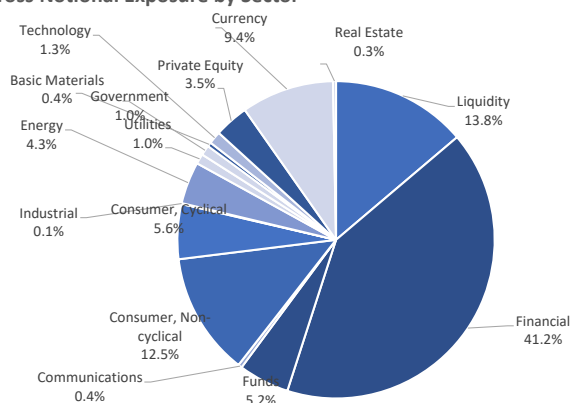


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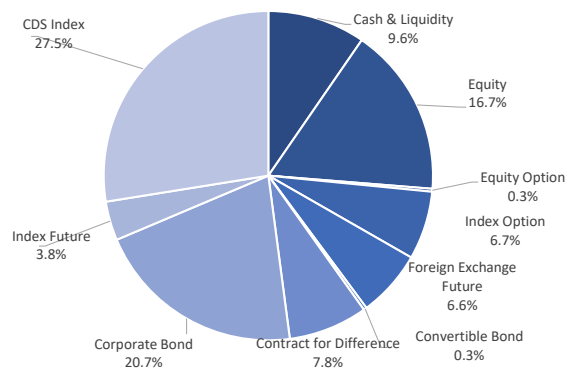
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Risk Concentration and Distribution Metrics (2)

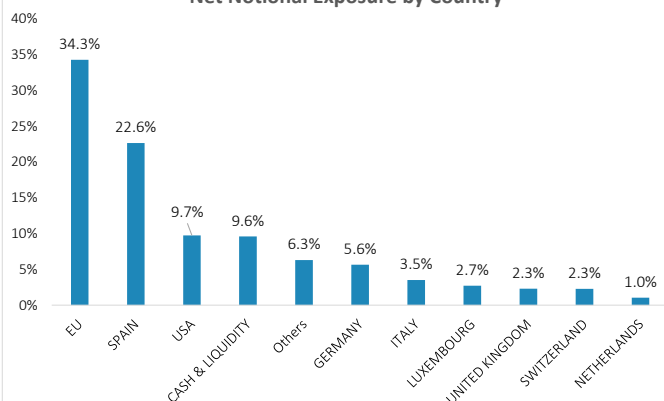
Gross Notional Exposure by Sector



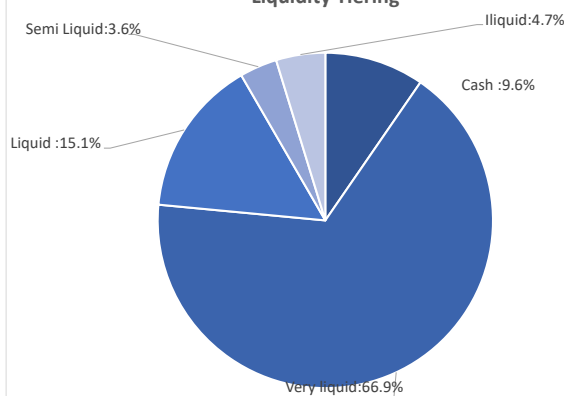
Gross Notional Exposure by Asset Class



Net Notional Exposure by Country



Liquidity Tiers



Oct 2022 Update (cont...)

(...cont)

From a performance attribution point of view, directional Micro and Macro strategies were the main contributors towards positive performance on the month. Within Micro strategies (+2.1%) the main drivers of returns were Credit Suisse stock (+0.5% return over NAV), IAG stock (+0.3%) and Unicredit stock (+0.3%). As the market rally took Unicredit shares to our 12 EUR target level, we fully exited our remaining exposure on the name for a +1.1% (non-annualized) total return over average NAV during the seven-month investment period. Macro strategies (+1.8%) was largely driven by the fundamental long risk (short protection) on the iTraxx Crossover 5-year CDS index, which we initiated at +650 given fundamental cheapness of credit vs stocks, and with a very attractive valuation both in terms of historical defaults in Crossover series and in terms of basis vs intrinsic value (given the large amount of panic hedging seen by credit funds during the sharp September sell-off). As the market substantially tightened (well over -100bps) in less than 4 weeks, we recently took some profits in half of the exposure in the index at +550, but we still see this position as quantitatively and fundamentally very attractive in the medium term and will be looking to re-enter into any renewed market weakness. On the negative side, the Special Situations bucket brought the biggest drag on performance, as the fund took a substantial hit (-1.5%) in the mark-to-market of its holdings of senior unsecured debt of French care homes company Orpea. We entered our exposure in the high 50's area as the company headed into its first "friendly restructuring" (French conciliation procedures) with their bank debt providers, and since, a substantial deterioration of margins and inability to execute the envisaged real estate disposals (a key aspect of the deleveraging plan and of our investment thesis given the good asset coverage levels) sent bonds trading as low as 20c in the euro. We think that the investment thesis is still fundamentally sound given the nature of new French insolvency law (and the new accelerated safeguard proceedings in particular), which should translate into a speedy and bond holder friendly restructuring, at the expense of massive existing shareholder dilution. The envisaged debt holder equity conversion offers substantial upside to a company that has a resilient and recession proof business model, and which post-restructuring will have very little financial burden. We used market weakness to add more debt at 20c in the euro, taking our exposure to a total market value at risk equal to 1.3% of NAV, and we will be looking to increase up to a maximum total of 3% depending on the attractiveness of new money via new rights issue after the equity conversion. Active strategies (-0.1%) saw little activity as primary markets in credit were slow to reopen in the wake of the September sell-off. Deep Value strategies (0%) continues to focus on long-term US tele-health investments, to which we have added an element of rolling covered call writing to benefit from very high levels of implied vol in the sector, at a time when we expect valuations to remain depressed and do not foresee any clear catalyst for stock rerating. Finally, Relative Value strategies (-0.3%) were driven by adverse performance in our short BBVA vs long Santander delta-neutral equity pair trade, in which we utilized the recent weakness in relative valuation to add to the existing trade. (cont...)

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(...cont) From a strategic point of view the fund's stance remains unchanged, as per the bullet points that we outlined in our previous newsletter, and which have thus far proved very appropriate judging by the recent price action observed post US November CPI figures:

- Whilst the severity of potential tail events going into the European winter has increased, all these "grey swans" are very well flagged and known, and much doom and gloom has been hedged for and incorporated into asset prices
- We will see an increase in severe bear market squeezes in the next few months fueled by negative gamma and plain old FOMO across fund managers on any move higher
- Feels like the "pain trade" is a move higher in risky asset prices
- Once again, like we saw in 08, credit markets are clearly leading the way in terms of pricing recession and broader risks (including systemic and sovereign ones)
- Credit looks too cheap to stocks
- European stocks are starting to be attractively priced in terms of many metrics but crucially we have yet to see significant EPS downgrades across sectors and we believe this to be a potential catalyst to finally buy stocks on weakness with a meaningful level of conviction

Finally, and from the point of view of risk metrics, we can observe an increase in both net leverage (from 110% at the end of September to 126% at the end of October), and gross leverage (from 1.4x at the end of September to 1.9x at the end of October). However, from a statistical point of view, expressed as 1-day 99.5% confidence parametric VaR, we can see how, despite the increase in both net and gross exposure, the fund's risk remains unchanged (explained by the fact that much of the increase in net long has been the result of selling higher beta equity exposures vs buying credit) at 2.5% at the end of October. Average daily VaR utilization was also unchanged throughout the month of October standing at 2.3% vs the previous month, given the lower levels of reliance on short-term trading strategies.

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