

SIF



NAV SIF 29-Mar-24: 122.14

INVESTMENT TEAM

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Fund Facts

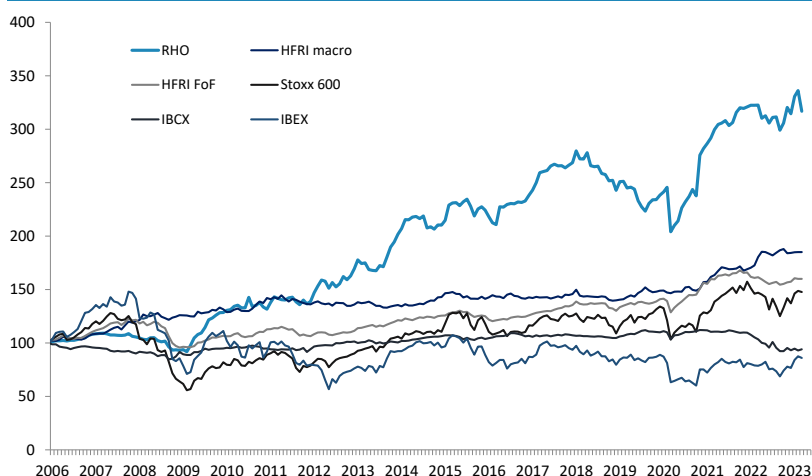
Fund size	EUR 114mm
Structure	SIF
Domicile	Luxembourg
Class	A / B
Mgmt. Fee	1% / 2%
Perf. Fee	20% / 20%
Min. Investment	500,000€ / 125,000€
NAV Currency	EUR
Liquidity	Weekly
ISIN	LU1610886332 / LU2403116234
Bloomberg Code	RHOSIFA LX / RHOSIFB LX
Custodian	Société Générale SS

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.

Mar 2023 Update

March was a very volatile month in the markets due to an all-pervading theme of systemic risk. We spoke at length in our previous newsletter about the changing nature of financial crises and how this new regime permeates the very nature of banking and the attendant idiosyncratic and systematic risks that emanate from two of the three basic pillars of value generation for a bank: maturity and risk transformation. Much of what we are to discuss is somewhat redundant, as we had already anticipated in our previous newsletter the immediate impact of the banking fallout on the fund, as well as the significant recovery at month end of the limited (as the fund did not have any Credit Suisse exposure) drawdown experienced despite several trades across different strategies within the fund having a bullish twist on bank valuations across the capital structure. The fund significantly underperformed the rest of the market in the month with a -5.7% drawdown vs a -0.1% return in the Eurostoxx 50, -1.1% in the Ibx 35, -0.2% return in the iTraxx Crossover 5-year CDS index or positive returns (in USD terms) of 1.2% and 6.7% in the S&P 500 and Nasdaq 100 indices. Although, as I type these lines the fund has already reversed much of that March underperformance vs the market. (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%	1.7%	-5.7%										0.8%

(*) 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	6.12%	15.80%	6.92%	11.15%	15.87%	10.30%
Stoxx 600	4.54%	12.68%	2.29%	14.04%	18.18%	14.95%
Ibex	1.54%	10.81%	-0.87%	18.36%	24.19%	19.95%

Returns (% Net)

2023YTD	0.78%
CAGR*	6.92%
Mar 2023	-5.74%

Risk / Return

Volatility*	10.30%
Sharpe Ratio*	0.67
Sortino Ratio	1.18
Parametric VaR 1-d	2.13%

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

SX7E Jun-23 110/120/130 call fly	9.6% / 0.8%
CABKSM 8 ¼ PERP	8.0% / 8.0%
SX5E Apr-23 4100/3900 put spread	-6.4% / 0.0%
BNP 7 ¾ PERP	4.0% / 4.0%
BBVASM 6 PERP	3.9% / 3.9%

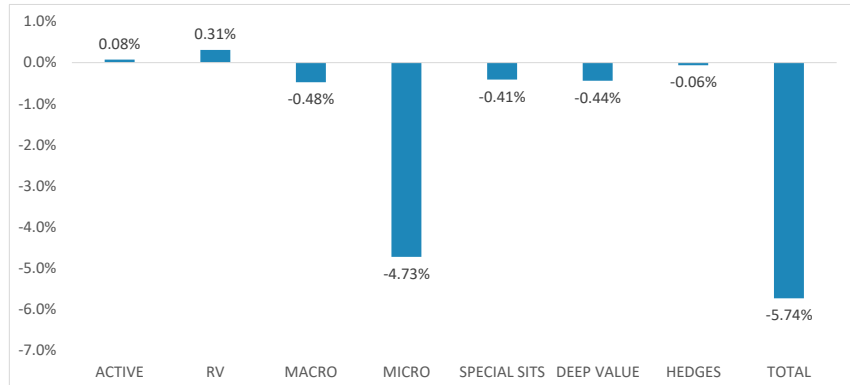
% Leverage

Gross	152.6%
Net	90.0%

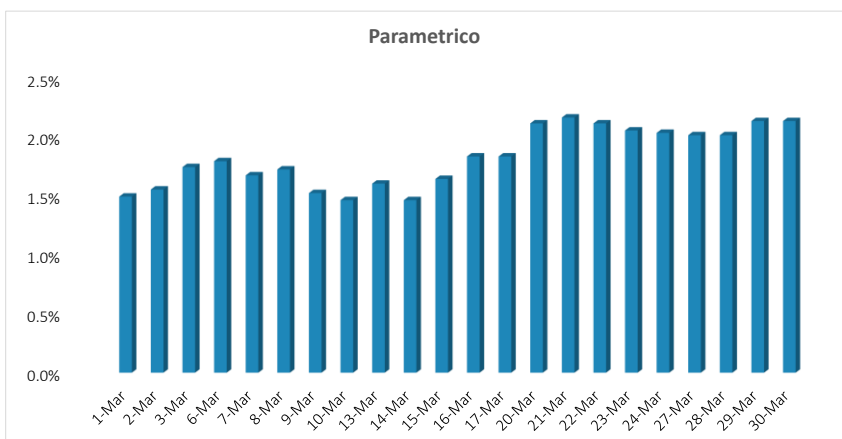
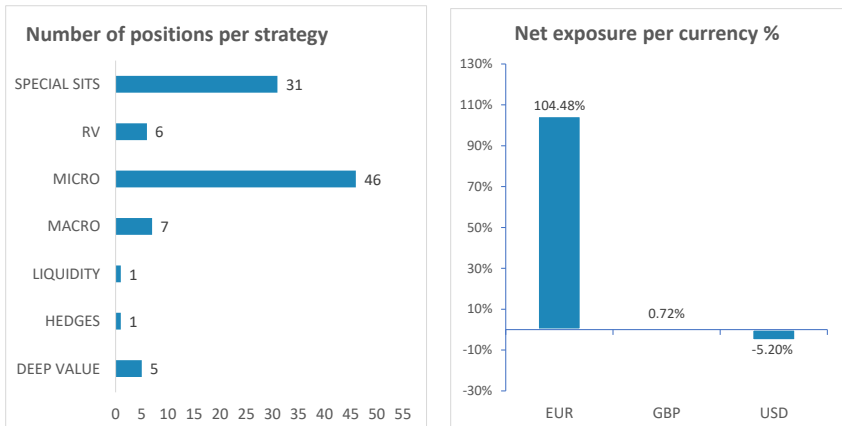
% of Gross Exposure per Strategy

Active	0.0%
Deep value	3.2%
Hedges	5.1%
Liquidity	2.2%
Macro	29.7%
Micro	42.3%
Relative value	9.6%
Special sits	7.9%

Performance attribution across strategies (% Gross)



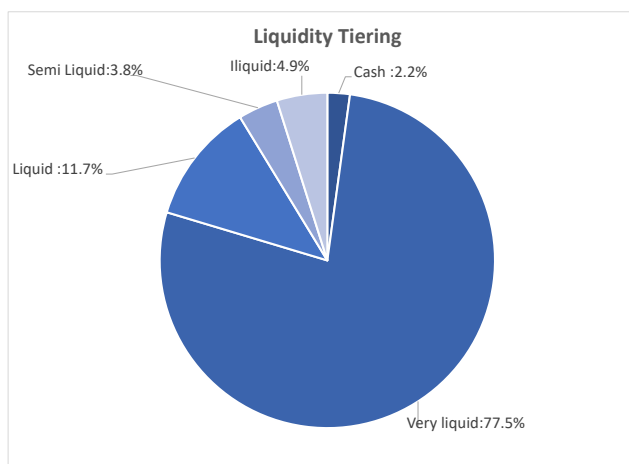
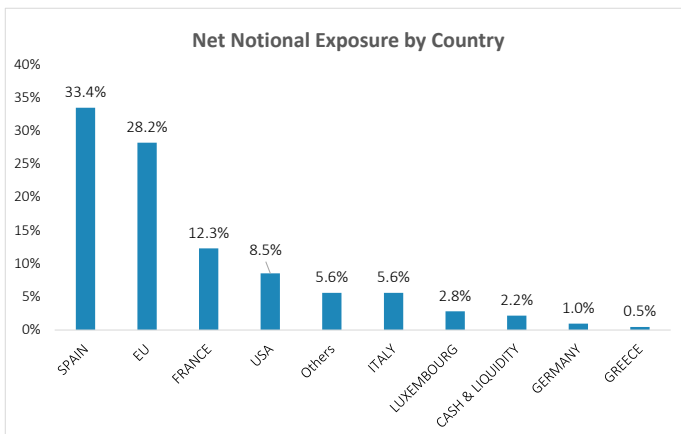
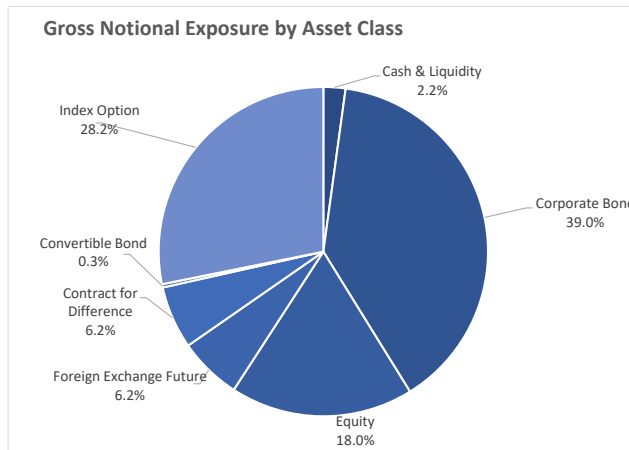
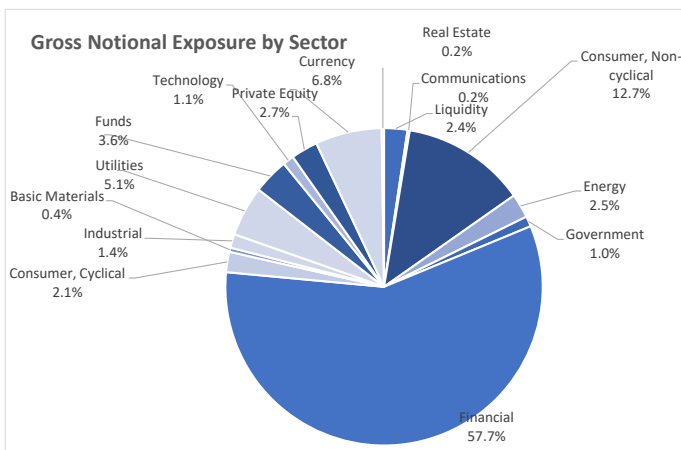
Risk Concentration and Distribution Metrics



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Risk Concentration and Distribution Metrics (2)



Mar 2023 Update (cont...)

(...cont) Despite the negative performance across European credit and equity markets, actively traded risk and relative value positioning generated positive returns albeit not enough to offset losses in longer-term directional “value” within Micro and highly idiosyncratic positions pertaining to the Special Situations and Deep Value realms. Micro directional exposures generated the bulk of losses driven by exposures to AT1 bonds, to which we confidently added as the sell-off deepened amid the SVB and CS turmoil, based on two considerations: firstly, the European banking sector (other than German “sparkassen” and “volksbanks”) is far less vulnerable to interest rate shocks and deposit flights than its American counterpart, and where CS was an isolated “basket case” from a very good number of metrics, and secondly because within the fund much of the exposure across AT1s was naturally hedged by a similar notional long sub financials CDS within the Relative Value bucket. Indeed, after all the trouble at SVB, Credit Suisse appeared solvent despite poor management and a low prospect of return on equity, yet still highly vulnerable to a deposit flight with only about 15% of deposits insured (vs an average EU level of over 51% and a mere 5% for SVB). However, the fast pace of deposit outflow changed our thesis of a “death by a thousand cuts” scenario for a zombified CS to eventually be taken over at distressed market valuation by UBS, to one of a botched FINMA-paved emergency takeover which broke the sacrosanct loss absorption hierarchy by utilizing AT1 contractual loss absorption option ahead of wiping out shareholders, and which spooked holders of non-Swiss Cocos in a sell-off with no precedents (in terms of its severity measured by unit of time). We had already discussed how as a byproduct of market microstructure and new dynamics of financial crisis we need to assume that panics are to be more pronounced but also far more short-lived than in the past. Our prediction turned out accurate (see previous newsletter) as we had foreseen the AT1 crisis to be resolved within two weeks. However, our existing exposures to the asset class, and our somewhat (with the benefit of hindsight) premature increase of risk as the market sold off translated into adverse mark-to-market in our AT1 holdings. Within the bucket CaixaBank 8.25% AT1 perp (-0.8% return over NAV) and SocGen 7.875% AT1 perp (-0.5%), Banco Sabadell 9.375% AT1 perp (-0.5%) and BMPs bank shares (-0.5%) were the outliers in terms of negative performance within the strategy. Macro strategies (-0.5%) despite the good performance of the outright 3900 Eurostoxx 50 April 22 puts (+0.2%) were however dragged by the effect of the big relative move in the European bank stocks index on our 110-120-130 June call fly on the SX7E (-0.82%). Special Situations (-0.4%) remains disappointingly devoid of catalysts in our existing exposures (Orpea bonds, Korean stock, shares of Spanish retailer Dia, defaulted Venezuela sovereign bonds, etc.), whilst performance in Deep value investments (-0.4%) was driven by adverse mark-to-market in our holdings of Amwell stock. On the positive side, in a very difficult month, it is worth highlighting that the fund generated positive returns within Relative value strategies (+0.3%) as we exited our relative value exposure long options on the European banks index vs long protection in subordinated bank credit risk via 30mm 5-year iTraxx sub fin CDS index, which we unwound on roll date, generating a net 0.6% profit over NAV on the month. Active (+0.1%), tactical short-term trading strategies also benefited from small crystallized profits in long vol exposures.

Finally, and from the point of view of risk metrics, as we anticipated in our previous newsletter the fund utilized the sell-off related to the SVB/CS crisis to add some directional risk to the portfolio. As a result, we saw levels of net exposure increase from 76% at the end February to 90% at the end of March. Gross leverage came down from 1.7x at the end of February to 1.5x at the end of March as the fund closed out several well performing long/short exposures. The picture from a statistical point of view, expressed as 1-day 99.5% confidence parametric VaR, reflects a meaningful increase in risk (derived both from the aforementioned strategic uptick in risk as well as higher vol inputs into the parametric model), with VaR consumption going up from 1.5% at the end of February to 2.1% at the end of March. If we analyze average daily VaR utilization, we can see that it also increased, albeit more moderately, from 1.7% throughout February to an average of 1.8% during March.

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