RHO INVESTMENTS SIL

Monthly Factsheet as of August 2017

RETURNS

2017	+7,91%
CAGR *	8,43%
August 2017	0,35%

RISK/ RETURN

Volatility*	8,85%
Sharpe Ratio*	0,95
Sortino Ratio	1,32
VaR 99% daily	1,91%

TOP FIVE POSITIONS

Germany 10Y, 5Y bonds	-26,27%
.AEROSPC LX	7,16%
BFCM 0 PERP	6,98%
ACAFP 0 PERP	6,06%
BKIASM 6 PERP	2,62%

% EXPOSURE

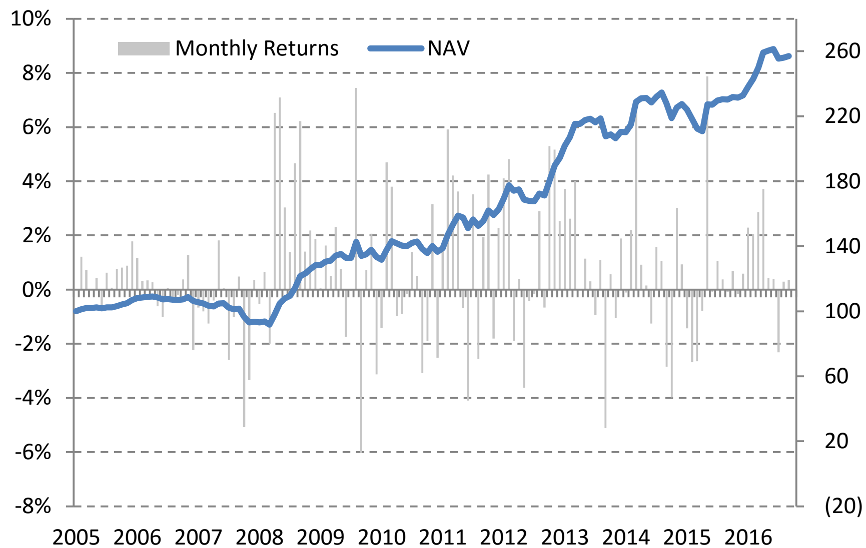
Gross	206,14%
Net	28,92%

% of GROSS EXPOSURE per STRATEGY

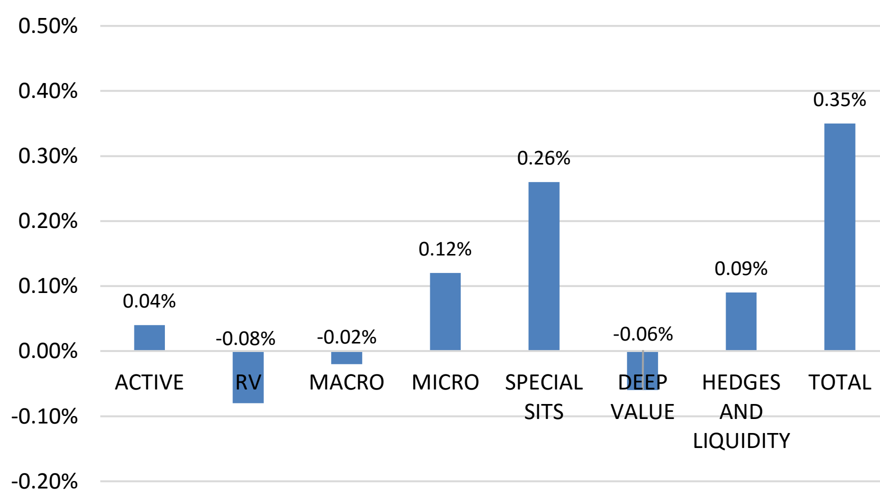
Active	30,37%
Relative value	9,60%
Macro	11,61%
Micro	6,15%
Special Situations	10,81%
Deep Value	6,98%
Hedges	2,39%
Liquidity	22,09%

(*) Since Inception

CUMULATIVE RETURN



PERFORMANCE ATTRIBUTION ACROSS STRATEGIES



Fund´s objective

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.

FUND FACTS

Managers	Rodrigo Hernando José Mosquera Christoph Fischer-Antze Imanol Urquizu José Martín-Vivas Apostolos Saflekos
Fund´s Structure	SIL
Domicile	Spain
Launch Date	December 2005
Strategy AUM	80m €
Currency	EUR
Liquidity	Weekly
Management Fee	1,00%
Performance Fee	20,00%
Minimum Investment	€50,000
ISIN	N/A
Bloomberg Code	S1412 SM

CONTACT DETAILS

Address	Cuesta Sagrado Corazón 6. Madrid 28016
Telephone	+34 91 324 42 00
Fax	+34 91 324 41 86
Website	www.quadrigafunds.com
Middle Office	Daniel Arribas / Patricia Alfonso

MONTHLY RETURNS

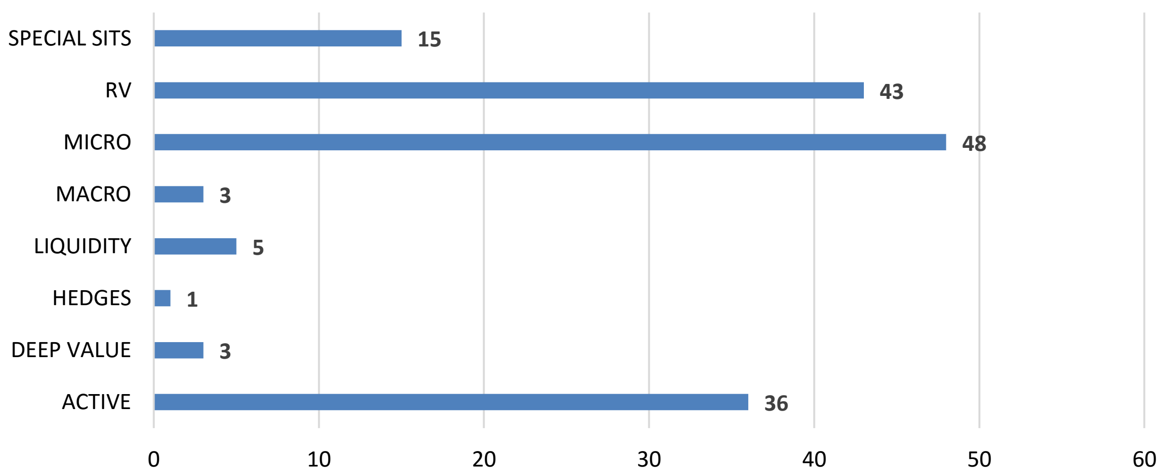
	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec	Year	Volatility	Sharpe
2006	1,22%	0,73%	0,00%	0,42%	-0,59%	0,63%	0,07%	0,77%	0,82%	0,89%	1,78%	1,17%	**8,17%**	**2,17%**	**2,03**
2007	0,31%	0,35%	0,27%	-0,61%	-1,01%	0,06%	-0,33%	-0,18%	0,38%	1,27%	-2,23%	-0,66%	**-2,41%**	**3,05%**	-
2008	-0,81%	-1,25%	-0,41%	1,82%	0,05%	-2,60%	-1,01%	0,48%	-5,08%	-3,34%	0,36%	-0,53%	**-11,82%**	**6,47%**	-
2009	0,65%	-2,00%	6,52%	7,09%	3,03%	1,38%	4,66%	6,22%	1,41%	2,18%	1,87%	0,05%	**37,98%**	**9,79%**	**3,88**
2010	1,63%	0,51%	2,32%	0,77%	-1,75%	-0,05%	7,45%	-6,03%	0,73%	2,06%	-3,13%	-1,41%	**2,52%**	**11,42%**	**0,22**
2011	4,70%	3,80%	-0,98%	-0,89%	-0,16%	1,38%	0,50%	-3,08%	-1,90%	3,15%	-2,52%	1,66%	**5,44%**	**8,73%**	**0,62**
2012	5,92%	4,21%	3,62%	-0,68%	-4,10%	3,51%	-2,57%	1,93%	4,24%	-1,80%	2,28%	4,11%	**22,07%**	**11,13%**	**1,98**
2013	4,81%	-1,89%	0,39%	-3,62%	-0,42%	-0,16%	2,89%	-0,66%	5,30%	5,17%	2,52%	3,72%	**19,05%**	**10,28%**	**1,85**
2014	2,62%	4,00%	-0,02%	1,14%	0,31%	-0,94%	1,10%	-5,12%	0,56%	-1,06%	1,89%	-0,10%	**4,19%**	**7,81%**	**0,54**
2015	2,20%	6,55%	0,91%	0,16%	-1,26%	1,58%	1,06%	-2,85%	-3,98%	3,02%	0,93%	-1,43%	**6,66%**	**9,67%**	**0,69**
2016	-2,68%	-2,63%	-0,79%	7,87%	-0,09%	1,07%	0,37%	-0,09%	0,70%	-0,18%	0,59%	2,28%	**6,22%**	**9,37%**	**0,66**
2017	2,06%	2,85%	3,71%	0,43%	0,38%	-2,32%	0,30%	0,35%					**7,91%**		

COMPARATIVE RISK/RETURN

	RETURNS (CAGR)			VOLATILITY		
	5 years	**3 year**	**Since Inception**	**5 years**	**3 year**	**Since Inception**
RHO Investments	10,57%	7,38%	8,43%	8,85%	8,22%	8,85%
Stoxx 600	7,03%	3,02%	1,62%	11,22%	12,96%	14,61%
Iboxx EUR Corporate	4,00%	2,51%	4,02%	2,79%	2,81%	3,96%

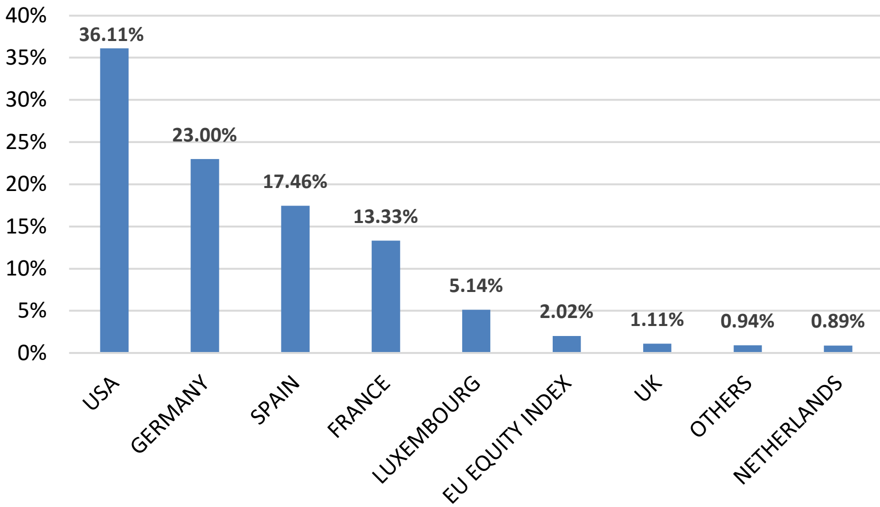
RISK CONCENTRATION AND DISTRIBUTION METRICS

Number of Positions per Strategy

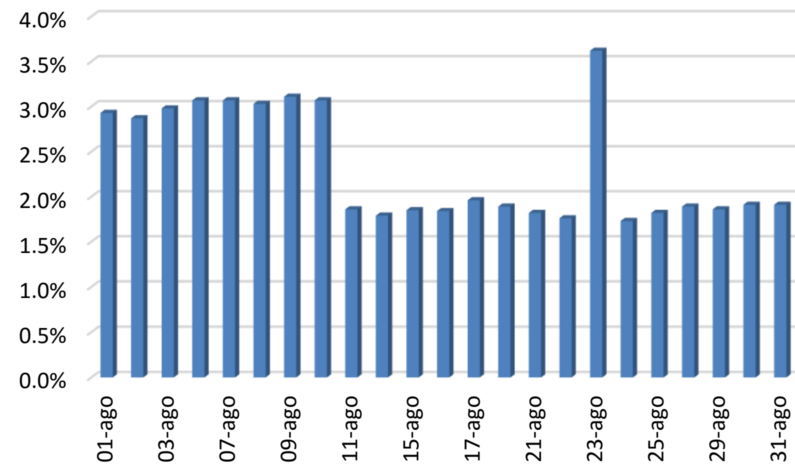


RISK CONCENTRATION AND DISTRIBUTION METRICS (2)

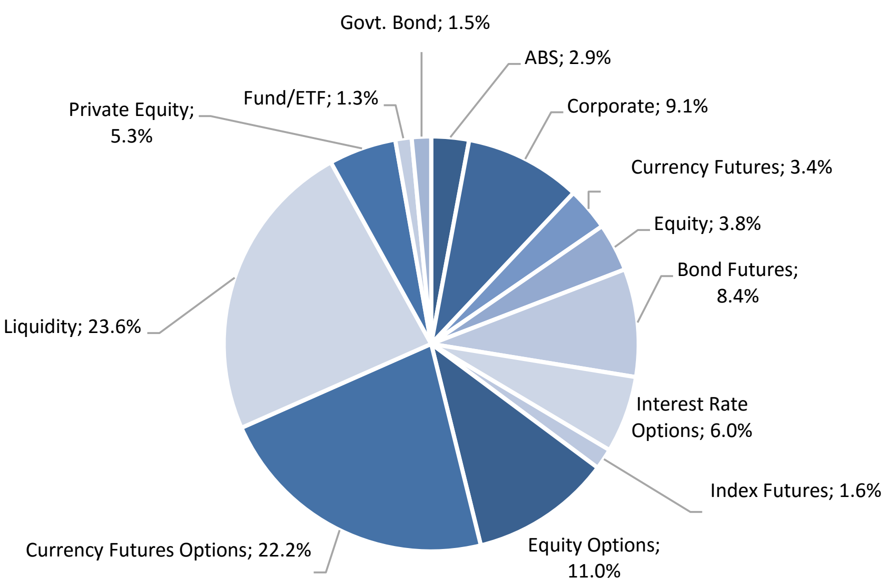
Net Notional Exposure by Country



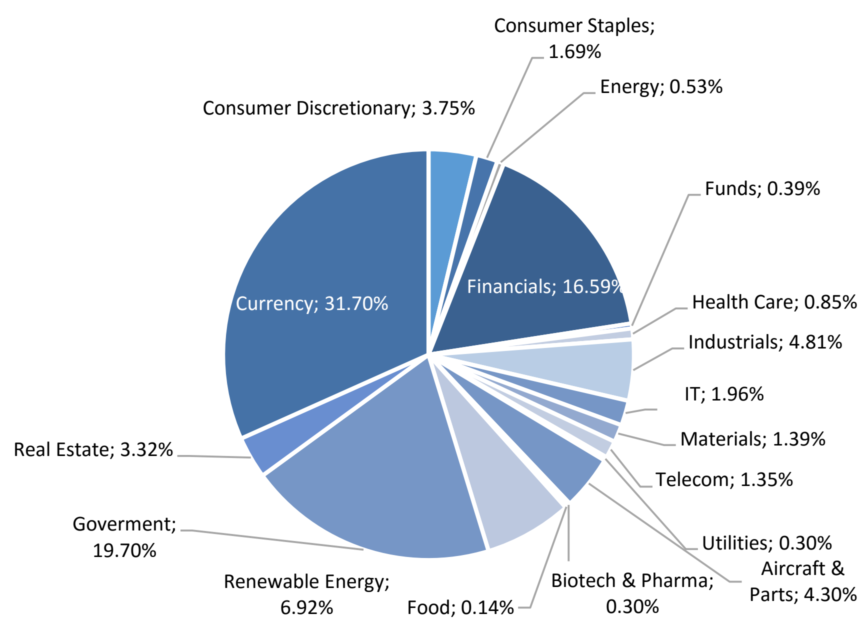
Daily VaR



Gross Notional Exposure by Asset Class



Gross Notional Exposure by Sector



MARKET AND PORTFOLIO COMMENTARY

MARKET BACKDROP

- European stocks lost some ground in August (Euro Stoxx 50 -0.81%), as geopolitical tensions in North Korea whipsawed markets and EURUSD continued its ascent. US stocks outperformed Europe and closed the month broadly flat (S&P 500 +0.05%) supported by better-than-expected macroeconomic and some reshuffling in the Trump administration.

- Fixed income markets had a strong month in August benefiting from political uncertainty and the debt ceiling debate in Washington, which makes meaningful tax reform and a big fiscal spending package look more distant (10yr UST 2.117% -17.7 bps). Bunds rallied in sympathy and were bolstered by a non-committal ECB with regards to when and if there will be tapering of the PSPP (10yr DBR 0.361% -18.1 bps). Geopolitical tensions with North Korea after several missile tests and no new impulses from the gathering of central bankers in Jackson Hole also acted as supported factors for government debt.

- Periphery vs. core spreads compressed throughout the first half of August before the risk-off environment ignited by North Korea's missile tests and unwinds of the summer carry trade into the beginning of the September supply wave pushed spreads out again. Notwithstanding BTPs have tightened on the month (10yr BTPS 2.045% -4.9 bps) and spreads to Bunds revisited YTD lows a touch above 150 bps.

- There has been no common denominator among ECB speakers commenting on the meteoric rise of EURUSD since the inception of 2017. We even observed an unusual bid for the Euro in the risk-off environment following North Korea's missile tests, which saw the common currency trade above the 1.20 level for a short period. After rumours started to surface that the ECB would comment on the recent Euro strength in their October meeting, things started to reverse and EURUSD got pushed back below 1.19. EURUSD closed out the month of August at 1.1881 having gained +0.59%.

- Whereas cyclical commodities such as copper had a good showing in August, rallying +6.58% on the month, the opposite was the case for oil: WTI futures lost -6.03% in August to finish the month at USD 47.23.

- Sadly Spain was rattled by a vicious terror attack on August 17th, as terrorists drove a van into pedestrians in Barcelona. The conflict about independence for the region of Catalonia took a backseat in the following weeks but resurfaced towards the end of the month and threatens to escalate, as local lawmakers seek to pass a law that would enable them to hold a referendum on the region's independence.

PERFORMANCE AND RISK

- August constituted another positive month for the fund, with a net return of +0.35% to investors despite weak broader markets.

- Our risk stance still remains relatively cautious and defensive. We have deployed some of the ample liquidity buffers (down from 24% to 22%) by further allocating to Relative Value strategies, although gross leverage has remained broadly flat whilst net market exposure came down substantially (down from 77% in July to 29% at close of August). Allocation continues to flow to market neutral positioning or very short-term pure trading strategies, although the weight of each in the portfolio was broadly unchanged.

- Beyond allocation to short-term and more liquid exposures, reducing where possible directional positioning, we have continued to allocate to idiosyncratic distressed and event-driven situations, where we continue to see very interesting opportunities.

- Overall performance was once again driven by the Special Situations bucket (+0.26%) where our holdings in CMS perps and Amper convertible loan positions continue to perform well. More importantly, and despite of a weak market environment, our Micro strategies bucket generated +12bps of performance helped by our long positioning in Italian bank stocks and short outright exposure to Banco Sabadell stock, which we see overvalued on negative event risk grounds and provides optionality on concerns surrounding the Catalonian referendum. Elsewhere performance was broadly very flat, with RV (-0.08%) driven by bank stock relative pairs in which we expect to see catalysts for performance in Q4 this year, Deep Value strategy (-0.06%) still at full capacity but where we envisage an exit to many of the positions within the bucket in the next 3 months, Macro (-0.02%) largely driven by a bearish stance in European rates and where we also see catalysts in Q4, and Active strategies (+0.04%) typically will see stronger levels of risk utilisation and profitability in September with the return of liquidity and the supply season to the market.

INVESTMENT OUTLOOK

Not a a lot has changed fundamentally and we still remain troubled by the levels of overvaluation across different assets, however the technical picture remains strongly supportive for bubbles to grow complacently in most markets. As many active investors are reported to be largely underweight/underinvested, the pain trade is clearly a grind higher/tighter, but in the meantime in a market dominated by passive investing, it will be ETFs and trackers the ones driving us closer to the cliff…

- **INVESTMENT THESIS 1:** We love to use the quote frequently (and apparently wrongly) attributed to John Maynard Keynes "markets can stay irrational longer that you can stay solvent.." and is still very much in the back of our minds when assessing some of the bubble characteristics of asset markets at the moment., however we have turned more constructive on the technical resilience of the bubble. The Minsky moment appears to be further away in time that we had originally envisaged…

INVESTMENT ACTION: Our focus still remains on paying as little negative carry or implicit opportunity costs as possible to bet on the bubble-burst scenario, whilst waiting for the post-GFC monetary experiments to unravel, which we see as the most obvious catalyst and now looks more distant in time given Fed and ECB rhetoric. We will aim to pare down some of our bearish rates positions and look for better entry points when the catalysts´ timeline looms clearer.

- **INVESTMENT THESIS 2:** Overall levels of implied volatility remain stubbornly low across most asset classes by historic standards at a time when develop markets navigate the unchartered waters of unorthodox monetary policy withdrawal. Think of doctors putting a patient in an induced coma to treat a serious brain condition…you know that the recovery path is fraught with risk…The difference between medical science and monetary policy being that doctors have extensive experience with pentobarbital or similar drugs to induce a coma state in a critically ill patient, whilst central bankers lack the benefit of experience in terms of effects and risks related to QE exit

INVESTMENT ACTION: We will be selectively adding RV volatility strategies and in any case where the overvaluation is substantial and the time-decay not too prohibitive adding to outright long-vol positions. In particularly we are targeting to buy EM equity indices implied vol as it screens particularly cheap to other asset classes.

- **INVESTMENT THESIS 3:** We still see a few good opportunities in the European banking sector for outright long-risk positioning, and in Italian banks in particular, where high levels of sensitivity of NIM to rising rates offer the best bang for the buck optionality to the reflation trade at price levels substantially discounted to the rest of the European sector.

INVESTMENT ACTION: We have increased outright and relative value (vs Banca Intesa as well as vs European Banks index) exposures to Banco BPM in Italy and we have built a small position in legacy Tier 1 instruments issued by Banca Carige as a cheaper avenue to participate in their impending capital increase.

- **INVESTMENT THESIS 4:** Our concerns about the effect of Brexit on UK domestic demand remain intact, whilst a weakened political mandate after the recent elections will further impair the UK government's ability to navigate very difficult political negotiations with the EU and balancing its twin deficit problem. We believe that the markets are far too sanguine about the Brexit process which has substantial potential to turn into a political mess.

INVESTMENT ACTION: We are still looking to add investment themes predicated on a weakening of UK domestic demand to our RV, Macro and Micro directional buckets, in particular we have used renewed GBP strength to add an FX element to the Brexit trade.

- **INVESTMENT THESIS 5:** We continue to gather growing evidence of a strong rebound in Spanish real estate prices as well as a structural bottleneck developing in terms of new residential homes supply.

INVESTMENT ACTION: Whilst wary of REITS given overstretched valuations and sensitivity to low levels of rates that remain in bubble territory, we like exposure to Spanish developers which we see as benefiting from lack of new residential supply, rapidly growing demand and much more robust margins. We have taken profits in our Colonial stock position to add Quabit stock, as well as study a number of direct lending opportunities. We will also explore candidates for long/short positioning vs UK developers in order to combine this thesis with number 4 above.