RHO INVESTMENTS

Monthly Factsheet as of June 2017

RETURNS

2017	+7,22%
CAGR *	8,49%
June 2017	-2,32%

RISK/ RETURN

Volatility*	8,92%
Sharpe Ratio*	0,95
Sortino Ratio	1,32
VaR 99% daily	1,62%

TOP FIVE POSITIONS

Germany 10Y, 5Y bonds	-28,01%
Aernova	7,19%
ACAFP 0 PERP	7,00%
BFCM 0 PERP	5,87%
Enviromental Infrastructure	5,27%

% EXPOSURE

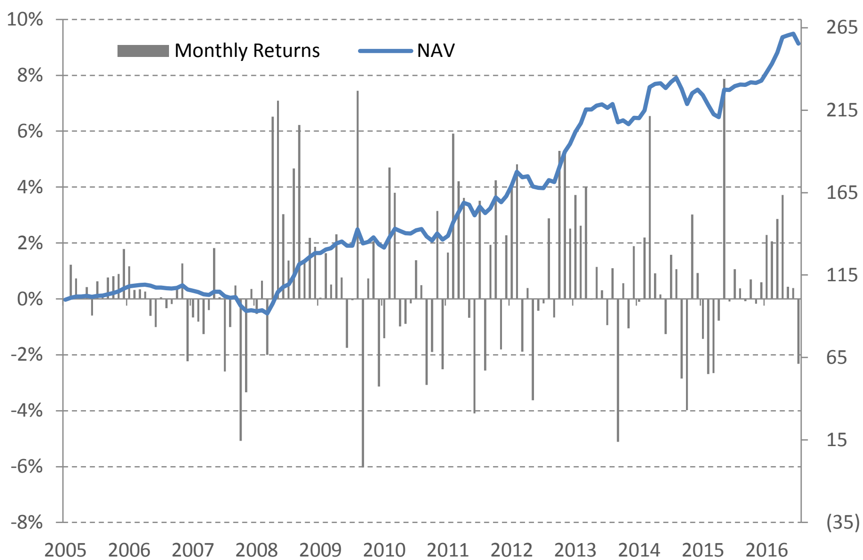
Gross	108,13%
Net	28,92%

% of GROSS EXPOSURE per STRATEGY

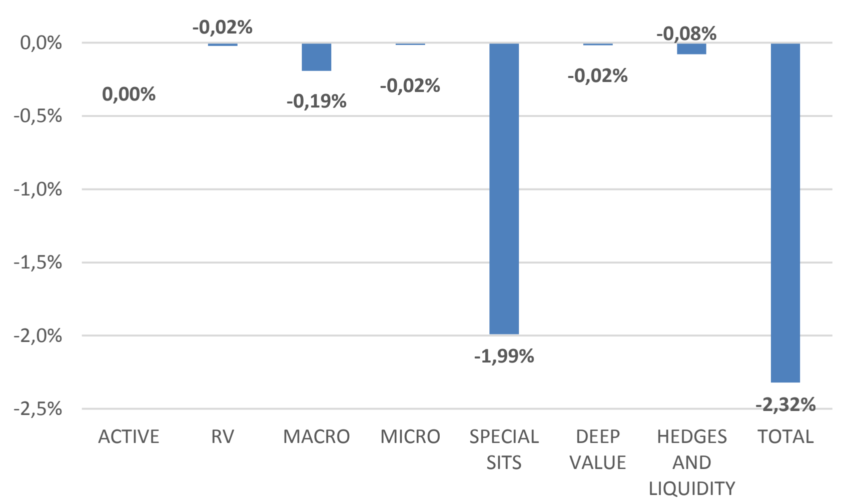
Active	19,75%
Relative value	7,46%
Macro	25,76%
Micro	5,21%
Special Situations	20,12%
Deep Value	13,36%
Hedges	4,94%
Liquidity	3,79%

(*) 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

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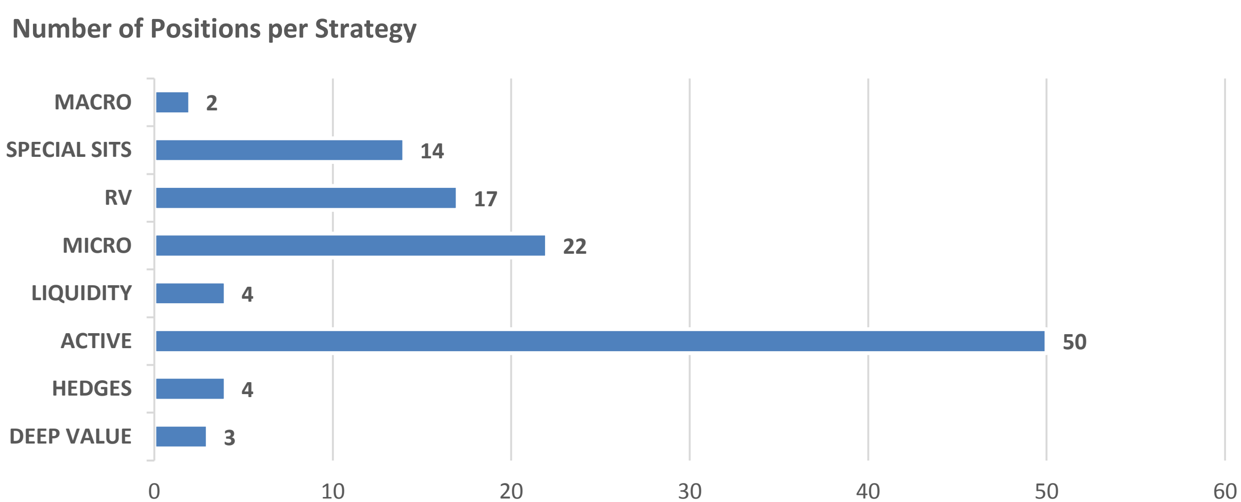
MONTHLY RETURNS

	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%							**7,22%**		

COMPARATIVE RISK/RETURN

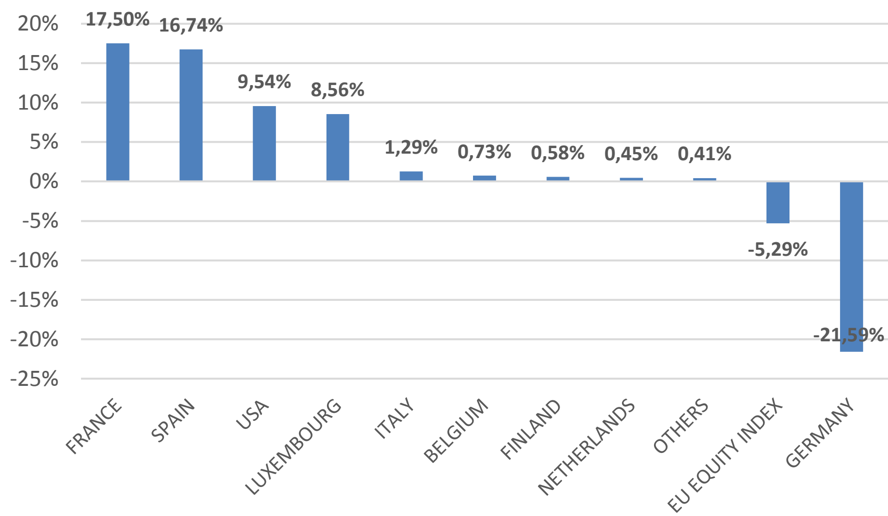
	RETURNS (CAGR)			**VOLATILITY**		
	5 years	**3 year**	**Since Inception**	**5 years**	**3 year**	**Since Inception**
RHO Investments	10,28%	5,68%	8,49%	8,95%	8,75%	8,92%
Stoxx 600	8,60%	3,53%	1,77%	11,33%	12,90%	14,71%
Iboxx EUR Corporate	4,45%	2,60%	3,96%	2,93%	2,81%	3,98%

RISK CONCENTRATION AND DISTRIBUTION METRICS

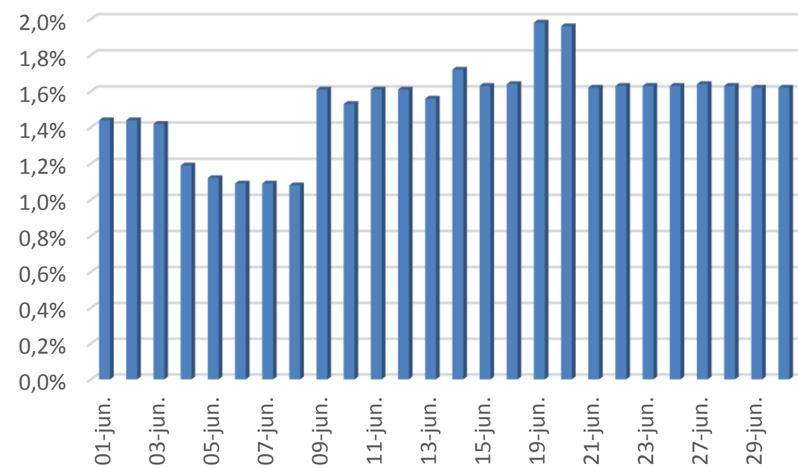


RISK CONCENTRATION AND DISTRIBUTION METRICS (2)

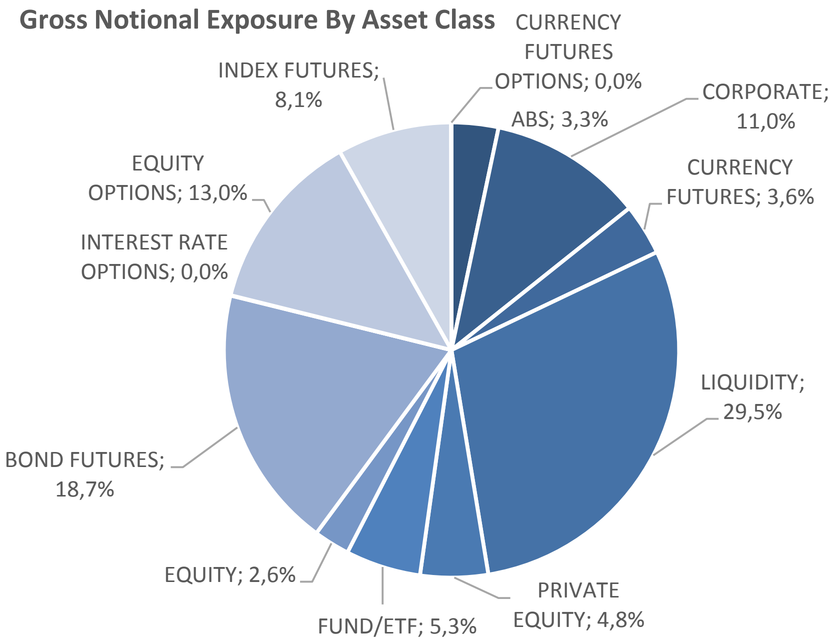
Net Notional Exposure By Country



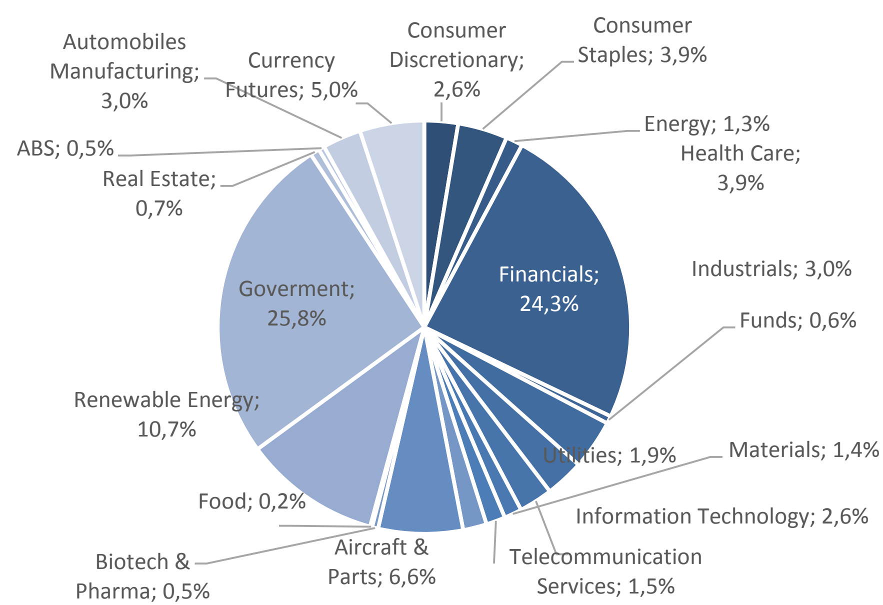
Daily VaR



Gross Notional Exposure By Asset Class



Gross Notional Exposure by Sector



MARKET AND PORTFOLIO COMMENTARY

MARKET BACKDROP

- European stocks lost ground in June, as the first signals towards an unwind of the accommodative monetary policy by the ECB caused the Euro to appreciate significantly vs. the US dollar (Euro Stoxx 50 -3.17%). The dollar weakness was a boon to US equities, which were unfazed by another Fed rate hike and the publication of the framework for the balance sheet roll-off (S&P 500 +0.48%).

- After an uneventful ECB governing council meeting on June 8th, ECB president Mario Draghi returned into the limelight during the ECB Forum on Central Banking in Sintra on June 27th stating that "reflationary forces had replaced the threat of deflationary ones", handing German Bunds their worst day since 2015. The repricing of the European government debt market on the back of this hawkish surprise propelled Germany 10-year bonds to their highest monthly closing yields at 0.466% (+16.2 bps on the month).

- Softer than expected economic data could not sway the Fed from its course to hike rates for the second time this year, raising the Fed Funds target rate by 25 bps during their June 14th meeting. Janet Yellen even delivered a small hawkish twist to her normally dovish dulcet tones by publishing the detailed framework for the FOMC balance sheet roll-off, which could be activated as early as September. 10-year US Treasuries had rallied into the meeting but quickly lost momentum following the policy statement and press conference, to finish the month at 2.304% yield (+10.1bps) with Draghi´s more hawkish rhetoric helping drive the post-FOMC bearish momentum.

- EURUSD continued its ascent to 1.1426, which had begun in April, as political risks in Europe receded. This time around the main driver was monetary policy, as the ECB provided first signals that they might scale back their highly accommodative monetary policy stance (EURUSD +1.68%).

- WTI crude oil futures retreated from their recent highs of c. 51.50 USD reached around the last OPEC meeting on May 25th, as supply outstripped demand according to inventory statistics released. However, these short-term imbalances abated again towards the end of June, with oil futures recovering from their monthly low of c. 42.50 USD to finish the month at 46.04 USD (-5.19%).

- The resolution and fire-sale of Banco Popular for a total consideration of 1 EUR to Banco Santander had market participants second guessing the viability of several small to mid-sized banks in Spain and Italy. The results were a combination of a public and private solution for the liquidation of Banca Popolare di Vicenza and Veneto Banca, as well as an underperformance of Spanish bank equities vs. a sector that brushed off these idiosyncratic episodes to enjoy an uplift from rising yields in the bond market. Despite all these idiosyncratic considerations macro Spanish and Italian risk performed reasonably well and was broadly unchanged on the month.

PERFORMANCE AND RISK

- The month of June saw finally the launch of the new flagship Luxembourg vehicle RHO Multi-Strategy SIF, which was fully operational only from the 22nd of June. This new vehicle will further expand the underlying number of tools and strategies available to investors in the SIL, and will better help achieve our growth plans, with the increase in critical mass being an added benefit for investors in the SIL. From June-end the SIL will become an investor in the SIF fund, which will be the default market counterparty in any new investments.

- On a slightly less positive note, after seven consecutive months of positive performance accumulating a 12.3% return June constituted the first drawdown for the fund since October 2016.

- The -2.32% return in the month of June was largely attributable to losses related to our exposure to Banco Popular Español T2 securities (-1.8% of NAV) which constituted in terms of statistical likelihood a 60-sigma event or a 1/42million chance of occurrence based on a one-year time series of the bond´s returns. Tu put that in perspective, the chances of dying from a bee sting are 1/6.1 million, those of dying in a plane crash are roughly 1/1 million, dying in a terrorist attack on an aeroplane are 1/25million, or our favourite one and statistically less likely than losing all your money on 8.25% 2021 T2s issued by Banco Popular: being killed by a vending machine which is estimated at 1/112 million. We will still be using the vending machine in our ground floor on all those long days spent in the office, we will still treat the normal distribution with a pinch of salt and (despite our humorous approach) will treat unexpected losses as very serious learning ground to refine the investment process.

- We would like to point out that at close of month of June the NAV of the SIL did not reflect the positive performance of our new flagship SIF fund (and whose performance the SIL will replicate from now on) due to different NAV cycles (an issue which we expect resolved by the July-end NAV thus eliminating any substantial tracking error). Had the benefit of the positive performance of RHO Multi-strategy (c. +0.60% of NAV) been incorporated at June-end rather than on the NAV of the 7th of July, then the overall month-end performance would have stood at -1.72%. The difference is derived from the performance of our short-rates positioning in Macro Directional strategies (0.71% of performance in the SIF) and Special Situations which saw a very positive mark-to-market in our legacy bank capital CMS securities issued by Credit Agricole and BFCM (1.01% of performance in the SIF).

- We have continued to reduce the overall risk profile of the fund ahead of the summer lull (seasonally and technically a period ridden with tail-event and liquidity pitfalls). Both net leverage (down to 29% from 70% at the end of May) and gross leverage (down to 108% from 159% at the end of May) decreased substantially. VaR metrics increased marginally due to the market impact of the banco Popular resolution in terms of realised market volatility for some of the fund´s exposures. The June month-end 1-day 99% confidence VaR stood at 1.62% of NAV, whilst the average daily risk utilisation was 1.54%

- Away from the negative performance arising from Special situations the rest of strategies were broadly flat other than Macro, which lost 0.19% during the rally mode build-up to the belated month-end sell off in rates and which would have been captured by the new SIF fund.

INVESTMENT OUTLOOK

- **INVESTMENT THESIS 1:** Our main macro thesis that has informed investment decisions since the end of last year remains undented. We remain troubled by the levels of investor complacency in a market where equities look fully priced vs excessive monetary accommodation and asymmetrically positioned for a slip in the earnings season, whilst more worryingly, fixed-income values continue to hover exuberantly well above bubble territory. Whilst we acknowledge that we are likely to still experience some bullish short-term momentum purely derived from the last throes of over-accommodative monetary policies, and from a lack of new (although some of the existing ones should be worrying enough) political concerns, we also know by experience that market timing is a very imperfect science, and more importantly, in the words frequently (and apparently erroneously) attributed to John Maynard Keynes "markets can stay irrational longer that you can stay solvent.."

INVESTMENT ACTION: Our focus will remain on paying as little negative carry or implicit opportunity costs as possible whilst the above-mentioned issues remain unresolved. We remain focused on an efficient selection of new shorts, as well as further deployment of RV ideas. We will keep overall net exposure at relatively low levels until we see catalysts for a correction fully apparent and obvious to the herds. We think that a "ECB tapering tantrum" is fully possible in the September meeting even if market consensus seems to be gathering around a September meeting announcement of a tapering process beginning in January 2018. Even if in theory incorporated into current valuations, market sentiment will remain fragile to the "T" word and we strongly believe that will not be a case of "sell the fact". We are thus currently exploring ways to express an increase in volatility around the ECB September meeting in both bonds, stocks and FX. We also continue to research optionality-driven trades expressing the (adverse) effect of tapering on peripheral EU government debt sustainability and corporate credit quality (and on the most levered European HY companies in particular).

- **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:** Recent experience has highlighted that the strict rulebook of BRRD far from providing strict guidelines and a clear process for bank resolution is open to regional interpretations to accommodate political needs.

INVESTMENT ACTION: “Experience is what you got when you didn’t get what you wanted”. This is one of our favourite Howard Mark´s (of Oaktree Capital Management fame) quotes and encapsulates our feeling from our recent Banco Popular resolution experience. A not particularly costly (in terms of overall fund volatility) but hard lesson nonetheless. From now on a few lessons appear crystal clear to us

- subordinated bank debt no longer constitutes an attractive arbitrage opportunity to enter a bank´s capital via conversion into common stock as part of LME or restructuring exercises
- bank T2 securities have to reprice substantially from current levels (vs AT1) and we will explore any viable compression trades across European banks
- for medium and large banks where there is not a sufficient stack of new NPS securities outstanding, senior unsecured debt will remain sacrosanct and will not be subject to bail-in (as ranks pari passu with junior depositors and on systemic grounds these will remain untouched). As such, we will be looking to explore long senior unsecured vs short new NPS securities opportunities in some of the weaker EU bank credits as the new market for NPS evolves

- **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.

INVESTMENT ACTION: We continue to add investment themes predicated on a weakening of UK domestic demand to our RV and Micro directional buckets