

Quadrige Igneo UCITS

30 Sep 2018

Quadrige Smart Gold is a liquid absolute return strategy with a long directional bias to the Precious Metals Sector, a long bias to implied volatility, and long-only tail risk insurance. Smart Gold follows a proprietary multi-factor investment process that combines both fundamental and quantitative inputs, including top-down macro, geopolitics, bottom-ups micro, technical analysis, positioning analysis, and flow analysis, within a disciplined framework for portfolio construction and risk management.



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Quadrige Igneo UCITS Update

Quadrige Igneo UCITS was down 1.4% in Sep due to mark-to-market and time decay in long insurance and tail risk portfolios, and remains well positioned to achieve its primary objective of capital preservation and profit a diversified portfolio of liquid anti-bubbles and anti-crisis strategies, including stronger precious metals, stronger USD, stronger US Treasuries, higher implied and realized volatility, weaker High Yield Credit, and weaker US equity markets.

Based on the rationale described below, Quadrige Igneo UCITS has notably increased its allocation to the long insurance and long tail risk portfolios taking advantage of what we believe are very attractive entry points and artificially low implied volatilities and implied correlations. Important to note the worst-case scenario for the long insurance and tail risk is capped at the premium spent upfront, which is low.

Monthly Update

Quadrige Igneo UCITS

Looking forward, we believe Igneo's portfolio is well positioned to protect its capital and profit from the ongoing **normalization** of US monetary policy (higher USD interest rates and strong USD) which is driving the normalization of implied and realized **volatility**, polarizing **correlations** and exposing hidden risks of "false diversification" and structural short gamma ("a-la-LTCM"), which compounded with the large consensus and crowded **speculative positions** could result in **explosive** and **illiquid** price action. In terms of catalysts and problems, we remain particularly worried about **High Yield Credit** (a time-bomb in our view, with plenty of "zombies" around) and **Emerging Markets** (a domino and snow ball of weak players, where China is "too big to fail" and "Lehman Squared") which in my view will result in an unavoidable escalation of **Currency Wars** and **Trade Wars**, with virtuous and vicious reflexive relationships across the global economy.

Rebalancing Update

| Reference | Gold ETF |
|---------------------------|-------------|
| Total | 100% |
| Gold ETC | 50% |
| Silver ETC | |
| Platinum ETC | - |
| Palladium ETC | - |
| Gold Miners | - |
| Options | - |
| Tail Risk | |
| | - |
| US Treasuries | 50% |
| RV US-T | |
| FI Options | - |
| Tail Risk HY | |
| Tail Risk FI | - |
| Tail Risk Equities | - |

| Igneo | Funded | Notional | Delta | Delta |
|---------------------------|--------|-------------|-------|-------------|
| Total | | 100% | | 131% |
| Gold ETC | 35% | 35% | 1.00 | 35% |
| Silver ETC | 15% | 15% | 1.00 | 15% |
| Platinum ETC | 0% | 0% | 0.70 | 0% |
| Palladium ETC | 0% | 0% | 0.60 | 0% |
| Gold Miners | 5% | 0% | 0.00 | 0% |
| Options | 3% | 50% | -0.56 | -28% |
| Tail Risk | 6% | 200% | 0.05 | 10% |
| | 0% | 0% | - | - |
| US Treasuries | 39% | 39% | 1.00 | 39% |
| RV US-T | 0% | 0% | 1.00 | |
| FI Options | 0% | 0% | -0.50 | 0% |
| Tail Risk HY | 1% | 25% | 0.36 | 9% |
| Tail Risk FI | 1% | 300% | 0.17 | 51% |
| Tail Risk Equities | 4% | 200% | 0.30 | 60% |

Absolute Allocations (% Live Delta)

Relative Allocations (% Live Delta)

*Recently launched fund

*Recently launched fund

Absolute Performance (%)

Relative Performance (%)

*Recently launched fund

*Recently launched fund

Monthly Update

| | Jan | Feb | Mar | Apr | May | June | July | Aug | Sep | Oct | Nov | Dec | FY2018 |
|-----------------------|-----|-----|-----|-----|-----|------|-------|-------|-------|-----|-----|-----|--------|
| Quadrige Igneo UCITS* | | | | | | | -0.2% | -0.4% | -1.4% | | | | -2.0% |

*Gross returns

DISCLAIMER. This fact sheet is not a sales prospectus. The materials are intended solely for general information about the Strategy. Past performance is no guarantee of future results. Realized performance may differ from Target Performance, and can be positive or negative. Calculations do not include any fees.