

As in 2025, volatility continues to be the lead story with the first half of 2026 hit by an early equity shock. Where the S&P 500 boomeranged back up with returns above 10% by the end of June, the Top 50 again delivered steadier performance. The group posted consecutive quarterly gains to end the period up 8%. While the majority of fund returns were in the single digits, performance dispersion, like last year, was incredibly high.

Top performers of the 50 were hedged equity, volatility, multistrategy, and emerging market funds. These 30 funds collectively matched the market with far less volatility, led by equity shops Peconic Grenadier and FengHe.

Fixed Income, credit, and structured credit lagged, with average gains of less than 4%. The second half is expected to see more of the same kind of performance with strong earnings buffeted by a wide array of headwinds.

Fund data starts on page 11.

by Eric Uhlfelder
30 August 2026

SITUATIONAL AWARENESS

While US corporate earnings have remained robust, macro risks are turning more challenging, further increasing business and investor uncertainty. A vortex of forces are colliding against one another: from rising energy prices, inflation, interest rates, and geopolitical risks, to plummeting consumer confidence, record-breaking US debt, tariff wars, diminishing alliances, slowing GDP growth, failing US market and military intervention, and contradictory federal policies.

Situational Awareness wasn't just another fund blow up; Aschenbrenner's meltdown is a warning about high valuations and risk, punctuated by Citadel having quickly unloaded SA assets it had recently purchased on the cheap.

All of this is emphasizing the importance of managers with proven long-term track records of successfully navigating turbulence.

In the movie, *Shakespeare in Love*, whenever somebody suggested a compelling handle to one of the Bard's plays, William often responded, "Good Title."

That certainly applies to the name of Leopold Aschenbrenner's hedge fund when he launched it several years ago, propelled by the response he received to his treatise about the future of AI. His words clearly had traction with many investors itching to hitch their fortunes with the next great visionary, even one barely in his 20s.

Turns out there may never have been a greater misnamed hedge fund than Situational Awareness.

The manager's high-octane approach to investing contrasts somewhat with the PM's early assertion that, "Obviously, not blowing up is task No. 1 and 2."

Kind of recalls the words of Secretary of Defense Donald Rumsfeld after the US invasion of Iraq in 2003 went sideways: "Stuff happens."

With lawyers having not yet rushed in to claw back investor losses, and with some LPs already ponying up additional capital to the fund's latest investment, it may be a safe assumption that the youthful manager did nothing nefarious in having sunk his fund's fortunes virtually overnight.

Though we haven't seen any fund documents, a fair guess is its presentation, DDQ, and

prospectus spelled out the fund's basic risks of applying leverage to highly valued public equities coupled with its exposure to less liquid, harder to value private investments.

Can't imagine investors not having paid any attention to these details, especially with \$25 million investment minimums and some tickets written with long lock-up periods. Still, it seems investors went in with Eyes Wide Shut.

According to *The Wall Street Journal*, some of those investors included, top AI executives at Meta, Jane Street Capital (whose traders reportedly lost \$15 billion in July), and Patrick and John Collison, the brothers who co-founded the payments firm Stripe.

Good bet that many hadn't personally experienced the Tech Wreck a quarter a century ago.

Aschenbrenner's saga makes the hedge fund industry look rather silly, unbridled by sound investment principles.

While *Bloomberg* reports the fund is still up 80% for the year through July, those investors who came in more recently have gotten nailed.

Even more disconcerting, as *Bloomberg* pointed out, Wall Street banks were the source of Aschenbrenner's leverage. This makes one wonder if these venerable institutions, which the *Journal* said included Goldman Sachs, JPMor-

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Consolidated Top 50 Hedge Fund Performance By Strategy Thru June 2026

No. of Funds	Strategy*	1H2026 Net Returns	Sharpe Ratio thru 2025
10	Equity	15.86	1.47
2	Arbitrage **	8.22	1.34
13	Multistrategy	8.13	1.69
5	Emerging Markets	7.25	1.33
6	Macro	4.59	1.90
10	Credit and Fixed Income	3.88	2.48
3	Structured Credit	3.66	1.70

Top 50 Averages	8.01	1.73
BarclayHedge Fund Index	6.73	0.53
S&P 500 Total Return	10.14	0.74

* The one fund that is not included is an event-driven fund.
** Arbitrage combines volatility and convertible strategies
Source: BarclayHedge and proprietary sources

gan, Citigroup and Bank of America, conducted due diligence any more thoroughly than the fund's investors.

Ironically, it was Goldman Sachs' chief executive David Solomon who recently reminded investors how quickly things can change, while his

bank financed and touted Situational Awareness.

*

The reason for droning on about Situational Awareness is not out of any sense of *schadenfreude*. This survey has always been about the

few managers that have delivered on the promise of long-term active management; not about those who have stumbled.

SA is worth looking at because in the age of the Mag 7 and irrational exuberance over all things AI, Aschenbrenner's fund stands in stark contrast with most funds that qualify for the annual survey of the 50 most consistently performing managers.

The initial screen that starts the process of whittling down the hedge fund universe to the Top 50 requires a well-established track record of consistent annual gains before looking deeper into any manager.

While high volatility isn't disqualifying, it's rare to see it in this survey because it isn't often associated with long-term consistency.

But there is the occasional exception.

This year's 2nd-ranked Peconic Grenadier, which claimed the top spot in the previous two annual surveys,

had an insane first half, soaring 68%. July's carnage, not surprisingly, sliced the fund's YTD gains in half.

But unlike Situational Awareness, the fund rides out shocks rather than holding fire-sales to meet margin calls. Peconic often sees hard-hit assets bounce back.

This is evident in the fund's long-term performance which has included sharp selloffs. Little more than a year ago, Peconic was down -20% in 1Q25 in the wake of Trump's tariffs. But it ended the year up nearly 45%.

SA's collapse recalls the failure of Archegos Capital Management (a Tiger cub fund), which happened just five years ago.

If SA's management team wasn't mindful of the dot.com meltdown in 2000, then it's likely that neither was Long-Term Capital Management's seismic swoon involving some of the financial world's best and brightest managers.

It wasn't that LTCM made bad investments; it simply wasn't

prepared to manage extreme volatility with enough dry powder to meet margin calls. After the turmoil that did in the fund subsided, many of its distressed investments turned out quite well.

Previous fund implosions should've been essential guideposts for Aschenbrenner's team, which the *Journal* said included former executives from Goldman Sachs, Citadel, Peter Thiel's hedge fund, and the chair of the Sohn Investment Conference.

A final note to this story: Citadel Wellington, a perennially top-ranked fund which acquired nearly all of SA's public equities at a 10% discount, recently announced it had sold 80% of these securities, according to *Bloomberg*. This helped boost its July returns by nearly 6% when most other funds sold off.

This move also suggests Ken Griffen's firm has doubts about the near-term fortunes of these discounted AI shares.

The essential takeaway: experience matters, hubris not so much.

TOP 50 PERFORMANCE

It usually takes a full year to reveal substantial performance dispersion across the group. But in 2026, that was accomplished in half the time, reflecting more extreme opportunities and challenges facing managers.

This was most evident in the ten hedged equity funds in the Top 50, which delivered the highest average strategy gains of nearly 16%. But its performance dispersion was 66%.

While eleven funds in the Top 50 had delivered double-digits gains, 20 generated less than 5% during the first six months.

Leading the group was the survey's oldest fund, hedged equity Peconic Grenadier (68%); bringing up the rear was the quantitative macro shop AQR Helix (-7%).

Having the largest number of funds in the survey, multistrats generated average first-half returns of 8.13%, led by Point72 up 14.5%, followed by Linden Capital that added 14%, and DE Shaw Composite which had gained 13.9%.

Some multistrategy and macro funds struggled. But the weakest link during the first six months of the year were fixed-income, credit, and structured credit. Of these 13 funds, their average returns were less than 4%.

STRONGEST PMs

A key trait of the three top-performing funds so far this year is experience. Their average age was more than 25 years.

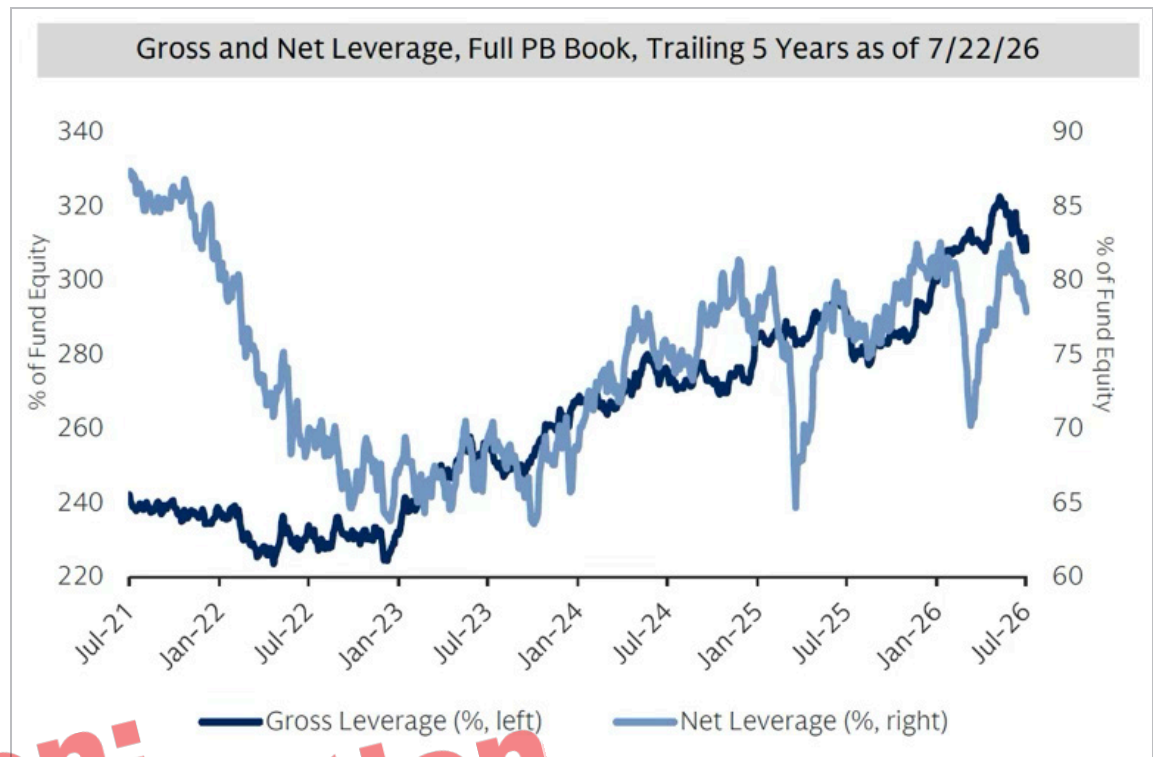
Launched more than 36 years ago, 2nd-ranked Peconic-Grenadier had two stunning back-to-back quarters, up 32% in the first three months of the year and then doubling those gains by June.

Performance suggests CEO William Harnisch and PM Marc Davis bet big on AI, which was likely borne out by the fund's swoon in July when it lost half the year's gains.

Having made the survey many years running, Singapore-based Feng He also delivered outside gains of 30%. Launched back in 2012, the 18th-ranked Asian equity fund nearly tripled its first quarter gains by June with more than one-third of its gross exposure of 78% in AI-related investments.

But unlike his counterparts, CIO Matt Hu's has far greater exposure to China than to the US and he has kept the fund's net exposure under 50% this year. (See p. vi for further details.)

D.E. Shaw Oculus was the third-best performing fund during the first half of the year. The venerable 3rd-ranked macro fund, launched more than a quarter-of-a-century ago, soared by 27.4%, far outpacing the BarclayHedge strategy average (6%).



STRUGGLING FUNDS

While funds that had the weakest first half can hardly be considered emerging managers, they are relatively youthful compared to the top-performing PMs. On average, they've been around for a decade. Two of the three weakest funds are running fixed-income and credit books, strategies that've had the toughest run so far this year, according to BarclayHedge.

There are clear broad challenges buffeting fixed income and credit strategies.

Cliff Asness' 6th-ranked AQR Helix, a trend-following quant macro strategy lost-2% during the first quarter and ended the first half of 2026 down by more than -7%. That's not far from its worst

annual drawdown over the past 5-years of -9.2% and miles away from its historical annualized returns of nearly 16% since its launch in 2018.

A far greater surprise was Ken Griffen's Citadel Global Fixed Income fund having been flat over the first six months of the year. Suggesting it may be getting back on track, the 13th-ranked fund rallied from its first-quarter loss of -5.5%.

Lesser-known CRC Bond Opportunity Trading, which had made the Top 50 survey for each of the last 5 years, was up just 10 bps through June. This very steady performing fund had been delivering 10% returns annually since it started up a decade ago. But it hasn't achieved much traction in 2026. It was up less than 2% through the first quarter before giving

back most of these gains three months later.

While outside this survey's scope, it's worth noting that the \$2 trillion private credit universe is seeing troubled loans at a decade high. Fitch Ratings recently reported that private credit defaults had hit a record in July.

David Golub, co-CEO of private credit investment firm Golub Capital, which manages more than \$90 billion, says the industry is facing "elevated credit stress" as defaults and problem loans continue to rise. "We're in a credit cycle," Golub said. "Others denied it for a while. I don't think there's a lot of denial anymore."

Data from BarclayHedge's broad strategy survey (see p. 6) pretty much echoes what

“This is no ordinary bond-market sell-off. It is being driven by forces unlike those of the recent past. And if it persists, it could mark the beginning of a structural economic shift more enduring and more globally consequential than most previous episodes of market volatility.”

- Mohamed El-Erian, Chief Economic Advisor, Allianz

was revealed in the Top 50, with the strongest returns led by hedged equity (9.5%), followed by multistrategy (8.6%), volatility (7.9%), and emerging markets (7.1%).

Fixed-income, credit, and structured credit were the laggards. The weakest-performing strategy was asset-backed securities (-2.22%), collateralized-debt obligations (0.33%), credit long-only (0.91%), fixed-income diversified (1.02%), credit long-short (1.07%), and mortgage-backed securities (1.38%).

THREE FUNDS

Sandglass Capital:
10th-ranked EM Credit

With Genna Lozovsky's strategy up more than 7% through June, the PM continues to outpace his historic annualized returns (11.3%), which

dates back to 2013.

His London-based EM credit ex-China strategy has thrived, despite high geopolitical and energy-price volatility along with developed market selloffs that can whipsaw emerging markets.

A good reason behind the strategy's continued steady performance is the manager's disciplined investment process, described in [last year's profile](#). Key characteristics that have buoyed the strategy include active portfolio rotation, rising market volatility and asset performance dispersion, positive growth prospects across emerging markets, and steady low-rate of default in EM debt markets.

This has helped strategy assets to climb to \$800 million and firm assets to over \$1 billion as of mid-summer. Sandglass expects to

soft close to new investors around March 2027.

Key drivers of recent performance include distressed credit in Venezuela and idiosyncratic exposure to Argentina, which together comprise the strategy's strongest contributors. Argentinian assets have rallied due to improved repayment outlook for defaulted GDP warrants.

Positions in African sovereigns, both in local and hard currencies, also boosted performance, along with increasing value of Sandglass' Brazilian corporate distressed credits.

Negatively impacting 2026 performance were certain hedges and select equities, particularly in Brazil. Uncertainty surrounding the upcoming national elections are weighing on market sentiment, which Lozovsky expects will last through Oc-

tober when voting concludes.

Lozovsky expects the balance of 2026 to see improving restructuring of debt in select distressed sovereigns and corporates and further inflows into EM local currency with high real yields.

Key risks include a continued sell off of long rates and energy price volatility, both likely to have material negative impacts on risk assets globally. But they also offer longer-term opportunities from market dislocations that they trigger.

Wexford Spectrum: 15th-ranked Multistrategy

While this 30-year old, \$900 million multistrat is far less known than its much larger competitors, Wexford has continued its strong run since the beginning of 2025 when it ended the year up nearly 38%. First half 2026 gains of 12.6% exceeds the fund's historic annualized returns of 10.4%.

The largest contributor to gains were materials, driven by strength in precious metals, mining and royalty-related names. The fund also got a boost from rallying information technology and financials.

More volatile and less productive positions were energy holdings, which ended the first half of the year flat. Health care investments, which picked up from their sluggish start, have generated modest gains.

Slight net drags were holdings in consumer discretion-

“Across China, many local governments are now investing in AI data centers with the same determination that they once devoted to railways, highways and airports. The country is mobilizing resources on a national scale to develop AI, without the same capital constraints or political divisions seen elsewhere.”

- Matt Hu, CEO, FengHe

ary, commodities, and real estate.

FengHe: 18th-ranked Asian Hedged Equity

Perennially-ranked FengHe had an extraordinary first half. The Singapore-based fund was up 30% on limited gross exposure of 78% and net exposure of 43%, driven to a large degree by CIO Matt Hu's conviction in AI. More than one-third of the fund's gross exposure is focused on this sector.

Hu actively controls net exposure. While having hit a recent peak of 75% at the end of last year, net was sharply reduced during the first quarter of 2026 to 20% after the US started shelling Iran. As markets stabilized, the CIO ratcheted up net to 43% as of the end of June.

The CIO believes China may be a less constrained way to gain AI exposure. Where the US has seen public pushback against data center development, that's not possible in China, potentially making it a more certain play over the near term.

As with much of Chinese infrastructure build out, there is downside risk when such spending turns excessive.

China is the fund's largest net weighting at 24%, followed by Japan at 8%. The largest sector weighting is IT (26%). Industrials represented 18%.

One of Hu's highest conviction investments is in China's Yoke Technology. He describes the firm as, "among the leading global suppliers of semiconductor precursor materials and ranks third globally with an estimated market share of around 12-13% in its core product categories."

His team views US AI supply chains with more caution, concerned about its current sustainability due to issues over free cash flow, financing of hyperscalers, and growing public anti-AI sentiment.

Hu sees short opportunities with AI plays such as Broadcom, where "valuations have run up beyond reason." Broadcom, he believes, is too dependent on an individual client. He says three-quarters of the firm's ASIC revenue is

generated from Google.

He thinks this Sino tilt may provide "a natural hedge" against US AI exposure. In July, FengHe slid -6.6% as the industry sold off.

RISKS & OPPORTUNITIES

Wall Street expects the rest of 2026 to be positive. According to a recent Reuter's survey, 15 of 20 brokerages believe the S&P 500 will end the year above where it closed in the third week in August at 7,674. UBS, Oppenheimer, and Citigroup are the most upbeat, seeing the market close the year 5% higher at 8,100.

BNP Paribas, Jeffries, and Canaccord Genuity are a bit less certain, expecting stocks to pull back slightly to 7,500. Bank of America thinks the market will end the year 8% lower at 7,100.

But no major bank is forecasting trouble.

Driving the general optimism was another solid earnings quarter. With nearly all of the S&P 500 companies having

reported second quarter earnings, FactSet found average revenue growth was 15% and earnings growth was running at an astonishing 50.4%. This is the fastest pace we've seen since 2021 when the economy was elatedly recovering from the pandemic.

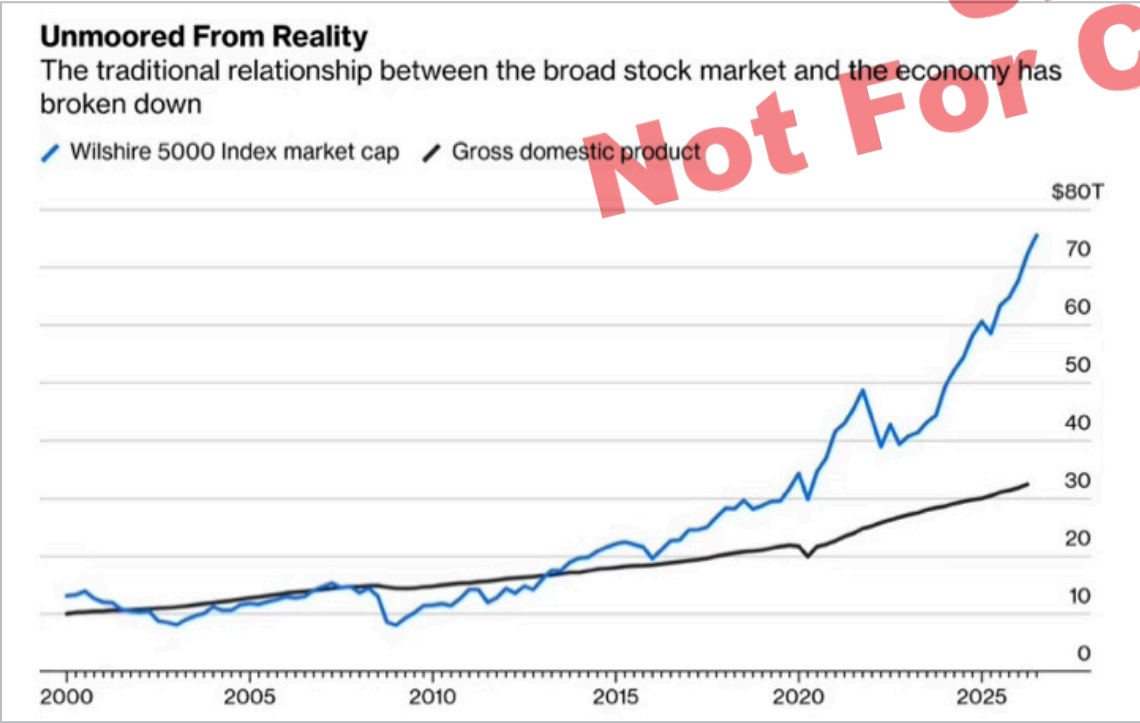
For the full year, FactSet projects revenue expansion at 11.5% and earnings growth to be 30% over last year.

These kinds of numbers have been fueling hedge fund exuberance. This is evident in Goldman Sachs' leverage chart which reveals rising leverage since fears about the pandemic, inflation, and Russian invasion of Ukraine eased. (See chart on p. iv.)

Gross leverage has steadily risen over the past 3.5 years to 320% and net leverage to over 80% as of mid-2026.

Mohamed Farid, head of World Bank hedge fund allocations, believes "many PMs are overly extended with higher leverage and may not be well positioned if we hit a protracted sell-off."

In that event, he worries



Source: Bloomberg

that, “significant and rapid deleveraging and selling would accelerate a significant drawdown.”

Another prominent issue is how will earnings fair with rising energy prices driving inflation and interest rates.

Mohamed El-Erain, Wharton professor and chief economic advisor at Allianz, cautions, “This is no ordinary bond-market sell-off.” He sees it being, “driven by forces unlike those of the recent past. And if it persists, it could mark the beginning of a structural economic shift more enduring and more globally consequential than most previous episodes of market volatility.”

He cites four new factors at play:

1. Staggering surge in actual and prospective borrowing by technology companies;
2. Retreating traditional foreign buyers of American Treasuries and increasing buying by less sticky investors;
3. Real yields surging as investors demand more to bear the risk of buying long-dated Treasuries; and
4. Increasing pressure from foreign sovereign debt markets that might blowback on U.S. markets.

El-Erian sees, “the pain spreading, especially as corporate borrowers face a widening credit spread . . . and people struggling to buy homes or refinance because mortgage rates are so high. It’s the same story for auto

loans and credit-card balances.”

He thinks AI debt demand is inelastic so higher rates may not dampen demand and turn rates lower.

It’s not helping that the Treasury Department and the Fed chairman are on opposite policy sides.

Arguing the market has gotten things wrong, Treasury Secretary Bessant believes “yields don’t reflect the underlying fundamentals.” To push rates down, he’s doubling buybacks of long-dated Treasuries to more than \$4 billion a day. So far to no great effect, tracking a similar failed effort of Bessant’s to support the Japanese Yen and reduce the likelihood of the Japanese Central Bank selling US Treasuries.

Fed Chairman Kevin Warsh wants to reduce the Fed’s balance sheet that’s been building since the financial crisis. If he were to act, central bank-driven Treasury sales would put further upward pressure on yields.

The Wall Street Journal tried to make sense of this tug-of-war. With 30-year Treasuries blowing past 5%, the paper says, “the return of normality (of rates) augurs well for the productive allocation of capital, which is good for growth and job creation.”

Think the editorial board might’ve had a different take if it was happening under Biden’s watch.

Former New York Fed President Bill Dudley, who served

during the financial crisis, is less sanguine. He predicts the macroeconomic environment will get even dicier in the months ahead. “The rise in yields puts increased strain on equity market valuations,” he explains, and he believes, “sooner or later, this big beautiful stock bubble is going to explode in our faces.”

Dudley thinks the AI-driven market boom will diminish significantly in 2027 as a glut of overcapacity will weigh on profits and stock prices. He thinks this will likely turn, “the investment boom rapidly into a bust.”

If investors come to the same conclusion, the selloff could occur even sooner. If they think otherwise, then the rally could be sustained.

Whether a sell-off happens next year or not, increasing industry cross-lending is fueling both growth and risk of contagion if trouble hits. Nvidia has been driving growth this way, culminating in a \$500 billion plan to partially backstop Wall Street loans supporting AI development.

*

Volatility and higher rates have helped the World Bank’s Mohamed Farid’s select book of 17 relative value, hedged equity, and macro hedge funds.

Prior to interest rates rising following Covid-induced spending, the bank’s head of absolute return portfolio reported his average low-vol exposure has delivered modest annualized gains of 5-6%. Since then, they have been

averaging returns of 9-10% annually.

Through the first half of 2026, Farid’s book rallied 6.5%.

He cautions, however, that market shocks could be triggered from any one of the many significant geopolitical risks that could flare up at any time.

He thinks Fed Chair Warsh’s lack of guidance is increasing uncertainty about forward central bank behavior. This includes how the Fed might react if there is a protracted sell-off of AI shares. Lack of Fed guidance is also enhancing market uncertainty, leaving the market to drive interest rates.

Makes one wonder if there’s still a Fed put in play?

Same goes for energy. Farid has no clue where prices may be by the end of the year. With no end of the Iranian war in sight, he thinks prices will likely be higher than they are today. And this would fuel further inflation and higher rates, even if the Fed doesn’t act.

Cedric Dingsens, head of investment solutions and alternative investments at Swiss-based NS Partners, is a bit more optimistic.

He sees the market having significantly disconnected from geopolitics, not because they don’t matter but because to date their impacts on corporate revenue and earnings have been manageable. And he expects that to continue through the rest of 2026.

While the Iran War was an unexpected shock, Dingsens sees economies, at least over the near term, working around commodity shortages triggered by the closure of the Strait of Hormuz. He has found that, “significant impacts, so far, appear to be more localized.”

For the rest of 2026, he thinks we’ll see a near repeat of the first half of the year: markets continuing to rise buffeted by sudden shocks, volatility, rising inflation and interest rates.

Like Farid, Dingsens worries that equity concentration and leverage could blowback on investors if a material sell off occurs, and widespread deleveraging of common positions could accelerate the decline.

But the elephant that few are not discussing is the sheer cost and drag of war that impedes productivity and efficiencies, adds to uncertainty and volatility, while committing ever more financial resources to weapon systems rather than to infrastructure, innovation and communities.

And as Canadian Prime Minister Mark Carney recently noted as trade talks broke down with the US, war doesn’t happen only with missiles and bullets. “Canada is at war with the US,” says Carney, and the price will be measured in rising costs of doing business and the further erosion of international relationships crucial to securing better global outcomes. ■

CHRISTOPHER SMART

Noted macro/geopolitical analyst updates his June Q&A

What happens if the Iran war reignites?

A fresh bout of fighting would obviously be bad for Iran, global energy supplies and U.S. prestige. It’s also not obvious that continued fighting advances any sides’ interests. But I must say, the big surprise as we look at the second half of the year is that the Iran War has not been more disruptive to the global economy. A combination of more production and less consumption around the world have kept oil prices from spiking well beyond \$100 a barrel.

Even if steady shipping traffic is restored, the global economy will not allow itself to depend on such a volatile chokepoint for so much of its oil, LNG, specialty chemicals and industrial metals. The effects may not be obvious this year, but prices of these commodities will continue to rise over the long term as buyers struggle to find new supplies and transit routes.

What’s the impact on GDP in Europe and the US?

Further spikes in energy that come from the Strait of Hormuz being closed would slow growth and complicate monetary policy in both Europe and the US. But I must say, given how long the war has dragged on, it’s surprising just how well the U.S. economy continues to perform. Last year’s tax cuts and the AI investment boom have helped compensate for the rise in tariffs. The real challenge now comes from rising treasury yields, as markets worry about inflationary pressures and the country’s rising debt. Adding to the risks is the new Fed chair, who has decided to communicate less with markets. This will add volatility and increase the chance of a policy mistake if investors misunderstand or misjudge whatever the Fed’s new reaction function is meant to be.

Are conflicts in Iran, Ukraine and elsewhere becoming increasingly global in scope given the involvement of Russians, North Koreans, Chinese and Americans?

The persistence of the fighting is certainly worrisome. But alliances that are appearing are more likely to be just ad hoc coalitions that come together to cooperate narrowly. They involve selling weapons, dispatching troops, sharing intelligence and helping with sanctions avoidance.

It’s still hard to think of Iran, Russia, China and North Korea as a coherent political unit. I think the wars in Ukraine and Iran can continue for a long time, but I’d be surprised to see them morph together in any meaningful way.

And the tech selloff?

Every boom sees corrections. But I think there is still a lot more room for AI and tech companies to grow their businesses for the next several years.

A larger reckoning will come, but that doesn’t feel imminent. The AI race now has huge government backing of national champions in the US, China and to some extent in the Gulf and Europe. If any one of these national champions somehow can’t get financing in the market, there will surely be a friendly response from their respective finance ministries

Over the last 5 years through December 2025, [the Top 50](#) trailed the market by less than a percentage point while experiencing far less risk. Reflecting improving Continental performance and the continued strength of smaller funds, the top two spots were claimed by Wellington Strategic European Equity (32%) and a perennially leading equity performer Peconic Grenadier (27.34%). Third-ranked D.E. Shaw Oculus (21.2%) is emblematic of global macro’s steady consistency.

The top four performing strategies, representing 70% of the group, were hedged equity, global macro, emerging markets, and multistrategy, which collectively outperformed the market. Five-year key market comps: the Top 50 experienced one-quarter of the drawdown, half the volatility, and delivered a Sharpe ratio twice that of the S&P 500, while having the lowest market correlation ever recorded by this survey: 0.15.

by Eric Uhlfelder
30 June 2026

HEDGE FUND INVESTING DURING A TIME OF HUBRIS

It’s rare to simultaneously see strong investor optimism and sharply rising global risks. Robust earnings growth is driving the former; increasing reliance on military force over diplomacy by a number of countries is driving the latter, significantly impacting global trade, energy, and international alliances. In the US, a White House determined to increase American influence, business opportunities, and economic growth may indeed be supporting the economy, a strong dollar, and record-setting equity markets. But it’s also exacerbating macro risks, straining US credibility, the national debt, and credit markets. The largest wildcards: continuing fallout from the Iran conflict that’s not likely to be resolved any time soon and Russian aggression that could turn toward eastern Europe, reflecting an increasingly more militarized and confrontational world.

For too long we’ve acted as if the great military strength of this country could bring about an American solution to every problem across the world. We know now that it cannot.

- Senator Robert F. Kennedy, 1968

Among my earliest memories was of my mother in tears watching President Kennedy’s funeral. I was six. Several years later came news that Martin Luther King Jr. was shot. Two months after that, the president’s brother, New York Senator Robert F. Kennedy, was assassinated after having clinched the US presidential primary in California. Kennedy’s death was then followed by the chaos and violence of the Democratic National Convention in Chicago. It was a strange time to come of age. Then again, my father grew up in the Depression and landed on Normandy Beach on D-Day+3. And the gener-



When guardrails fail Credit: Lévy et fils

ation before his fought in the First World War. Just months after RFK was killed, Richard Nixon was elected president. US spending soared with the escalating costs of both the Vietnam War and President Johnson’s Great Society programs. Deficit spending, an oil embargo and sluggish growth contributed to inflation and interest rates that hit double digits. This was the backdrop that fueled civil unrest, a rising wealth gap, political violence, expanding executive power, and distrust in leadership. Between 1965 and 1982, stocks went nowhere. While the 1960s were very different than today, there are disturbing parallels. Christopher Smart, the veteran macro and geopolitical analyst who is the feature interview in this year’s survey, sees one potential link between then and now: the country’s ability to again weather very challenging times if Congress reasserts its authority, independent regulators regain their place, and trust in science, research, and universities is renewed.

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Consolidated Top 50 Hedge Fund Performance By Strategy Thru 2025

No. of Funds	Strategy*	5-Year Ann. Returns thru 2025	5-Year Sharpe Ratio thru 2025
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6	Macro	14.81	1.90
5	Emerging Markets	13.29	1.33
13	Multistrategy	12.16	1.69
2	Arbitrage **	12.08	1.34
3	Structured Credit	11.35	1.70
10	Credit and Fixed Income	11.15	2.48
Top 50 Averages		13.50	1.73
BarclayHedge Hedge Fund Index		6.42	0.53
S&P 500 Total Return		14.43	0.74

* The one fund that is not included is an event-driven fund.
** Arbitrage combines volatility and convertible strategies
Source: BarclayHedge and proprietary sources

About This Year's Survey

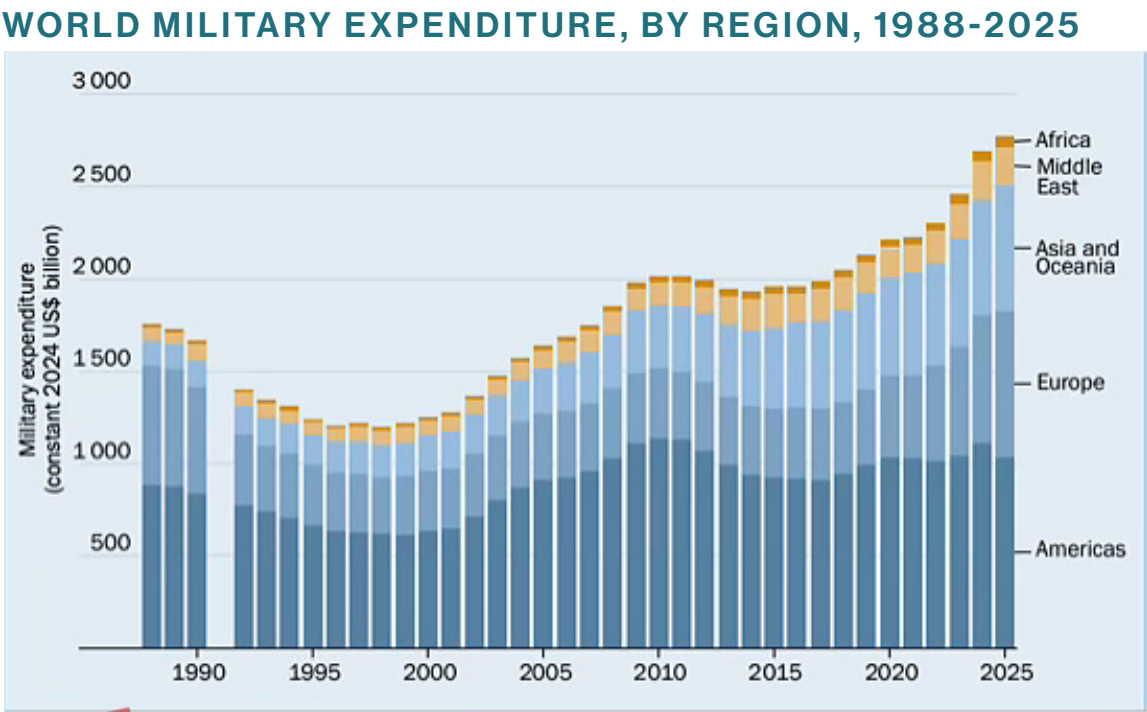
Global Investment Report's 23rd annual hedge fund survey is a comprehensive independent review of the industry's most consistently performing broad strategy funds. It's not beholden to any special interests. All of the report's findings are informed by extensive quantitative and qualitative research that taps into insight by leading managers, allocators, economists, and geopolitical experts. Fund selection and ranking involves 20 different data points to provide an in-depth understanding of factors that drive performance and risk. This helps identify the characteristics that make up the world's most consistently profitable managers. The Financial Times, Barron's, The Wall Street Journal, and SALT commissioned 17 previous editions.

That may happen. But our country doesn't always learn from past mistakes. The most common reason why: Hubris, that's often fueled when leaders bend truth to fit a narrative, supported by suspension of transparency and critical debate. Leaders in the '60s saw Vietnam as much a systemic risk to Western democracy as they saw Iraq in 2003 and Iran today. Robert Kennedy, who served in World War II and supported necessary wars, saw that for too long leaders thought our great military strength alone could bring about an American solution to every problem across the world. He concluded: It could not. Now it appears that any set-

tlement with Iran will not be an improvement over what had been achieved by the Obama Administration and our allies in 2015, inverting a famous quip often attributed to Winston Churchill: "You can always count on Americans to do the right thing, after they have exhausted all other possibilities." Despite escalating global economic uncertainty and geopolitical tensions, and with no clear end to the conflict, stock markets and hedge fund managers have remained bullish here and abroad on the backs of rising corporate profits, especially in tech and AI. Maybe that's enough to weather the current turbulence that's turning credit markets jittery, boosting short-term rates, and stress-

ing supply chain risks. (See first table below.) One thing markets and most politicians aren't recognizing, however, is the growing risk associated with global remilitarization. According to the Stockholm International Peace Research Institute, 2025 marked the 11th consecutive year of record military spending, accounting for 2.5% of global GDP. This year, expenditures will be even higher, setting another new spending record. (See table on p. 4.) Economist David Rosenberg thinks rising defense spending will continue to support economic growth, albeit less productively than domestic spending on essential services, infrastructure, and development. Growing military strength can deter war. But it can also increase the chances of countries threatening to impose their own will upon others. Such threats alone can fuel more market volatility and uncertainty, while rising defense costs further strain national budgets. Ray Dalio agrees. The founder of Bridgewater Associates says, "many indicators (are) suggesting that we are in the part of the Big Cycle when the monetary order, some domestic political orders, and the geopolitical world order are breaking down. These indicators suggest that we are in a transition stage from the pre-fighting stage to the fighting stage, which is roughly analogous to the 1913-14 and the 1938-39

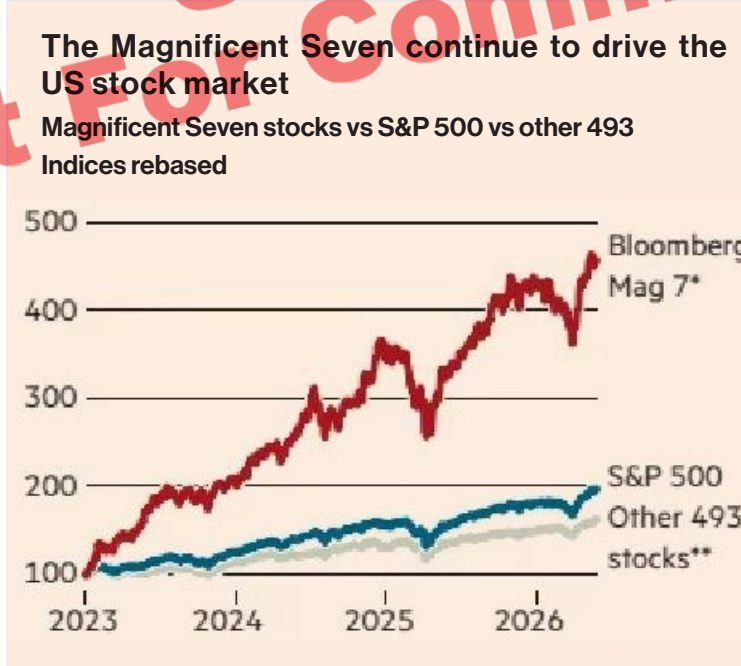
periods." Christopher Smart is more sanguine, believing Dalio sees a certain inevitability to things and not ways in which the world may be able to sidestep such a collision. Whether broader conflict comes or not, one thing is certain: The peace dividend that followed the fall of the Berlin Wall and the Soviet Union, and which helped fuel domestic consumption, international trade, economic growth, and stock rallies since the 1990s, has been fully swapped out for a resurgence in spending on what President Eisenhower called the Military-Industrial Complex, whose influence has never been greater. If unbridled, this hyperbolic rise in defense spending will further exacerbate global indebtedness, which Rosenberg believes could lead to higher taxes and at least a temporary spike in short-term interest rates. On top of that, the US is growing more insular, losing a portion of efficiency gains realized from freer global trade that's turning more costly due to increasing barriers. These barriers may in turn discourage young foreign talent from setting up shop here, as they collectively chip away at the qualities that help make America exceptional. The disconnect between heightening risks and profits



Note: The absence of data for the Soviet Union in 1991 means that no total can be calculated for that year. Source: SIPRI Military Expenditure Database, Apr. 2026.



* The GSCPI is calculated using transportation costs and manufacturing metrics Source: Applied Macroeconomics & Econometric Center / Financial Times



Source: Bloomberg *Alphabet, Amazon, Apple, Meta, Microsoft, Nvidia and Tesla **Bloomberg 500 ex Mag 7 / Financial Times

has so far proven sustainable. But for how long? Issues we're seeing surrounding government leadership, the economy, and geopolitical issues are the byproduct of contempt for established processes and order that was discussed in [last year's survey](#). This has led to the growing empowerment of lesser experienced and informed officials constrained by fewer institutional guardrails, including independent inspector generals and meaningful congressional oversight. One of many costs of this kind of governance: failure to anticipate unintended consequences. Trade and market chaos that followed the unilateral imposition of presidential tariffs disrupted business investment and ruptured international alliances and was predictably struck down by the Supreme Court. Many DOGE firings, which lower courts have subsequently disavowed, disposed of decades of experience and knowledge from government and made affected agencies less efficient while often having cost the country more than it saved. And the decision to strike Iran has weakened economies around the world by sending energy prices soaring, undermining supply chains, threatening food supplies, reducing ally cooperation, delaying capital investments, pushing up market volatility, and decreasing US military readiness, costing US taxpayers hundreds of billions of dollars while emboldening Tehran. Christopher Smart argues that in the end the war will likely be resolved in a manner that leaves us less secure. We'll explore the effects of what the current trajectory of leadership will have on economic growth and investing, and how markets and hedge fund managers are responding to these ever-evolving challenges and opportunities; and let's see if they remember all things are cyclical.

SURVEY ANALYSIS

Key Trailing 5-Year Results

- S&P 500 TR outperformed the Top 50 by just 94 basis points.
- But the 50 collectively generated superior risk-adjusted re- turns vs the market.
- Five-year Sharpe ratio of the 50 was 1.75, twice that of the market's.
- Average worst drawdown of the 50 was nearly one quarter of the market's.
- Average market correlation of the 50 was 0.15.
- Hedged equity, macro, emerging markets, and multistrate- gy managers collectively outpaced the market.
- Average age of the 50 was 16.7 years.
- 70% of last year's funds qualified for this year's survey; turn- over was higher than normal as more multistrategy, macro, and structured credit funds qualified; several arbitrage and municipal credit funds lost their ranking.
- Average fund size increased by 10% over last year, from \$4.5 billion to nearly \$5 billion.
- Nearly one-third of the Top 50 funds were managing less than \$1 billion.

The Top 50 funds collectively generated 5-year annualized gains through 2025 of 13.5%. That was less than a percentage point behind the S&P 500. But it was more than double the return of the average hedge fund reported by BarclayHedge.

“Share prices and earnings have moved hand in hand, and this close relationship stands in sharp contrast to the late 1990s when investors bid up valuation multi- ples in expectation of earnings far in the future.”

- Ben Snider
Chief US Equity Strategist
Goldman Sachs

When looking at risk-ad- justed returns (Sharpe ratio) over the same period, the Top 50's was twice the market's and more than three times that of the average hedge fund.

Digging deeper reveals the source of these superior numbers.

The market's standard de- viation over the trailing five years averaged 15%; the Top 50's was 7%. The average hedge fund's volatility was 5.9%.

The market's worst draw- down over this time was nearly -24%, triggered in 2022 when the Russian invasion of Ukraine collided with rising inflation and in- terest rates. But the Top 50's average worst drawdown was only -6.3%. The average hedge fund was -11.5%.

The Top 50's correlation to the market was a record low 0.15. BarclayHedge, mean- while, reported the average

hedge fund had a market correlation remained at last year's figure of 0.91.

Looking at the average historical performance of the Top 50 (pp. 19-20), dating back an average of 16+ years, tells a very similar story of superior risk-adjust- ed returns.

Past performance doesn't assure anything. But when management teams, strat- egy, and execution remain steady, long-term consis- tency may be a fair indicator of an effective and repeat- able investment process. And when that process has delivered attractive gains re- gardless of what the market is doing, then maybe that's something worth looking for. This was the conclusion of a white paper I wrote with Ben Crawford, head of research at BarclayHedge, entitled [Challenging Convention](#).

Size
Another key finding of this survey is that steady consis- tent performance comes in all fund sizes. Large funds have increased their pres- ence in this year's survey. But many mid-size and small managers continue to demonstrate remarkable consistency.

The number of funds man- aging more than \$5 billion jumped from 8 to 14. They included venerable names such as Citadel, D.E. Shaw, Point72, Millennium, Verition,

and AQR.
New names include Paris-based multistrat quant-specialist Capital Fund Management, whose 23rd-ranked Stratus pro- gram runs over \$11 billion; Joe Wong's New York-based \$8.7 billion multistrat Linden Capital ranked No. 28th; and Hong Kong-based macro and fixed-income arb manager Symmetry Investment—the Millennium spinoff founded by Feng Guo and Michael Robinson secured the 40th ranking managing \$13 billion.

Three funds that have pe- rennially made this list have expanded into this bulge bracket. I first came across dis- tressed credit investor Millstreet Capital in prepar- ing the 2019 survey for [The Wall Street Journal](#). At that time, the Boston-based shop was managing \$425 million. Today, the 22nd-ranked fund is hard closed with assets over \$5 billion.

Multistrat Chicago-based Wolverine has also made the survey every year since its initial ranking in 2019 when it was running \$2 billion. The 44th-ranked fund is now managing \$5.5 billion.

Singapore-based FengHe Asia, which has swapped its emerging market classifi- cation to Asian equity long/ short, has made this survey

HEDGE FUND STRATEGY PERFORMANCE THRU JUNE 2026
Ranked by 2025 Net Returns

Strategy	1H26 Net Returns	2025 Net Returns	3-Year Annualized Net Returns (%) thru 2025	5-Year Annualized Net Returns (%) thru 2025	10-Year Annualized Net Returns (%) thru 2025
Emerging Markets	7.05	20.01	12.79	5.17	6.89
Equity Long Bias	9.56	17.92	15.78	9.44	8.69
Equity Long/Short	9.51	13.96	9.88	7.96	6.22
Global Macro	6.09	12.36	8.85	8.36	5.90
Convertible Arbitrage	6.65	10.92	8.35	6.09	6.13
Multistrategy	8.61	10.42	6.78	5.36	4.13
Equity Market Neutral	2.89	8.46	8.75	7.43	3.64
Event Driven	5.98	8.23	8.28	5.94	6.48
Fixed-Income Arbitrage	4.59	7.98	9.19	5.26	4.90
Fixed-Income Diversified	1.02	7.58	5.49	2.55	3.54
Merger Arbitrage	1.98	7.38	5.46	4.98	5.19
Mortgage-Backed Securities	1.38	6.83	6.76	3.84	3.95
Asset-Backed Loans	3.80	6.28	8.60	7.69	6.84
Credit Long/Short	1.07	5.54	5.00	2.26	2.68
Credit Long-Only	0.91	4.69	4.47	0.56	1.90
Volatility Trading	7.94	4.56	4.52	3.37	2.73
Collateralized Debt Obligations	0.33	3.59	10.49	5.79	1.49
Asset-Backed Securities	-2.22	3.45	7.70	5.18	5.48
Commodity Trading Advisers	4.86	3.18	2.04	3.63	2.47
Distressed Securities	1.70	3.12	5.95	5.96	6.33

Top 50 Average	8.01	15.08	13.76	13.49	NA
Backstop BarclayHedge Index	6.74	12.55	10.51	6.42	6.42
S&P 500 Total Return Index	10.14	17.95	23.03	14.43	14.83
JPMorgan Global Gov't Bond Index	0.13	2.65	2.34	-1.9	0.69

Source: Backstop BarclayHedge

since 2021 when it was managing \$1.1 billion. This year's 18th-ranked fund now manages nearly \$7 billion.

All three of these funds have been in business for well over a dozen years. FengHe Asia was launched at the end of 2012, Millstreet started up two and half years earlier in spring of 2010. And Wolver- ine started up in 2001.

The number of funds run-

ning less than \$1 billion has also increased to 14 from last year's count of 12. Especially noteworthy was their aver- age age of nearly 14 years, suggesting that these con- sistently-performing funds prioritize performance over asset gathering.

This group include three funds owned by the Royal Bank of Canada.

The 25th-ranked [Bluebay](#)

[Emerging Market Credit Alpha](#) (\$412 million) and 31st-ranked [Bluebay Event Driven Credit](#) (\$367 million), both based in London, were profiled in last year's survey. And PH&N Absolute Return, a Vancouver-based mult- istrat (\$736 million) secured its inaugural ranking at No. 47. Before Hanif Mamdani became the head of alterna-

Continued on p. 10

BOOTHBAY ABSOLUTE RETURN STRATEGIES

A Very Different Path to Consistency

For seven straight years, Boothbay Absolute Return Strategies has achieved the rare feat of making Global Investment Report’s short list of the world’s most consistently performing funds. This dates back to the 2019 edition published in *The Wall Street Journal*.

That comes as little surprise considering the flagship fund of New York-based Boothbay Fund Management—with \$3.1 billion in firm assets as of April—has

multistrategy funds, returning more than 18%. During each of those two years, the fund generated profits in 11 out of 12 months.

There are several key reasons why the \$2.1 billion flagship fund is buoyant. Above all, founder Ari Glass may hate losing money even more turning a tidy profit. This concern informs every facet of how the firm operates. And if that sounds a little like Billy Beane in *Moneyball*, that’s not a coincidence. More about this later.

BBARS has never had more than two consecutive down months and has never had a month in which losses exceeded -2%. Fund returns are extremely stable with annualized volatility less than 4. Its market correlation over the past 5 years is 0.16. And it has achieved a Sharpe ratio of just under 2 since its launch.

But Sharpe doesn’t mean much to Glass because it fails to distinguish between up-and-down-side volatility.

He’s far more interested in Sortino and Calmar ratios that more effectively speak to a fund’s true risk and performance. For BBARS, those numbers are 6.03 and 4.23, respectively, versus the market’s Sortino of 1.30 and Calmar of 0.57 over the same period. This means Boothbay’s ratio between profit and loss

is among the highest across the multistrategy space.

Nearly half of Boothbay’s typical exposure is in hedged equities. The rest is roughly equally divided across liquid credit, capital markets, commodities and currency, diversified quantitative, and arbitrage strategies.

While I’ve tracked Boothbay for many years, it wasn’t until this spring that I learned what differentiated the 48th-ranked fund from most other managers. And for me, that factor was counterintuitive to what I thought was essential for achieving consistent returns.

A Different Way of Team Building

Boothbay assembles PMs in an open, flexible manner. This has resulted in 90% of the fund managed by external PMs. Pursuing a variety of liquid strategies, half the PMs are working exclusively for Boothbay; the other half also manage money for other firms.

Four internal managers are focused on equity capital markets, credit and quantitative strategies, preferring to leave back-office responsibilities and client servicing to Boothbay.

Glass’ backstory helps explain why Boothbay is configured in this unique way.

He grew up in a middle-class family in Staten Island and attended Queens College where he studied accounting, which led to a gig at Coopers & Lybrand.

It was at this formerly Big Six accounting firm in the 1990s when Glass got his first taste of the hedge fund industry

when auditing one of the firm’s clients: SAC Capital.

He landed his first hedge fund job at the quant shop Vector Capital and ultimately moved to a discretionary Tiger Cub Intrepid Capital where he honed his skills in identifying talented PMs to help Intrepid expand its reach beyond TMT.

Glass found he was very good at business development and spotting promising managers, who ultimately ran Intrepid’s evolving health care, utility, and consumer discretionary strategies.

When he decided to set up his own shop, a fund of funds might have sounded like a reasonable option.

But not to him. “The fund of funds structure,” explains Glass, “doesn’t offer sufficient control over assets, risk, and execution.” Having managers trade on his firm’s balance sheet allows for superior capital efficiency, risk transparency, and the ability to lean into opportunities on a moment’s notice.

To achieve this end, Boothbay’s PMs all run firm capital in separately managed accounts.

How it Works

The fund’s exposure is market agnostic with minimal directional bets. This is evident with more than three-quarters of the fund’s performance derived from idiosyncratic alpha. The firm limits exposure to economic, sector, and geopolitically-correlated behavior.

“We look for managers that tend to be negatively correlated to the fund, especially when we’re down,” explains Glass, “which helps sustain performance.”

Of the 140 managers with capital from Boothbay, half are PMs with well-established track records; the other half are

emerging managers. A little more than half of all PMs are based in North America, one-quarter are in Europe, 15% in Asia, and 5% scattered elsewhere.

Around 25 highly-experienced core PMs manage about half the fund’s exposure.

Another distinction at Boothbay: More than one third of the firm’s managers work on various First-Loss terms, where they put up their own capital totaling 10% of the position that Boothbay is allocating. This accounts for about 20% of the firm’s exposure, and these terms largely mitigate risk of capital loss.

First-Loss managers operate on a very short leash where initial losses are absorbed by the PM’s own capital. Boothbay will systematically reduce its exposure at preset loss thresholds and will seek to pull its entire allocation before losses bleed into fund capital.

While this arrangement sounds one-sided, it’s not. It’s a creative way to give emerging managers a shot to invest for a veteran fund. While Boothbay doesn’t pay these PMs a management fee, it does reward them with a 50% incentive fee.

In searching for non-correlated returns, Glass vets hundreds of managers every year who might fly under other funds’ radars. A number turn into trusted PMs. Others may offer expertise in niche spaces too small to attract the attention of large shops, but can provide additional alpha for Boothbay.

Annual turnover of these emerging managers runs around one-third. For the fund’s more established PMs, that number is in the mid-single digits.

Boothbay also works with several managers poised to invest in time-sensitive opportunities that occasionally pop. One example: arbitraging mispriced fun-

gible ETFs that can be swapped out for their underlying assets. Futures contracts on targeted ETFs are a key to this trade. Having flexibly structured manager relationships and unique, timely financing in place helps exploit the arbitrage.

Another distinctive characteristic of Boothbay—limited reliance on global macro managers. The reason syncs with the fund’s broad mandate. Most macro bets—FX, commodities, or rates—are directional and correlated with the market. Inherently trend following, macro’s downside can magnify drawdowns.

Talent Over Investments

Rather than looking at investment examples to show how Boothbay executes its strategy, we instead focus on manager selection.

Common threads running through this process include targeting only liquid strategies, extensive due diligence, proof of past performance, clear understanding of a PM’s edge that complements Boothbay’s focus on idiosyncratic alpha, and a PM’s willingness to set aside capacity for Boothbay.

All PMs must support SMAs. They provide the firm with real-time transparency, risk and performance analysis, and the ability to immediately respond to strategy style drift, execution problems, or insufficient return on margin.

In a nod to Billy Beane, Boothbay establishes a “farm team” of emerging unrecognized talent at preferential fees and capacity rights.

To help promote talent development, Boothbay doesn’t have absolute rules about drawdowns and PM tenure, seen in examples discussed below. COO Michael Weaver, who previously co-man-

Continued on next page



Ari Glass, Founder

been delivering returns averaging more than 10% a year since its inception over a dozen years ago without ever suffering a down year.

The multistrategy fund has had several exceptional years along the way. Its best: When Covid struck in 2020, the fund soared by more than 25%. Last year, it was one of the top-performing mul-

Boothbay Absolute Return Strategies continued from p. 8

aged a Citadel equity business Surveyor Capital and was director of business strategy at Voloridge, explains, “We offer a supportive environment where Boothbay is an active resource to help our PMs succeed.”

Neal Berger, founder of the \$900 million alternative investment firm Eagle’s View Capital Partners who has been invested in the fund since its launch, sees, “Boothbay’s edge is in identifying talent before it becomes obvious to others who are more focused on long-term track records.”

“This starts with our extensive networking across the industry,” explains Glass.

In 2024, a large European service provider introduced the firm to a former colleague who had been at a prominent hedge fund. This fellow subsequently moved to an obscure location to run his own firm, starting with his own money.

“He was in his 50s, very well-grounded in fundamental analysis,” recalls Glass, “with a keen eye for identifying small-cap opportunities in more substantially traded emerging and frontier markets.”

Last year, after having established an initial investment with the PM, Boothbay structured a market-neutral SMA around his long-biased strategy. It’s now a core Boothbay holding in the PM’s billion-dollar book.

Glass remembers meeting another distinct talent, a gentleman in his mid-30s, who had just departed his position as managing director at a blue-chip equity firm. In 2018, before the PM had developed an independent track record, Boothbay assessed the manager’s method of idea generation, trading methodology, and risk management. It then decided to make a small pre-launch health care investment.

It didn’t work out.

But reflecting the firm’s ability to suss out long-term talent, Glass stayed with the PM.

Boothbay’s diligence and patience were well rewarded.

“We became an integral investor in what turned out to be a highly successful manager of a billion-dollar health care-focused firm that is particularly adept at identifying small, deep-valued companies passed over by larger managers,” explains Glass.

Boothbay crafted an SMA that transformed the PMs primarily long-biased strategy into a market neutral vehicle. “The fund is now hard closed at \$1.4 billion with Boothbay the only SMA on its books,” notes Glass.

Things don’t always work out

In 2023, the fund backed a different kind of analyst, one who had worked at several well-known fundamental hedge funds, and had taught himself how to code at an elite level. This helped him develop a sophisticated model that mined non-traditional alternative data—credit card transactions, web traffic, vehicle and pedestrian movement—to help identify long and short equity opportunities before the market discovered them.

“What attracted us to this young man who was in his 30s,” explains Weaver, “was his deep fundamental intuition married to quantitative and technical skills. That kind of self-directed intellectual development is unique talent we look for — it tells you a good deal about how someone thinks and may evolve.”

Initial performance of Boothbay’s investment in the spring of 2024 validated Boothbay’s belief.

But a problem soon emerged.

Large competitors were catching on to this backdoor approach to identifying opportunities. “Scale started to matter in a way that wasn’t evident when we first underwrote the position,” says Weaver. “The PM’s edge began to erode against firms with much larger budgets and teams.”

Boothbay reduced exposure and worked with the PM in crafting less traded and more idiosyncratic investments that it hoped would escape notice by the growing competition. It didn’t work, and Boothbay pulled its remaining allocation to avoid a larger hit.

Investors

Boothbay’s success is measured not only by its performance but the makeup of its core investors.

Three-quarters of the fund’s assets are from long-term institutional commitments. Foundations, endowments, and OCIOs make up the largest group at 37%. Family offices are at 22%, and pension, insurance, and sovereign wealth funds comprise 12%.

About one-fifth of Boothbay’s assets are from private banks and high-net-worth investors.

Glass is the sixth-largest investor in Boothbay, keeping the bulk of his wealth running alongside other investors.

In assessing what may lay ahead for the rest of the year, Glass believes the market’s high valuations appear risky and a correction is likely. While AI is a compelling tailwind, he sees uncertainty about energy prices and interest rates continuing to fuel volatility.

To help navigate this turbulence, he believes alternative investors will continue to be well served by diversified investments across uncorrelated idiosyncratic opportunities.

tives at RBC, he was running PH&N back in 2012 when I profiled him in [Barron’s](#).

Wexford Spectrum may be the least known multistrat, managing \$837 million. But the West Palm Beach-based fund, which was launched three decades ago, was the top-performing multistrat last year when it soared nearly 38%. This helped propel the fund from the 46th spot to No. 15.

Sandglass Opportunity may be among one of the most compelling fund stories around. Having first made the survey in 2024 when it earned the 33rd spot, this emerging market credit shop ex-China, was the top-performing survey fund in 2024 when it rallied nearly 40%. That was nearly five-times its historic annualized return. Making it even more impressive, it didn’t suffer mean reversion. Staying true to his disciplined process, described in [last year’s profile](#), manager Genna Lozovsky’s added 12.2% in 2025, ending the year with \$563 million and securing the 10th spot in the survey.

While this year’s profiles include three large venerable managers, Graham Capital, Winton, and Boothbay, the fourth is a little-known Singapore-based shop AVM Macro. Managing \$416 million, this 35th-ranked fund has generated consistent returns for a decade.

Common traits of smaller funds that are regularly ranked in the survey include development of a disciplined and effective investment approach, built around a talented team, that hasn’t experienced style drift or a shift in risk profile.

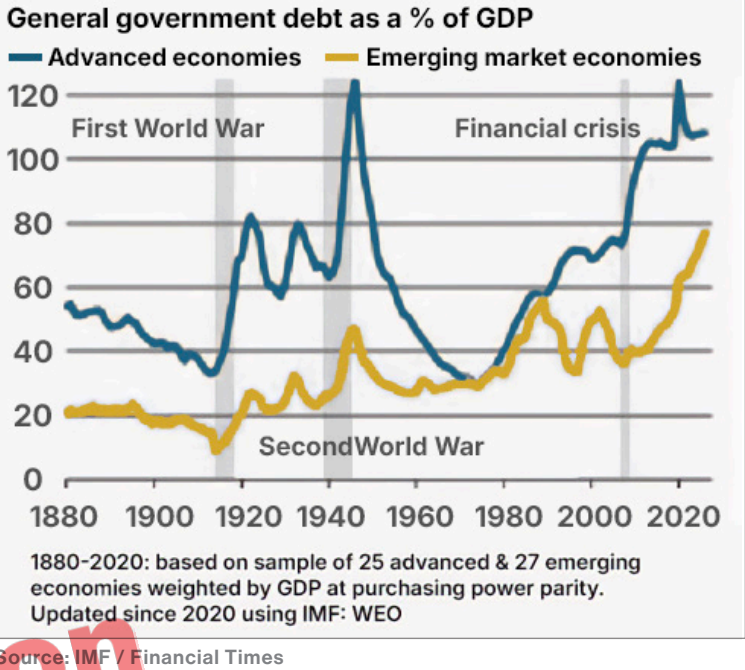
Further, their smaller size enables them to target a greater range of investment opportunities than larger funds which need to focus on bigger investments to move their return needles. Smaller managers can find opportunities in undersized and under-researched companies that the rest of the industry ignores. And these findings have been repeatedly borne out through the many years of interviews of smaller managers.

Leaders

The composition of the top ten funds is emblematic of the Top 50, led by five hedged equity, two global macro, two multistrategy, and one credit funds. Five were managing less than \$2 billion and the other five were running more than \$5 billion. What makes this year’s leaders slightly different than past ones is that one is emerging market focused and another European focused.

The \$1 billion **Wellington Strategic European Equity Long-Short** claimed the top spot this year with five-year trailing annualized returns

General government debt has reached historically high levels



“The war has accelerated the collapse of the US-anchored order that held the Middle East together for decades. That arrangement kept oil flowing, rival powers out of the region, and Washington the broker of everything that mattered—from Iranian containment to the more recent Arab-Israeli normalization process. It was already fraying before the fighting started. The war broke it.”

- Ian Bremmer and Firas Maksad
Eurasia Group

HISTORICAL RANKINGS †					Fund Name	Launch Date	Strategy	Fund / Firm Assets (\$ Million)	2021 Net Returns (Hurdle: 4.5%)	2022 Net Returns (Hurdle: -5%)	2023 Net Returns (Hurdle: 5.60%)	2024 Net Returns (Hurdle: 6%)	2025 Net Returns (Hurdle: 6%)	1H26 Net Returns (%)	3-Year Annualized Net Returns (%) thru 2025	5-Year Annualized Net Returns (%) thru 2025	Annualized Net Returns (%) since inception thru 2025	Worst Draw Down (%) Last 5 Yrs thru 2025	Worst Draw Down (%) since Inception thru 2025	5-Year Annualized Standard Deviation thru 2025	Annualized Standard Deviation since Inception thru 2025	5-Year Sharpe Ratio thru 2025	Sharpe Ratio since Inception thru 2025	5-Year Fund Correlation versus S&P 500 TR thru 2025
'22	'23	'24	'25	'26																				
NA	NA	NA	NA	1	Wellington Strategic European Equity Long-Short (Boston)	Dec-16	European Equity Long/Short	1,023 / 1,300,000	39.89	50.86	6.23	27.40	42.13	5.38	24.54	31.99	17.06	NA	-18.82	16.62	15.65	1.73	0.92	-0.47
NA	NA	1	1	2	Peconic Grenadier (New York)	Jan-90	Equity Long Short	2,069 / 2,069	34.21	19.56	23.54	16.63	44.80	68.16	27.78	27.34	12.18	-25.22	-48.49	26.31	20.03	0.91	0.47	0.28
NA	14	15	7	3	DE Shaw Oculus (New York) *	Mar-00	Global Macro	16,900 / 85,000	15.19	20.30	7.73	36.34	28.20	27.40	23.49	21.16	14.42	-9.70	- 9.70	9.59	8.42	1.86	1.50	-0.09
19	9	7	5	4	Citadel Tactical Trading (Miami) >	Jan-08	Quantitative Equity	1,840 / 67,000	21.55	26.58	14.92	22.48	18.60	14.30	18.63	20.76	NA	NA	NA	NA	NA	NA	NA	NA
13	3	3	3	5	Citadel Wellington (Miami)	Nov-90	Multistrategy	15,600 / 67,000	26.58	38.22	15.28	15.21	10.20	5.70	13.54	20.69	NA	NA	NA	NA	NA	NA	NA	NA
NA	NA	9	6	6	AQR Helix (Greenwich, CT)	Jan-18	Quantitative Macro	5,729 / 189,000	6.91	49.12	14.03	17.90	18.58	-7.16	16.82	20.51	15.92	-9.23	-15.41	11.70	12.05	1.47	1.11	-0.21
10	5	5	2	7	Anson Investments Master (Toronto)	Jul-07	Equity Long/Short	1,440 / 2,312	45.47	7.60	18.79	10.03	21.32	4.72	16.41	19.82	15.44	-5.36	-18.68	9.76	10.22	1.68	1.24	0.16
NA	NA	NA	14	8	MW Market Neutral TOPS A USD (London)	Nov-07	Equity Market Neutral	5,021 / 22,473	23.73	15.63	7.67	22.74	19.34	5.23	16.40	17.67	10.46	-2.51	-15.99	4.87	6.29	2.95	1.45	-0.06
23	11	13	12	9	DE Shaw Composite (New York) *	Mar-01	Multistrategy	32,700 / 85,000	18.35	23.99	9.78	18.08	18.50	13.90	15.38	17.65	12.86	-0.40	-17.38	3.54	5.29	4.04	2.09	-0.15
NA	NA	33	13	10	Sandglass Opportunity LP Class D (London)	Feb-13	Emerging Market Credit ex China	563 / 708	16.25	-2.20	25.98	39.81	12.24	7.12	25.51	17.58	11.33	-11.36	-19.98	9.62	10.74	1.48	0.89	0.43
					BarclayHedge Hedge Fund Index				10.22	-8.22	9.27	9.68	12.59	6.76	10.51	6.42	7.90	-11.51	-24.09	5.85	6.97	0.53	0.81	0.91
					S&P 500 Total Return Index				28.72	-18.14	26.29	25.02	17.95	10.14	23.03	14.43	12.19	-23.89	-50.95	14.98	15.10	0.74	0.54	1.00

† Ranked by trailing 5-year net annualized returns thru the previous year cited. * Kite Lake, Point72, DE Shaw Oculus and Composite, One William Street, and Whitebox Multistrategy data since inception are through Feb 2026.

>Citadel Tactical and Global Fixed Income fund assets are from the beginning of 2025. NA = Performance data was not available or fund did not qualify for inclusion.

“With AI making up more than 40% of the S&P 500 valuation, it represents a systemic risk, wherein we think it’s better to have too little exposure than too much.”

- Anthony Novara
Director of Alternatives and Market Research
Fiducient Advisors

of 32%. That was more than double the market’s return over the same time. And since its inception a decade ago, the fund has been generating annualized gains of 17%. That’s the second-highest level of historical returns across the entire Top 50. (The only one higher—11th-ranked [Enko Africa Debt](#)—

was launched around the same time and manages the same amount of assets.) Wellington’s Sharpe ratio was significantly higher over the trailing five years, reaching 1.73 versus an historic Sharpe of 0.92. Even more compelling is the fund’s correlation to the S&P

500: -0.47, the lowest in the Top 50. According to Boris Kergall, investment director overseeing Wellington hedge funds, Strategic Europe’s long-established team of PMs have effectively focused on bottom-up stock picking with equal emphasis placed on selecting opportunistic

shorts and longs. He cites key long drivers having included defense shares, triggered by the Russian invasion of Ukraine and soaring government spending on military goods and services, and in financials, which have been rallying off of attractive valuations and increasingly consistent

growth. On the short side, consumer discretionary has also been driving returns. After having claimed the top spot two years running, New York-based Peconic Grenadier slipped to No. 2 with 5-year annualized returns of 27.3%. That also was double the market’s performance.

HISTORICAL RANKINGS					Fund Name	Launch Date	Strategy	Fund / Firm Assets (\$ Million)	2021 Net Returns (Hurdle: 4.5%)	2022 Net Returns (Hurdle: -5%)	2023 Net Returns (Hurdle: 5.60%)	2024 Net Returns (Hurdle: 6%)	2025 Net Returns (Hurdle: 6%)	1H26 Net Returns (%)	3-Year Annualized Net Returns (%) thru 2025	5-Year Annualized Net Returns (%) thru 2025	Annualized Net Returns (%) since inception thru 2025	Worst Draw Down (%) Last 5 Yrs thru 2025	Worst Draw Down (%) since Inception thru 2025	5-Year Annualized Standard Deviation thru 2025	Annualized Standard Deviation since Inception thru 2025	5-Year Sharpe Ratio thru 2025	Sharpe Ratio since Inception thru 2025	5-Year Fund Correlation versus S&P 500 TR thru 2025
'22	'23	'24	'25	'26																				
18	18	18	19	11	Enko Africa Debt B (London)	Oct-16	African Macro/ Fixed-Income RV	1,023 / 1,503	9.42	1.03	16.37	27.28	35.66	13.97	26.20	17.31	17.31	-23.00	-23.00	13.87	10.46	1.08	1.44	0.41
NA	NA	10	17	12	Greenlight Capital (New York)	May-96	Equity Long/ Short Value	3,816 / 4,862	11.90	36.60	22.10	7.20	9.00	6.67	12.58	16.88	12.70	NA	NA	15.10	13.00	NA	NA	-0.03
34	16	16	15	13	Citadel Global Fixed Income (Miami) >	Aug-12	Macro/Fixed Income	3,500 / 67,000	12.97	33.15	10.97	9.89	9.40	0.00	10.08	14.95	NA	NA	NA	NA	NA	NA	NA	NA
NA	NA	NA	NA	14	Brigade Leveraged Capital Structures Ltd (New York) **	Dec-06	Structured Credit	748 / 30,900	36.86	8.61	10.06	12.79	6.64	6.16	9.67	14.42	7.31	-1.82	-19.42	5.19	7.26	2.14	NA	0.02
NA	NA	NA	46	15	Wexford Spectrum (West Palm Beach)	Apr-97	Multistrategy	837 / 2,000	21.30	0.90	5.60	8.10	37.80	12.53	16.70	13.90	10.40	-8.50	-17.20	9.86	11.64	1.07	0.69	0.11
NA	NA	NA	NA	16	Engadine Equity (London)	Dec-16	European Equity Long/Short	1,122 / 5,942	18.93	5.00	11.67	11.98	21.28	9.73	14.89	13.62	9.81	-10.16	-25.18	10.72	10.41	0.96	0.71	0.31
NA	NA	21	18	17	Context Partners LP (La Jolla, CA & Greenwich, CT)	Jan-11	Convertible Arbitrage/RV	4,012 / 4,012	15.33	0.20	10.99	21.05	21.21	8.54	17.65	13.48	12.10	-7.29	-7.29	6.32	5.34	1.61	1.99	0.21
16	29	31	29	18	FengHe Asia Ltd (Singapore)	Dec-12	Asian Equity Long/Short	6,740 / 7,495	27.21	-4.82	9.20	10.35	27.33	30.04	15.34	13.18	13.94	-11.51	-11.51	9.11	10.40	1.06	1.15	0.47
NA	NA	25	22	19	Point72 (Stamford, CT) *	Feb-18	Multistrategy	30,000 / 45,700	9.19	10.29	10.53	18.60	17.50	14.50	15.49	13.15	11.86	-9.22	-23.28	6.68	7.72	1.47	1.33	0.01
NA	NA	NA	36	20	Kite Lake Special Opportunities (London) *	Jan-11	Event Driven	2,027 / 2,800	10.54	14.38	10.81	10.51	17.93	6.04	13.03	12.80	9.38	-6.91	-9.48	6.62	6.32	1.44	1.25	0.34
					BarclayHedge Hedge Fund Index				10.22	-8.22	9.27	9.68	12.59	6.76	10.51	6.42	7.90	-11.51	-24.09	5.85	6.97	0.53	0.81	0.91
					S&P 500 Total Return Index				28.72	-18.14	26.29	25.02	17.95	10.14	23.03	14.43	12.19	-23.89	-50.95	14.98	15.10	0.74	0.54	1.00

† Ranked by trailing 5-year net annualized returns thru the previous year cited. * Kite Lake, Point72, DE Shaw Oculus and Composite, One William Street, and Whitebox Multistrategy data since inception are through Feb 2026. >Citadel Tactical and Global Fixed Income fund assets are from the beginning of 2025.

** Brigade Leverage Capital Structures, CRC Bond Opportunity Trading, and SPF Securitized Products historical data and fund assets are through January 2026. NA = Performance data was not available or fund did not qualify for inclusion.

Equally remarkable is that the fund is the oldest in the survey, dating back to when Ronald Reagan was president. Launched in July 1986 by Forstmann-Leff Associates, Peconic spun out as a stand-alone entity in 2004 led by

William Harnisch who remains the fund's CIO. Since that time, Peconic Grenadier has turned in annualized gains of more than 12% a year. The \$2 billion fund quietly goes about its business without celebrity. It feels like

an old-school hedged equity shop that relies on a small team to suss out the most compelling growth and value opportunities primarily in the US. It then transforms its research into a short list of high-conviction long trades with risk managed through

selective hedging. This tends to produce a net long position around +35%, but it fluctuates between 0% and +50%. Even the outbreak of the pandemic didn't slow down performance. After declining just -12% when the market

went into free fall during the early months of 2020, the fund ended the year up 44%. In 2022, when funds and the market tanked, Peconic gained 19.6%. Over the past five years, one of the fund's worst draw-downs occurred in mid-2023

“The president’s decision-making process seems to rely less on expert advisors and this may have played a role in the US going to war with Israel against Iran.”

- Christopher Smart
Arbroath Group

HISTORICAL RANKINGS					Fund Name	Launch Date	Strategy	Fund / Firm Assets (\$ Million)	2021 Net Returns (Hurdle: 4.5%)	2022 Net Returns (Hurdle: -5%)	2023 Net Returns (Hurdle: 5.60%)	2024 Net Returns (Hurdle: 6%)	2025 Net Returns (Hurdle: 6%)	1H26 Net Returns (%)	3-Year Annualized Net Returns (%) thru 2025	5-Year Annualized Net Returns (%) thru 2025	Annualized Net Returns (%) since inception thru 2025	Worst Draw Down (%) Last 5 Yrs thru 2025	Worst Draw Down (%) since Inception thru 2025	5-Year Annualized Standard Deviation thru 2025	Annualized Standard Deviation since Inception thru 2025	5-Year Sharpe Ratio thru 2025	Sharpe Ratio since Inception thru 2025	5-Year Fund Correlation versus S&P 500 TR thru 2025
'22	'23	'24	'25	'26																				
28	19	19	20	21	Millennium USA LP (New York)	Jan-90	Multistrategy	25,052 / 66,611	13.43	12.47	10.03	15.05	10.42	10.48	11.81	12.26	13.57	-2.41	-7.01	2.85	4.14	3.15	2.63	-0.16
8	13	17	21	22	Millstreet Credit (Boston)	Jun-10	Credit Long/Short	5,188 / 5,188	20.42	4.84	14.23	12.54	9.69	3.89	12.14	12.23	11.88	-1.44	-33.26	3.59	7.52	2.49	1.39	0.29
NA	NA	NA	NA	23	CFM Stratus Program (Paris)	Dec-03	Multistrategy	11,292 / 20,131	8.33	18.29	11.25	14.21	8.83	3.40	11.41	12.12	7.01	-2.57	-11.44	5.02	5.84	1.63	0.90	-0.19
NA	NA	27	25	24	GoldenTree Master Select (New York)	Oct-12	Fixed Income/ Relative Value	1,029 / 1,029	21.66	1.62	15.00	13.92	8.76	1.85	12.53	11.99	9.02	-6.13	-15.31	5.28	6.57	1.65	1.12	0.59
NA	NA	NA	27	25	BlueBay Emerging Mkt Credit Alpha (London)	Nov-11	Emerging Market Credit Long/Short	412 / 417,635	5.24	7.06	18.16	21.14	9.15	6.11	16.04	11.97	8.37	-12.43	-16.23	7.99	8.83	1.08	0.75	0.35
NA	NA	NA	NA	26	One William Street LSAR Offshore (New York) *	Feb-17	Credit Long/Short	808 / 8,000	12.46	22.95	8.95	7.02	8.77	1.27	8.24	11.89	11.17	NA	-8.44	NA	6.40	NA	NA	NA
NA	NA	32	32	27	Bay Point Capital Partners II LP (London)	Jul-18	Asset-Backed Loans	645 / 807	12.87	13.47	10.95	10.56	9.78	4.26	10.43	11.52	10.49	0.00	-0.87	1.28	1.32	6.44	5.93	0.14
NA	NA	NA	NA	28	Linden Capital (New York)	May-03	Multistrategy	8,749 / NA	11.01	-2.11	11.86	17.44	20.51	14.01	16.55	11.46	11.61	NA	-24.60	NA	8.86	NA	NA	NA
NA	NA	NA	NA	29	PGIM Credit Opportunities (Neward, NJ)	Oct-20	Credit Long/Short	448 / 1,500,000	24.46	2.35	7.66	15.91	8.16	9.33	10.52	11.45	12.10	-1.73	-1.73	4.82	4.91	1.69	1.82	0.19
NA	NA	NA	NA	30	Graham Absolute Return C (Rowayton, CT)	Jan-18	Global Macro	3887 / 20,803	6.92	21.38	6.21	12.07	11.14	1.49	9.77	11.41	8.73	-5.58	-15.17	5.55	7.32	1.46	0.83	-0.34
					BarclayHedge Hedge Fund Index				10.22	-8.22	9.27	9.68	12.59	6.76	10.51	6.42	7.90	-11.51	-24.09	5.85	6.97	0.53	0.81	0.91
					S&P 500 Total Return Index				28.72	-18.14	26.29	25.02	17.95	10.14	23.03	14.43	12.19	-23.89	-50.95	14.98	15.10	0.74	0.54	1.00

† Ranked by trailing 5-year net annualized returns thru the previous year cited. * Kite Lake, Point72, DE Shaw Oculus and Composite, One William Street, and Whitebox Multistrategy data since inception are through Feb 2026.

NA = Performance data was not available or fund did not qualify for inclusion.

when industrials sold off and the market corrected by -5%. The fund was down -20.6%. But by the 31st of December, Peconic had locked in a gain of 23.5%.

It suffered similarly in spring of 2025 when President Trump announced US tariffs. But it then rallied for the

rest of the year, ending up nearly 45%, and through the first quarter of 2026 when it gained another 32%.

Peconic's torrid performance makes it difficult to assess through traditional risk metrics. Its volatility over the past five years and since its launch is over 20%. Many

years ago, it had lost nearly half its value. Its 5-year Sharpe ratio is 0.91 and since inception is 0.47. This makes it a throw-back to the early days of the industry when managers danced daringly to their own tune.

Ever since this survey gained access to **D.E. Shaw Ocu-**

lus in 2023, the \$16.9 billion global macro fund has made the Top 50. In 2024, it out-ranked David Shaw's flagship multistrategy fund, claiming the 7th spot, five ranks above Composite. And Oculus did so again in 2025, gaining 3rd place while Composite moved up several slots to 9th.

Shaw's macro fund generated 5-year annualized returns of 21.2% (3.5 percentage points higher than Composite) after having delivered the survey's best back-to-back years, having soared 36.3% in 2024 and 28.2% in 2025..

The fund's skillful integration of quantitative and discre-

tionary trading continues to effectively exploit interest rate, equity, and commodity volatility.

Its worst drawdown is under -10%. Stronger recent returns have fueled slightly higher volatility over the past 5 years versus since inception in 2000 (9.6% versus

8.4%) and the fund's Sharpe ratio (1.9 versus 1.5). And it's accomplished all this by being uncorrelated to the market (-0.09) over the past 5 years.

Beware of the outlier

Perennially, the 10 highest-ranked funds are where the survey tends to experi-

ence the largest turnover. This is often the case because one extraordinary year can bump up a fund's ranking to the upper echelon. When a fund can experience an outlying upside year, it suggests comparable downside performance risk.

Four of last year's Top 10

HISTORICAL RANKINGS					Fund Name	Launch Date	Strategy	Fund / Firm Assets (\$ Million)	2021 Net Returns (Hurdle: 4.5%)	2022 Net Returns (Hurdle: -5%)	2023 Net Returns (Hurdle: 5.60%)	2024 Net Returns (Hurdle: 6%)	2025 Net Returns (Hurdle: 6%)	1H26 Net Returns (%)	3-Year Annualized Net Returns (%) thru 2025	5-Year Annualized Net Returns (%) thru 2025	Annualized Net Returns (%) since inception thru 2025	Worst Draw Down (%) Last 5 Yrs thru 2025	Worst Draw Down (%) since Inception thru 2025	5-Year Annualized Standard Deviation thru 2025	Annualized Standard Deviation since Inception thru 2025	5-Year Sharpe Ratio thru 2025	Sharpe Ratio since Inception thru 2025	5-Year Fund Correlation versus S&P 500 TR thru 2025
'22	'23	'24	'25	'26																				
NA	NA	NA	30	31	BlueBay Event Driven Credit Ltd (London)	Dec-09	Credit Long/Short	367 / 417,635	15.96	15.15	10.21	6.13	6.91	3.19	7.73	10.79	7.25	-3.24	-13.51	5.18	6.57	1.76	1.01	0.14
NA	NA	35	31	32	Palmer Square Opport. Credit LP Class A (Mission Woods, KS)	May-12	Fixed-Income Diversified	766 / 36,182	14.53	2.01	16.65	13.50	7.70	2.82	12.53	10.73	9.36	-3.12	-27.39	2.98	9.49	2.49	0.81	0.30
NA	20	41	40	33	Caption Partners II LP (Oklahoma City, OK)	Jun-16	Volatility Arbitrage	502 / 502	9.37	5.74	9.10	12.62	16.90	7.90	12.83	10.68	11.43	-7.15	-14.85	6.97	10.97	1.06	0.83	-0.13
NA	NA	NA	NA	34	Winton USD B (London)	Oct-97	Quantitative Multistrategy	4,354 / 14,331	12.92	17.00	5.69	10.31	7.82	5.20	7.92	10.68	9.95	-4.10	-25.74	6.58	14.10	1.08	0.59	-0.31
NA	NA	NA	NA	35	AVM Global Opportunity B (Singapore)	Mar-17	Global Macro	416 / 566	16.45	2.26	7.79	12.62	14.03	3.56	11.44	10.51	9.31	-3.01	-8.28	3.89	4.58	1.78	1.44	0.26
NA	NA	NA	NA	36	Whitebox Multistrategy (Minneapolis)	Dec-01	Multistrategy	3,182 / 8,231	14.15	7.94	10.15	13.62	6.84	6.58	10.16	10.50	10.99	NA	-34.51	NA	8.40	NA	NA	NA
NA	NA	NA	33	37	Caius Capital A (London)	Sep-16	Distressed Credit	1,255 / 1,415	18.51	9.48	7.63	9.23	7.92	3.16	8.27	10.49	11.23	-11.23	-11.23	8.29	9.58	0.87	0.92	-0.02
NA	NA	45	35	38	Magnetar Constellation Ltd (Evanston, IL)	Mar-07	Diversified Fixed Income	1,906 / 18,000	13.53	-3.81	8.97	17.11	17.91	8.90	14.59	10.44	NA	NA	NA	NA	NA	NA	NA	NA
NA	NA	NA	NA	39	Hildene Opportunities Master II (Stamford, CT)	Sep-11	Structured Credit	452 / 18,343	23.46	0.13	10.15	11.40	7.82	1.63	9.78	10.34	11.13	-5.70	-25.79	6.09	8.09	1.12	1.15	0.35
NA	NA	NA	NA	40	Symmetry Investments (Hong Kong)	Jan-14	Global Macro/ Fixed-Income Arb	13,000 / NA	5.78	16.38	12.26	9.34	8.19	2.25	9.92	10.33	10.99	-1.87	-1.87	2.44	2.59	2.88	3.49	-0.03
					BarclayHedge Hedge Fund Index				10.22	-8.22	9.27	9.68	12.59	6.76	10.51	6.42	7.90	-11.51	-24.09	5.85	6.97	0.53	0.81	0.91
					S&P 500 Total Return Index				28.72	-18.14	26.29	25.02	17.95	10.14	23.03	14.43	12.19	-23.89	-50.95	14.98	15.10	0.74	0.54	1.00

† Ranked by trailing 5-year net annualized returns thru the previous year cited.

NA = Performance data was not available or fund did not qualify for inclusion.

didn't make this year's survey because of that reason. Examples include 4th-ranked Cooper Creek, a New York-based billion-dollar hedged equity shop. In 2022, it soared 42.7%; last year it declined by more than -26%. Tenth-ranked Beryl Capital Partners, a \$730 million event-driven shop based on

Redondo Beach, California rallied nearly 36% in 2021, but lost more than -15% last year.

INDUSTRY STRATEGIES

There was extraordinary rotation in strategy leadership over the past two years, according to BarclayHedge,

that clearly favored equity over debt. Multistrategy, global macro, and emerging market managers continued their impressive runs with the latter delivering the largest returns in 2025. Returns this year through May suggest a continuation of these trends. (See strategy table on p. 6).

Upside

In looking at trailing 5-year annualized returns through December 2025, the largest performance improvements were delivered by EM, equity, macro, and multistrats.

Emerging Markets saw returns double between 2024 and 2025, rising from 10.3% to 20%. This topped all 20

strategies. And through May, the strategy added another 7%.

Equity Long-Short was an average-performing strategy in 2024 when it was up 9.2%. But it became the third-best performing strategy in 2025 with average gains of nearly 14%. It kept pace through May, up 8.5%.

Equity Long-Bias continued to rally. It was the top-performing strategy in 2024 with gains of nearly 15%. It added nearly three percentage points in 2025, returning 17.9%, two percentage points less than EM. And so far in 2026, it's up another 10.5%.

Global Macro performance

in 2024 was also middle of the road with average returns of 9.2%. But it leapt to the 4th spot in 2025 with gains of 12.4%. Through May of 2026, it's up 6.3%.

Multistrategies have also seen substantial return improvement from 6.54% in 2024 to 10.4% in 2025. And this year they've rallied by

nearly 7%.

Downside

Collateralized Debt Obligations experienced the largest slide. The second-best performing strategy in 2024 with gains of 13.9%, it delivered returns of only 3.6% in 2025. And through the first five months of 2026, CDOs added a modest 1.9%.

HISTORICAL RANKINGS					Fund Name	Launch Date	Strategy	Fund / Firm Assets (\$ Million)	2021 Net Returns (Hurdle: 4.5%)	2022 Net Returns (Hurdle: -5%)	2023 Net Returns (Hurdle: 5.60%)	2024 Net Returns (Hurdle: 6%)	2025 Net Returns (Hurdle: 6%)	1H26 Net Returns (%)	3-Year Annualized Net Returns (%) thru 2025	5-Year Annualized Net Returns (%) thru 2025	Annualized Net Returns (%) since inception thru 2025	Worst Draw Down (%) Last 5 Yrs thru 2025	Worst Draw Down (%) since Inception thru 2025	5-Year Annualized Standard Deviation thru 2025	Annualized Standard Deviation since Inception thru 2025	5-Year Sharpe Ratio thru 2025	Sharpe Ratio since Inception thru 2025	5-Year Fund Correlation versus S&P 500 TR thru 2025
'22	'23	'24	'25	'26																				
32	41	42	41	41	CRC Bond Opportunity Trading (New York) **	Oct-16	Credit Long/Short	1,200 / 9,800	10.28	1.52	5.93	20.95	12.30	0.10	12.89	10.00	10.35	NA	-10.48	NA	6.45	NA	NA	NA
NA	NA	37	37	42	Waha Emerging Markets Credit Fund A (Abu Dhabi, UAE)	Jan-12	Emerging Market Credit Long/Short	1,215 / 2,941	7.18	1.86	9.51	18.32	12.96	5.67	13.54	9.83	11.53	-6.69	-16.14	4.69	7.77	1.39	1.28	0.24
NA	NA	44	43	43	ProMeritum EM Seg Portfolio USD A (London)	Jan-15	Emerging Market Credit Long/Short	452 / 850	4.57	4.53	15.77	15.78	9.88	3.39	13.34	9.76	9.08	-6.02	-8.94	3.94	4.05	1.62	1.72	0.18
46	27	36	38	44	Wolverine Flagship Fund Trading Ltd (Chicago)	Sep-01	Multistrategy	5,496 / 5,496	10.74	5.75	7.98	12.48	11.66	5.47	10.69	9.69	8.28	-3.42	-25.96	3.20	6.17	1.99	1.07	0.29
NA	NA	NA	NA	45	Wellington Global Equity Long Short (Boston)	Mar-01	Equity Long/Short	1,660 / 1,300,000	8.37	0.46	11.85	14.72	12.85	12.29	13.30	9.63	8.22	NA	-31.99	4.73	8.85	1.36	1.76	0.53
NA	NA	NA	NA	46	SPF Securitized Products (New York) **	Nov-11	Structured Credit	3,059 / NA	12.96	-1.88	16.72	10.99	8.55	3.19	12.03	9.28	8.58	-5.36	-14.84	3.27	5.05	1.83	NA	0.46
NA	NA	NA	NA	47	PH&N Absolute Return (Vancouver) ***	Oct-02	Multistrategy	736 / 417,635	22.12	-2.45	9.64	9.88	7.17	4.89	8.89	8.99	10.23	-6.21	-32.35	6.30	10.30	0.99	0.82	0.49
22	30	30	39	48	Boothbay Absolute Return Strategies LP (New York)	Jul-14	Multistrategy	2,140 / 2,940	11.38	1.27	6.71	7.03	18.14	3.42	10.50	8.76	10.17	-1.80	-2.41	3.54	3.97	1.47	1.96	0.16
NA	NA	23	26	49	Verition Multi-Strategy Composite (Stamford, CT)	Mar-08	Multistrategy	11,600 / 12,600	8.60	5.57	8.19	11.16	7.50	5.60	8.94	8.19	NA	-1.43	NA	2.28	NA	2.13	NA	0.07
NA	NA	47	48	50	SummitTX Alpha (Ft. Worth. TX)	Jul-15	Equity Market Neutral	1,077 / 3,263	6.01	5.70	11.96	7.94	8.14	2.20	9.33	7.93	6.35	-2.99	-4.87	4.22	4.09	1.10	1.04	0.13
Top 50 Averages						16.65		4,981 / 134,121	16.11	11.04	11.59	14.99	15.08	8.01	13.76	13.49	10.84	-6.33	-16.87	6.95	7.99	1.75	1.39	0.15
BarclayHedge Hedge Fund Index								NA / NA	10.22	-8.22	9.27	9.68	12.59	6.76	10.51	6.42	7.90	-11.51	-24.09	5.85	6.97	0.53	0.81	0.91
S&P 500 Total Return Index								NA / NA	28.72	-18.14	26.29	25.02	17.95	10.14	23.03	14.43	12.19	-23.89	-50.95	14.98	15.10	0.74	0.54	1.00
JPMorgan Global Gov't Bond Index								NA / NA	-2.54	-13.01	4.52	0.15	2.65	0.13	2.34	-1.90	5.86	-16.75	-17.13	4.90	5.80	-1.06	0.46	0.64

† Ranked by trailing 5-year net annualized returns thru the previous year cited. ** Brigard Leverage Capital Structures, CRC Bond Opportunity Trading, and SPF Securitized Products historical data and fund assets are through January 2026.

*** PH&N performance numbers are in CAD. NA = Performance data was not available or fund did not qualify for inclusion.

“The market is acting more from greed than fear and investors need remember that market sentiment can turn into fear very quickly.”

- David Solomon
CEO Goldman Sachs

Distressed Securities struggled just as much. In 2024, it was the third-best performing strategy with returns of 12.2%. But last year, its fortunes collapsed, registering gains of just 3.1%. Through May of 2026, distressed funds have generated an anemic 0.8%.

Fixed-Income Arbitrage performed well in 2024, up 11.4%. But it generated more modest gains of 8% in 2025. This year, its returns were up 6.8%.

About the BarclayHedge Strategy Data
This database tracks 20 different strategies ranging from hedged equity and credit, event driven, to various types of arbitrage, asset-backed loans and mu-

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METHODOLOGY BEHIND THE SELECTION OF THE TOP 50 MOST CONSISTENTLY PERFORMING FUNDS

The value of any statistical study is rooted in its methodology and how well it establishes meaningful and actionable findings. This study achieves that outcome by objectively identifying the most consistently performing funds with moderate to low volatility. The results also regularly challenge a core belief that's been driving markets for a long time: that passive investing is the only way to achieve superior results. Historical evidence certainly supports the value of low-cost index investing. And for 30-year investment horizons, many investors would likely be well served by such products. However, over shorter time frames, passive investments get periodically buffeted by market selloffs. This means that risk is related not only to specific asset exposure but also to when that exposure commences. A small segment of the multi-trillion hedge fund industry, highlighted in this report, don't generally suffer the large drawdowns to which the market is prone. That's what this survey shows. Further, because this is the 8th year in a row the survey is employing the same methodology, it provides a multi-dimensional way of showing consistency: first by identifying funds with the highest 5-year annualized returns; and two, by showing how well these funds have performed relative to one another over time. Citadel and D.E. Shaw perennially deliver consistent and industry-leading returns.

But so do lesser known fund managers. Hedged equity shop Anson Investments, ranked 27th in 2019 and has risen in rank ever since, perennially notching spots in the Top 10 over each of the last five years. [Enko Africa Debt](#) qualified in 2022 after it racked up five years of performance. It was ranked 18th for three straight years, 19th last year, and reached 11th this year. Accordingly, absolute returns and longer-term relative strength provide a unique industry perspective. **Data Verification** The initial search for these 50 funds starts each year in early February by reviewing various databases that report the latest historical returns through the previous December. The initial screen focuses only on broad strategy funds. The reason: to consider managers that aren't exposed to specific industry or country tailwinds or headwinds. Requiring funds to manage at least \$300 million helps ensure reliability of data. When funds reach that size, they are more likely to hire top-tier service providers. These include administrators, prime brokers, accountants, and lawyers, whose involvement may enhance reporting accuracy. These higher standards can lead to greater institutional investor and consultancy interest, which in turn may lead to further critical assessment, helping to reveal any material issues. Each fund that qualifies for the Top 50 is

then contacted to confirm the accuracy of data collected. When a fund feeds data directly into databases, accuracy isn't guaranteed. Reported data may be from a founders' class with low fees, numbers may have been revised since submission, or strategy classification may be wrong. UCITS and '40 Act funds, for example, can slip into hedge fund databases. That risk is increasing as larger hedge fund managers spin off more liquid, lower cost, and more publicly accessible versions of their products. Examples include London Stock Exchange-traded hedge funds. As closed-end funds, their trading price is determined by market demand as well as by the underlying performance. Whether it's a CEF or UCITS version, these results cannot be used as proxies for flagship hedge funds. When such funds are identified, they are deleted. A handful of managers refuse to verify their numbers. This does not mean their data is faulty, but it reinforces the need for prospective investors to always conduct their own thorough due diligence. Accordingly, the numbers cited in this report should be treated only as a starting point for identifying potential investments. Securing published performance documents by the fund—not through a third party—is essential for verifying performance history.

Universe Expansion

Reflecting an on-going effort to be more inclusive without compromising strict standards for manager inclusion, the survey recently added two types of funds that had been previously excluded. The first is diversified long-short commodity funds that include a global macro component. Managers of these funds must contend with volatile markets along with financial, geopolitical, supply-chain and transport forces. They are far more complex and diversified investments than their names suggest. Material macro exposure is used to determine investments and hedges to enhance performance. The second group is exogenously levered funds. A fund that seeks to enhance performance of a flagship product by ratcheting up portfolio leverage beyond what's embedded in specific investments feels like a cheat—a way to juice returns at the risk of greater volatility. But a deeper dive into this space reveals a number of managers who've developed levered versions of their main funds have effectively contained risk while enhancing returns. The 43rd-ranked fund, ProMeritum, recently launched an enhanced version, which is not cited here.

Performance Hurdles

Among the survey's most important and distinguishing filters is use of performance hurdles for each of the last five years. They appear at the top of each yearly data column on pp. 11-20.

A minimum annual performance standard imposes further discipline in fund selection. It helps identify managers who may more likely take profits periodically and successfully redeploy them, rather than betting gains may beget greater gains—an approach that can enhance risk. Hurdles are also an indirect way of detecting strategy shift by identifying performance that significantly deviates from past returns. For the year ending December 2025, the hurdle was set at 6%—the same as last year and the highest it has ever been since I adopted this approach for the [2019 *The Wall Street Journal* survey](#). For that report, which looked at performance through 2018, my editor and I felt that funds on any short list, regardless of how well they may have done during the trailing five years (the basis for the ranking), needed to have delivered at least 5% gains in 2018. The reason? We wanted an objective way to see which funds delivered alpha—or to paraphrase Warren Buffett, to reveal managers who had trunks on when the tide went out in the 4th quarter of 2018. That year, stocks had enjoyed decent returns until the year-end selloff turned full-year market and average hedge fund results negative. Both ended the year down around -5%. That meant we were screening for funds that had outperformed the industry and the market by around 10%. This simple requirement helps generate a

list of more consistently performing and less-volatile managers. And because the hurdle is always a mid-single-digit number, it's strategy agnostic. It doesn't raise the bar too high for non-equity strategies when the market is ripping. It's also saying, if you're paying substantial management and performance fees, minimum net returns should be at least a couple of hundred basis points above the risk-free rate regardless of what the market is doing. Hurdles have excluded many venerable funds, including Renaissance, Tiger Global, Element Capital, and Alphadyne. Hurdles can often knock off funds that had ranked high in the survey. This year, four smaller equity shops got booted not only out of the Top 10 but off the survey because of uninspired 2025 returns. In last year's report, five of the top seven funds didn't make the final cut. There have been several instances when funds have made this list for many years and even have earned profiles in this survey, then lose their ranking after a slightly off year. That shift in fortune may be a tell, a nod for closer examination of why performance has shifted, sometimes revealing management or execution issues. Other times, a fund quickly rights itself. The only time the hurdle rate was negative and well below the risk-free rate was in 2022, when war and supply-chain shocks collided with rapid post-pandemic spending, which collectively sent inflation and interest rates soaring. That year, the market

Continued on next page

Methodology continued from p. 22

lost more than -18%, and 15 of 20 hedge fund strategies reported by BarclayHedge lost money. The J.P. Morgan Global Government Bond Index dropped by more than -13%. The average hedge fund ended down by more than -8%.

There were few safe corners in which to hide that year. But at the same time, the risk-free rate soared to its highest level since 2000.

This created a conundrum in determining a fair hurdle rate. It was set at -5%.

Nevertheless, 44 of that year's Top 50 funds were up. Only five lost money, and only three were down by more than -2%. The 50's average return in 2022 exceeded 9%, which outpaced the market by more than 27%.

Fund Rotation

This year has seen above-average fund rotation off the list. The usual turnover is less than 10 funds, or 20% of the list. This year, 30% of last year's funds didn't make the 2026 survey.

Several reasons drove this higher rotation.

First, the threshold for inclusion, based on trailing five-year annualized returns is significantly higher this year. Last year, the 50th-ranked RiverNorth, which arbitrages closed-end fund spreads, made the list for the second straight year with returns of 6.71%. This year, the 50th ranked fund, equity market neutral SummitTX Alpha generated average returns of nearly 8%.

This higher minimum threshold bounced out many consistently performing lower-ranked funds that had made the list for years. They included two well-established

multistrats, Hudson Bay and Mariner Atlantic, as well as two municipal credit-focused funds, Old Orchard Credit and Whitehaven Credit Opportunities, the latter fund having made the Top 50 for four straight years.

Another factor that drove higher average returns this year: eligibility of funds that had lost more than -5% in 2020. Some very well-established and compelling managers had been excluded from this survey until this year because of their 2020 losses.

The Top 50 was also altered by the unexpected departure of two veteran managers who had perennially been ranked since the current methodology was adopted for the 2019 survey published by *The Wall Street Journal*.

The \$2.3 billion Swiss-based stat-arb shop Blue Diamond Non-Directional had been the epitome of consistency, until it was side-swiped by events surrounding President Trump's Liberation Day. It took the rest of the year for the fund to inch back into the black.

Distressed credit specialist Mudrick had been generating 11% returns annually through 2024 since its launch in 2009. But over the past several years, the fund was taking on more risk and had become more volatile. Only a remarkable 4th quarter turnaround in 2024 allowed the fund to qualify last year. No such luck in 2025.

This doesn't mean these managers have lost their skillset. But something did happen that led them to significantly underperform their historical averages during a time in which the market proved supportive for a wide range of strategies and investments.

municipal credit. It provides an expansive look at hedge fund performance that spans back a decade. In this way, it offers various benchmarks to help assess individual hedge fund performance. But it comes with two caveats.

"While data provides a broad sense of how individual strategies have been performing over time," explains Ben Crawford, head of research at BarclayHedge, "they mask wide dispersion of fund performance within each strategy."

Another shortcoming of most databases: Because managers often report multiple classes of the same fund, databases consider each one unique and thus overcount them in deriving strategy averages.

A drawback that databases cannot correct: Many of the most exclusive and largest hedge funds don't report to them. These include industry leaders across all strategies, such as Citadel, DE Shaw, and Point72. In contrast, the Top 50 includes 6 funds from this group, helping to better identify the most consistent strategies.

TOP 50 LEADING STRATEGIES

The survey's hedged equity, macro, emerging markets, and multistrategies generated the strongest 5-year annualized returns, accounting

for nearly 70% of the funds in the survey. Collectively, these 34 funds outperformed the market over the past five years.

Hedged Equity

The number of equity funds grew from nine in last year's survey to ten. Voss Capital, a top-performing smaller fund, dropped out. But Wellington added its Global and European Long/Short funds.

Hedged equity managers have been benefitting from a sustained bull market supported by declining interest rates, reduced US regulations driving corporate activity, and ever-increasing asset flows into markets.

Five-year annualized returns declined slightly from 19.2% to 17.9%, in line with the performance of BarclayHedge's Equity Long-Bias strategy and four percentage points better than its equity long-short strategy.

Volatility declined from last year's count of 13.4% to 11.3%. It was significantly above the Top 50's volatility of 7%, largely due to stronger performance, which helped generate a Sharpe ratio of 1.47.

Even more impressive, this was achieved as market correlation significantly dropped from last year's 0.31 to 0.15.

Global Macro

The number of global macro

funds making the survey doubled over last year, from 3 to 6. Last year's qualifiers were joined by veteran manager Graham Capital, a Millennium spinoff Symmetry Investments, along with an up-and-comer AVM Macro. (Graham and AVM are profiled in this year's survey.)

Rising volatility has been helping the fortunes of macro traders by increasing the number of opportunities in rates, commodities and equities.

Last year's limited number of macro managers delivered exceptional 5-year annualized returns of 19.4%, well above this year's annualized gains of 14.8%, which was still more than six percentage points better than the BH macro strategy returns.

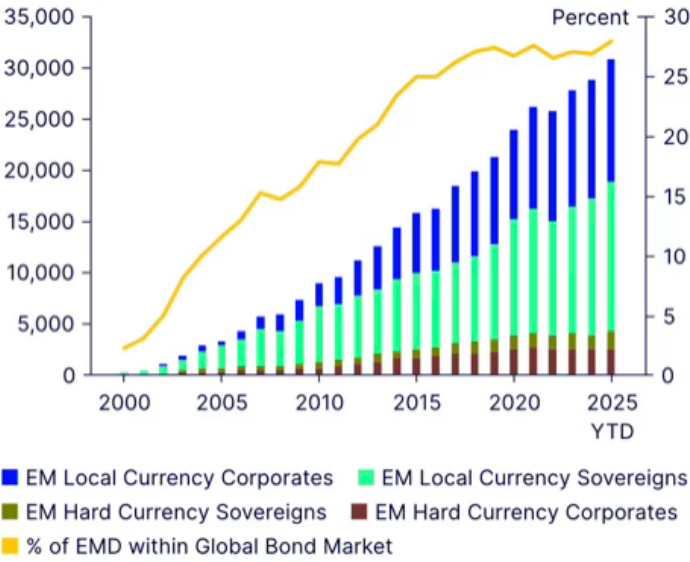
Five-year volatility of these macro funds dropped dramatically from last year's 10.4% to 5.9%, due in large part to the elimination of the pandemic year from the calculus. (This was also why the worst drawdown was cut in half from -10.4% to -4.9%).

This helped send 5-year trailing Sharpe ratios up from 1.7 to 1.9, while market correlations remained negative.

Emerging Markets

As Global Investment Report has been reporting for several years, hedge funds targeting emerging markets have

Figure 2: EMD market expansion since 2000 (in USD)



Source: State Street Investment Management, JP Morgan, Bloomberg Finance L.P., Bank of International Settlements, as of June 30, 2025.

“Expansive military spending in the US, Europe, Japan, and elsewhere will reverse several positive trends, contributing to greater inflation in the near term and limiting central bank rate cuts. Down the road, I worry that the further buildup of long-term debt will crowd out some of the investment that supports growth.”

- Christopher Smart
Arbroath Group

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WINTON MULTISTRATEGY

Topping the Market Over Three Decades



Simon Judes, CIO

of the great industry runs, delivering 11 straight profitable years with annualized gains of 19.4% through 2008. In that year, when global markets were collapsing around the financial crisis, Winton soared 21%, outpacing the S&P 500 by 58 percentage points.

This helped push firm assets to \$16 billion.

Supporting that run was Harding's decision in the early 2000s to expand the program

Launched nearly three decades ago by scientist and systematic investing pioneer David Harding, London-based Winton is one of the world's oldest and most well-known quantitative managers. From the fall of 1997 through December 2025, Winton's flagship program has bested the S&P 500 Total Return index with annualized returns of 10%.

An enduring commitment to research and improvement has defined Winton from the start, enabling it to constantly evolve. This is a rare quality evident by the average hedge fund life expectancy being less than five years.

Still, few hedge funds have had a less auspicious start.

Winton was struck by a tsunami right out of the gate when in October 1997 it ran into the Asian financial crisis, which then morphed into a global emerging market crisis.

The program lost -13% in that first month. But the fund's trend-following strategy quickly recovered and ended the 4th quarter up 3.5%.

From that point on, Winton went on one

into a more diversified Commodity Trading Advisor that traded more and different types of signals and asset classes. These included fundamental macro signals, OTC-traded markets, long-short equities, and Chinese commodities.

Pandemic Shock

But in the aftermath of the Great Recession, Winton experienced uneven performance as its large exposure to trend-following strategies struggled to deliver consistent returns. In the 11 years leading up to the outbreak of Covid, the program had four down years, each less than -5%, two years of double-digit gains that averaged 14%, and the rest were modest years of single-digit returns.

In 2018, to help improve performance, Winton again recalibrated, further diminishing the weight of trend-following and expanding equity market-neutral and macro strategies as the program evolved into a more diversified multistrategy product.

But a key issue remained: Reliance on slower responding historical models were increasingly out of sync with accelerating changes in markets, and fiscal and mon-

etary policies as the pandemic took hold in 2020.

"The program's longer-term directional macro signals," explains James Gilbert, a veteran member of Winton's leadership team, "were on the wrong side of the market throughout most of the year." Winton went into the first quarter with long exposure to equities, emerging market currencies, and energy. It then pivoted to short exposure to energy, metals, and equities, expecting economies and markets to continue to struggle with no clear mitigation of the pandemic in sight.

This proved costly as massive government stimulus quickly turned equity sentiment giddy, well before there was evidence of economic recovery or that the pandemic was easing.

Winton lost -20.6% in 2020, which concluded a sharp decline in firm assets from nearly \$34 billion in 2015 to \$7.3 billion in late 2020.

But according to CIO Simon Judes, Winton learned two key lessons from that year.

One: The program was still overly reliant on slow-moving directional macro strategies. They had been profitable over the preceding decade, but "they were unresponsive to the external shocks and stimuli to which markets were reacting," recalls Judes. "So we reduced our exposure to these strategies, increasing our weighting to more responsive models that were better able to navigate this environment."

Two: Winton was also insufficiently diversified to navigate a global financial environment dominated by a single factor—Covid. So, management rapidly expanded its focus to new asset classes, non-directional strategies, and faster models that target higher

Sharpe ratios. These factors incorporated credit, macro relative value, and statistical arbitrage strategies, respectively.

This year, Judes estimates that 40% of the program's risk is allocated to strategies developed since 2020. Macro-trend following, which had accounted for the vast majority of risk exposure for many years prior, has been reduced to 20%.

These changes have helped Winton perform more consistently.

From January 2021 through December 2025, this new approach helped cut historic volatility in half to under 7%. The program's worst drawdown since inception was nearly -26%. But over this more recent period, it never exceeded -4.1%.

All this helped fuel five-year annualized gains of 10.7%, which was double the returns of the BarclayHedge Multistrategy Index over the same period.

These improvements nearly doubled Winton's 5-year Sharpe ratio to 1.08, while its market correlation of -0.31 was the third-lowest in the Top 50.

This helped Winton rebuild its asset base, which has doubled since the low hit in 2020. By the end of 2025, the firm was managing more than \$14 billion. And its multistrategy program was running \$4.4 billion.

Its divergence from the market continued though the first quarter of 2026. While the S&P had lost more than -4%, Winton rallied 7%—the fourth-best performing program in this year's Top 50.

Most of the program's first-quarter gains were driven by technical energy models and equity market-neutral strategies along with mid-frequency and relative value macro strategies. Exposure to energies was scaled back after the strategy realized sharp gains. Performance was slightly nicked by credit pair trading and statistical arbitrage strategies.

Into the Top 50

Winton's initial ranking in the Top 50 reflects success in controlling risk and restraining volatility, achievements that the firm credits, in part, to its response to 2020 and the successful multi-year transition of Winton's investment leadership from Harding to Judes.

Since the beginning of 2021, Winton has been run by an executive management team, which includes Judes, Gilbert, and four other senior leaders. Harding remains chair of Winton's board.

This improved resilience of the 34th-ranked manager was epitomized in 2022 when economies and markets were hit by commodity shocks triggered by Russia's invasion of Ukraine. This exacerbated rising inflation and interest rates fueled by residual supply-chain issues caused by the pandemic.

Winton turned its fixed-income book short toward the end of 2021 as it saw rising inflation and the growing likelihood of central bank tightening. The multistrategy's long commodity exposure appreciated. And market-neutral equity exposure kept the program from getting clipped as the market sold off.

Winton's 17% gain outpaced the S&P 500 by 35 percentage points.

A Winton Veteran

Having been with the firm since the financial crisis, Judes understood Winton's DNA and how it could be further refined. He did so by bringing a different mindset shaped by undergraduate degrees in physics and philosophy from Oxford and a PhD in physics from Columbia University.

"Physics is not so surprising an attribute," explains Judes, "because when I first got started in finance in 2008, hedge funds and banks were often looking at science students who might have an edge in identifying quantitative links between things."

As for his philosophical grounding, Judes believes that helps him better distinguish strengths and weaknesses of different arguments, with an eye focused on "first principles."

A case in point: What to do when assumed diversity of performance across various markets breaks down? "We've seen many instances," he explains, "when asset classes that are supposed to respond in a certain way to macro events simply don't."

Examples include early 2023 when rising inflationary worries that had been sending stocks and bonds in the same direction were replaced by a potentially new banking crisis that caused equity prices to fall and bond prices to rise.

In August 2024, markets suddenly panicked when the Japanese Central Bank nudged up overnight rates in response to inflation. This triggered a global unwinding of carry trades. And when President Trump initially announced his tariff plans in April 2025, asset diversification didn't spare investors from a sharp selloff.

Helping to further improve the firm's response to risk, Winton is constantly refining its proprietary stress tests, which include more events that trigger a sudden change in asset correlation.

Another distinction: Judes likes having Winton's talent interact with one another. Unlike many quant shops that isolate analysts and managers, Judes prefers that the program's core team is all together in London, not siloed off in pods. This encourages dialogue, provokes creativity, and helps Winton to continue to evolve.

Perhaps the most compelling tailwind, argues Judes, is that the quantitative, systematic approach to fund management seems especially well suited to distinguish between signal and noise in an environment increasingly influenced and shaped by artificial intelligence.



Source: Bloomberg

collectively been on tear with assets of \$276 billion at near record highs, according to HFR, a leading alternative database.

Several factors that continue to drive performance include structural improvements in sovereign debt markets and corporate restructurings. Growing macro and geopolitical uncertainty have increased volatility and opportunities.

Another systemic driver of returns: the limited amount of active fund assets investing in emerging market credit relative to the actual size of the EM debt market. J.P. Morgan estimated that as of fall 2025 that asset class had exceeded \$31 trillion.

This year's survey found EM fund count declined from seven last year to five, all of which are credit focused.

Last year's 11th-ranked Abu Dhabi-based FIM MENA, a regional equity fund, didn't make the cut this year due to flat performance in 2025. This year's 10th-ranked FengHe Asia, which has made this survey for six straight years, changed its status to Asian equity long-short.

Despite this reduction, five-year annualized returns held steady between last year's and this year's report, drifting down only slightly from 13.5% to 13.3%. This was a full eight percentage points better than the BH EM strategy returns.

Worst drawdowns over the same period improved dramatically without 2020 in the mix, moving from -17.1% to -11.9%. This allowed volatility to ease from last year's 11.1% to 8%. And this helped boost the strategy's Sharpe ratio from 1.1 to 1.3.

Collectively, these five emerging markets funds produced a lower market correlation, 0.32, than what the previous seven had recorded last year, 0.42.

Multistrategy

With uber-sized multistrats finding it increasingly more challenging to effectively deploy massive sums (especially with other managers often chasing comparable ideas) and with the costs

of PM talent skyrocketing, many appear content limiting risks and returning capital. This was apparent to Citadel's Ken Griffin back in late 2024 when he said that the heyday of explosive multistrategy growth is history.

This doesn't mean this strategy has lost its ability to generate compelling returns. This year's survey has seen the number of qualifying multistrats jump from last year's count of 9 to 13. The group is still generating double-digit returns with five-year annualized gains of 12.2%, nearly seven percentage points higher than the BarclayHedge Multistrategy average.

But it was more than a full percentage point decline last year's five-year trailing returns of 13.3%.

This year's newcomers are quite a bit smaller than the likes of Citadel Wellington, D.E. Shaw Composite, Point72, and Millennium. As of the end of 2025, Winton (profiled in this year's report) was running \$4.4 billion and Whitebox Multistrategy was managing \$3.2 billion.

Assets in RBC's PH&N Absolute Return fund and Wexford Spectrum are under \$1 billion. While the former generated 9% annualized returns over the last five years, Wexford's gains were running at nearly 14%, which

is due to last year's remarkable return of nearly 38%—besting every other manager in this year's Top 50. And it boosted Wexford's ranking to No. 15.

Volatility declined from last year's multistrat averages (5.9% versus 4.9%) due in part to lower worst drawdowns (-9.0% versus -3.8%). Sharpe ratios, which remained robust, declined from 2.2 to 1.7, perhaps suggesting slight erosion of the strategy's edge.

The most intriguing data point: Five-year trailing correlation declined from 0.26 to 0.06, reflecting managers' search for increasingly uncorrelated performance.

RISKS AND OPPORTUNITIES

Allocators and asset managers remain cautiously optimistic about markets.

The four hedge fund managers interviewed in this year's report share a more agnostic view, believing it's more effective to respond to what data and markets are telling them, rather than trying to anticipate their behavior.

Broader corporate and investor expectations, however, are unmistakably positive.

The Business Roundtable CEO Economic Outlook survey of 167 executives, conducted through the first

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Why Some Good Funds Didn't Make the Survey

The reason why most hedge funds don't qualify for this survey: They aren't very consistent.

Within the narrow universe of really good managers, a number don't qualify because we can't see their returns. For funds that can be tracked and don't make the Top 50, it's because they don't meet all the thresholds.

Several venerable managers that regularly made the survey didn't make the cut this year.

Blue Diamond Non-Directional is a Swiss-based statistical arbitrage shop with \$2 billion. It's been around since 2011 and has steadily risen in the survey's ranking. Last year, it was No. 23 with 5-year annualized returns of 13%. Since inception through 2024, gains exceeded 14% a year.

But in 2025, it got tripped up by US tariffs. It spent the rest of the year rallying just to get back into the black, returning less than 3%, below the survey's 6% threshold.

The \$330 million Houston-based hedged equity manager Voss Capital Value was a top-10 fund since it first qualified in the 2022 survey. Its annualized returns since inception in 2011 were over 18% through 2024. The trailing 5-year annualized number was more than 20%. But last year it lost -3.6%.

Other funds that dropped off the list include multistrategy Hudson Bay and Mariner Atlantic. Both are proven managers that have been around for decades. But single-digit 2025 returns kept their trailing 5-year trailing performance from ranking within the Top 50.

Three managers that have never made the list, but look compelling, include Jeremy Zhu's \$313 million TCW Sepulveda Long/Short Equity fund. The Los Angeles-based shop has delivered annualized gains of 10.4% since it was launched 20 years ago, and has generated double-digits gains over four of its last five years. But in 2023, it failed to meet the hurdle rate of 5.6%, with gains of only 4.4%.

Zhu's Value Focused fund has been an exceptional performer running a greater concentration of his best long ideas contained within his flagship offering. With fewer short positions, the fund has a higher net-long profile. Its 5-year trailing annualized returns are nearly 19%. But fund assets of only \$42 million are well below the survey's \$300 million threshold.

Two Seas Global, an event-driven fund with annualized returns exceeding 26%, has been generating among the highest gains of any manager in the Top 50. Sina Toussi's Rye, NY-based fund is running \$2 billion. But it fell two months short of the five-year minimum performance record necessary to qualify for inclusion.

Chris Hentemann's 400 Capital Credit Opportunities, a \$2 billion asset-based lending fund, has been generating annualized returns of 10.4% since its launch in early 2009 with volatility of just 7%. Its worst drawdown occurred over the first two months of the pandemic when valuations were tagged. But it still managed to eke out a gain of 1.8% in 2020. The New York-based fund missed out on being ranked because in 2022 it was down -5.66%, just 66 bps below the hurdle rate for that difficult year.

COMMENTARY: TO DEFEND EUROPEAN SOVEREIGNTY, CLOSE UKRAINIAN SKIES

by Eric Uhlfelder, 15 June 2026

The Russian-Ukraine War will last longer than World War II. That’s unimaginable. With the US policy having turned away from Ukraine and NATO, Europe must commit to a different strategy to hasten the end of hostilities and to better protect itself going forward.

Ukraine’s recent progress on the frontlines is now fueling threats from Moscow of expanding the war beyond Ukraine. Greater European engagement in the defense of Ukraine will enhance its own security, while signaling to the Kremlin that meddling in European affairs and violating its airspace will be met with force.

It will also signal to the US that European sovereignty isn’t selective and that it will be defended on both sides of the Atlantic.

The proposed strategic option, described below, didn’t garner sufficient Western support at the start of the war. Leading military experts are now behind closing western Ukrainian skies. It’s time to do just that.

The Fifth Year of War

Though receiving scant media coverage for several years, the Russian-Ukrainian war is akin to a massive forest fire burning on the edge of Europe.

- Over 125,000 Ukrainians have been killed (excluding civilians who’ve died from the lack of heat, medical care, and malnutrition); and over 400,000 Ukrainians have been injured;
- Over 236,000 homes in Ukraine have been destroyed--13% of the country’s housing;
- The war has triggered the

largest European refugee crisis since WWII, with over 6.7 million refugees worldwide and 3.7 million internally displaced as of early 2026;

- Over 600,000 acres of Ukraine’s forests have burned;
- Over one million acres of Ukraine are littered with land mines;
- More than \$300 billion in Western financial and military aid has been funneled into Ukraine; and
- Europe’s largest nuclear power plant is in the middle of a warzone.

A New Strategy

The prevailing message of most leaders on both sides of the Atlantic is the West can do little to change the trajectory of the war until Russia and Ukraine sort things out for themselves.

That’s just not true.

In addressing the Ukrainian peace talks that took place earlier this year, Dmytro Kuleba, the former Ukrainian foreign minister and a senior fellow at the Harvard Belfer Center, made a simple point that most other observers have failed to acknowledge: Changing the underlying balance of power is essential

to achieving peace.

The recent decision by the European Union to indefinitely freeze Russian assets and to collateralize loans against them to aid Ukraine is a promising move after years of paralysis about what to do with this treasure.

But it comes painfully late after years of Russian atrocities, increasing drone and fighter jet incursions across NATO air space, intensified bombing of Ukraine since President Trump returned to the White House, the president’s exclusion of Europe from peace negotiations, and US posturing to lay claims



Bakhmut

Credit: New York Times

on these same Russian assets. We should be under no illusion: Europe’s latest financial plan alone will only help to finance Ukrainian resistance to Moscow and perpetuate the status quo. A change in the battlefield is the only way to bring about

a desirable peace.

Ukrainian advancements in drone technology and deployment along with Russia’s loss of access to Starlink satellite positioning data have seemingly turned the war’s momentum in Ukraine’s favor.

But it’s too early to know how long this advantage will last or if Russia may close the technological gap as it ramps up its own production of drones.

According to Sweden’s Defense Minister Pål Jonson, “The security environment

in Europe has deteriorated during the last 24 months. And we see a greater inclination from the Russian side to take greater operational risks.”

Former US Ambassador to Russia Michael McFaul reminded me that the West

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had considered establishing a No-Fly zone in western Ukraine soon after the Russian invasion in 2022. But there wasn't enough support to do so.

With Kyiv's approval, NATO should do just that with European funding for Ukraine paying for a large chunk of this deployment.

James Stavridis, a retired US Navy admiral and former supreme allied commander of NATO, knows, "establishing a no-fly zone is a very aggressive move, and it carries real risk of further escalation." But he also believes NATO has the resources already in place to do so, and given "Putin's recklessness, ruthlessness and intransigence . . . we have arrived at the time to close the skies over Ukraine."

In doing so, European forces would need to voice with absolute clarity their rules of counter-engagement if their defensive systems are attacked. And the Kremlin needs to get that message.

The former Deputy Supreme Allied Commander Europe and Four-Star British General Richard Shirreff, agrees with Stavridis. Moreover, he argues that those who

fear direct Western military involvement could lead to a much wider war are not seeing what's really going on. "There's a real risk of conflict expansion if Russia isn't stopped now," explains Shirreff, and the only way to stop Russia is to defeat it on the battlefield."

Reinier van Lanschot, a Dutch member of the European Parliament, recently told me that, "There is so much more we can do, from protecting Ukrainian skies with our own air forces to supplying Ukraine with deep strike capabilities. But the political will to do so is not there, yet."

With portions of Europe lurching to the right, many leaders are reluctant to take such a bold step. But their recent commitment to rebuilding national militaries should be married to bold defensive action, which could galvanize popular support.

In speaking about finance in a post-World War II order that we're now in, ECB President Christine Lagarde says as a rule, "Europe believes in collective action. It can be a very efficient tool. And it may be that Europe has a

leading role in that regard." To have weight, that leadership needs to extend beyond finance.

To help claim their place in this new order, European leaders should deftly cultivate public support, explaining it's in their own self-interest: The most efficient way of bringing the war to an end and the best chance to of lowering risks of future conflict with Moscow.

Eurasia Group, a leading geopolitical consultancy, believes "Putin's desire is to undermine Western democracies and provoke chaos in the Western alliance system and to undermine the U.S.-led global order. Russia will take hostile, asymmetric steps against EU countries—particularly those on the front lines—as they continue to support anti-Russian policies."

The head of Britain's Intelligence Service MI6, Blaise Metreweli, says Russia poses an acute threat to the West, plotting arson and sabotage operations, assassinations, and cyber and drone attacks across Europe.

Extending even an imperfect shield over western Ukraine would be a huge morale

boost for the country. It would help Kyiv refocus its manpower and weapons to the east, where the main fighting is, while helping to protect critical Ukrainian energy infrastructure. And it would save lives.

Another benefit: It would encourage Ukrainian expatriates to return home to support Ukrainian businesses and the war effort, and bring family members closer to those who are fighting. This would enhance the country's economy, finances, and ability to sustain critical international financial support.

Further, it would help protect the growing number of European defense business ventures inside Ukraine, some of which are key players in helping protect Middle East nations.

Russian nuclear bell ringing would surely follow such an announcement. Standing up to this threat is the only way Europe can prevent Moscow from playing this card every time it wants something. Holding the line in this way is essential to forging peace.

Ukrainians alone will remain on the frontlines supported by the continued flow of Western weapons.

No policy guarantees success. But this move would shock the World War I-like slog into which the war has devolved and send an unequivocal message to the Kremlin that resets the calculus of war on all sides. There would be little Russia could do about it save risking a major escalation of fighting, which will not end well for Moscow.

This move would reverse the continent's tendency to shy away from Russian intimidation, motivating Europe to start making its own demands on Moscow, supported by most of the civilized world, serving as a potential model for how the West should respond to future threats.

The celebrated 20th century English philosopher Aldous Huxley put it perfectly: "Reality cannot be ignored except at a price; and the longer this ignorance persists, the higher and the more terrible becomes the price that must be paid."

Eric Uhlfelder has written extensively about European markets and geopolitics and wrote one of the first books on currency union entitled, "Investing in the New Europe," Bloomberg Press.

HEDGE FUND INVESTING DURING A TIME OF WAR

This was the title of the [2022 Global Hedge Fund Survey](#). Its introduction focused on the likely near-term impacts of the Russian invasion of Ukraine and projected what Western actions would be necessary to preserve Ukrainian sovereignty.

Niall Ferguson contributed a prophetic observation: "After the first five weeks of war notable for the heroic success of the Ukrainian defenders against the Russian invaders, I still cannot quite rid myself of the uneasy feeling that this is merely the opening act of a much larger tragedy."

The report assessed the initial geopolitical shocks to global economies and markets, which were dismissed by many investment professionals who thought the war would be short-lived.

We observed what most commentators were not seeing: "a de facto world war with a united West pursuing the most comprehensive intervention without troops ever pursued against a major power." And it was clear back then that sanctions, transfers of weapons, and monetary aid alone would not likely be enough to end this asymmetrical war.

Major conflicts rarely get effectively resolved without allies joining militarily to end them.

While none of the warring factions in the Balkan Wars of the 1990s possessed nuclear capabilities nor massive armies, there are some compelling parallels to Ukraine: a large imbalance of power, ferocious and relentless fighting that targeted civilians, ethnic cleansing, a major refugee crisis, and large numbers of casualties.

The massacre at Srebrenica where 8,000 Bosnian men and boys were slaughtered was a tipping point.

Gilbert Reid, a Canadian diplomat working in Italy around that time, wrote: "If great nations abdicate responsibility for the peace of the world and the survival of its peoples to powerless negotiators, the result will be more tragedies like Bosnia and Croatia . . . This is an indelible shame for the West; an ominous indication of the future."

When NATO decided to intervene militarily, which didn't involve boots on the ground, it soon brought the warring factions to the negotiating table. This led to the Dayton Agreement, which has largely held. The same sequence played out several years later in Kosovo.

Two notable takeaways from the wars: NATO came to the aid of non-member states, and Russia helped facilitate peace once NATO committed itself to military intervention.

Christopher Smart Fears Turbulence Will Remain Even After the Strait of Hormuz Reopens



Arbroath Managing Partner Christopher Smart

A leading geopolitical strategist expects instability and volatility to continue buffeting economies and markets for the rest of the year due to the war in Iran and mercurial US leadership. This will create risks and opportunities across various economies and industries as markets respond to geopolitical events and energy supply chain disruptions.

While major shocks create long and short investment opportunities, Christopher Smart contends geopolitical tears will trigger slower moving changes, like shifting tectonic plates, that can dramatically alter future economic growth and market behavior. Below, we explore what all this may mean.

Thanks for joining us, Christopher. Please handicap near- and medium-term effects the war is having on energy.

Pleasure being here, Eric. Gasoline prices are likely to stay higher for longer, adding to the stress already being felt by middle- and lower-income households as higher costs for petroleum-based goods and transportation of these goods further push up prices.

We're seeing the most significant impacts

on jet fuel prices, which had doubled before easing a bit. This is interrupting global airline travel. Lufthansa announced cuts of 20,000 flights, United axed 5% of flights, and Delta 3.5%. Even if the conflict completely ended tomorrow, this issue will likely be with us through the rest of 2026. And if peace isn't restored by mid-summer, these issues will extend well into 2027.

But what's also interesting is seeing how countries and companies have adapted to the loss of Gulf oil. There's some demand destruction and rationing, but there are also signs of buyers finding alternative sellers in Brazil, Malaysia and elsewhere. It's a big shock with some very localized

pain points, but it may not be the catastrophic outcome many of us initially feared.

Hasn't this already reached a critical stage in Europe and Asia where most energy is imported?

Yes. More restricted energy supplies are already slowing growth in many foreign economies by driving inflation, increasing production costs, and constraining supply chains. The Eurozone, Asia, and emerging markets face the steepest challenges. The silver lining is green energy initiatives are getting a boost, even in the US where federal policy has pushed back against them.

Ironically, while the US triggered these shortages when it launched the war, America's vast domestic energy supplies and its generally inward-facing economy have helped cushion the most severe impacts.

Will energy shortages materially affect GDP and investors?

It seems to me that's where we're heading, even if things get resolved fairly quickly. This is already evident in growth estimate downgrades, but it's still hard to know how much

growth will be hurt.

Investor complacency has sustained overall equity valuations, supported by a resurging support for tech shares. But I don't think institutional patience is unlimited and if supply shocks cascade beyond current expectations, we could be in for a material selloff.

Shocks like this can accelerate corporate mergers, most likely involving struggling entities with weak balance sheets that already have been considered for acquisition. Target industries include transportation, hospitality, and tourism.

Even though the rally is AI-driven, equity markets around the globe are hitting record highs. How do you square that with so many clear and present risks that could get worse?

Markets are always very focused on earnings and inflation. Inflation is clearly ticking up in the US and earnings remain healthy. AI capital investment is doing a lot to keep the economy strong, but unemployment is also low and consumer spending is steady. If there is a more serious energy shock, I think investors believe the Fed has the tools to contain it.

Beyond the Iran conflict, what broader macro and geopolitical risks concern you most?

The defining feature of the next decade will remain the rising tension between the US and China. Trump and Xi have chosen to calm relations for now for their own domestic purposes. Their summit went well in the sense that it established a framework for further dialogue and they are due to meet again three more times this year. Still, inevitable tensions remain over a host of issues: US technology, Chinese rare earths, the US budget deficit, and the Chinese current account surplus.

Regional tensions in Europe are likely to increase, too. Japan's militarization is raising

eyebrows in North Asia. India and Pakistan will continue to square off in South Asia.

At the same time as these geopolitical risks are rising, many governments are being forced to confront significant demographic changes with expanding older, dependent populations and shrinking, working-age populations.

Then there's AI, which will disrupt business models and government finances in ways that are hard to predict.

Has the administration's deemphasis of expertise and experience in critical leadership positions factored into the US having become an increasing source of risk?

The president's decision-making process seems to rely less on expert advisors, and this may have played a role in the US going to war with Israel against Iran. US policy has become less predictable and cuts to the National Security Council and State Department staffs have not helped.

Despite the widespread damage the US has inflicted on Iran, I doubt the president will secure better terms than the Obama administration's 2015 agreement. These are also extremely complicated issues to negotiate and experts need to be involved in the details. Deal monitoring requires a great deal of patience, sophistication, and expertise. Unfortunately, these qualities are not in ready supply in the current administration.

Furthermore, agreements must be able to survive leadership changes on both sides, to ensure differences get resolved. Without folks who understand history, technology, and economics, these deals can fall apart.

Back in the 1960s, New York Senator Robert F. Kennedy eloquently cited the limits of US military power to bend countries to our will. There are threads linking the 1960s with today: an unpopular war, growing concentration of executive power, declining trust in government, surging political violence, and an expanding wealth gap. Are these meaningful parallels and if so, what might they portend?

I'm not sure. But it may be worth considering that those who thought we couldn't recover from the 1960s were proven wrong. I believe we'll see a similar response in the years ahead. This includes a new Congress that reasserts its role in American government to help restore trust, checks and balances, independent regulators, and judicial review. And I expect to see a renewed trust in science, research, and universities. These qualities are at the heart of why people invest here, creating the world's most innovative companies. That contributes to robust economic growth and underpins the dollar's safe haven status. None of that is guaranteed. But the country has overcome many crises in its history, and as Joe Biden used to say, don't ever bet against the United States.

Please discuss concerns you have about continued fracturing of the Western Alliance, most recently marked by the failure of the US not consulting allies in planning and executing the Iran war. What happens if ally cooperation continues to erode?

After a century of mostly working together, much of Europe doesn't feel like it can count on the US as a reliable political, economic, and defense partner. Europe is turning inward to enhance coordination and implementation of policy across the EU, especially for defense. And I think this will lead to greater European political cooperation, which will be a good thing.

It's uncertain how long it will take before there's evidence of coherent European foreign and security policies. But with much of the continent united against Moscow, we'll likely see increased defense spending, further support for Ukraine, and resistance against unacceptable peace terms foisted on Kyiv.

The US relationship with Europe will continue to evolve, with the continent growing less dependent on the States. That said, I still can't imagine the two being fundamentally at odds with one another.

Is Moscow a systemic threat to Europe?

For now, yes. Ukraine has responded admirably, and Kyiv will be an important player in shaping the future of Europe's defense. But

the continent is just learning how to respond to Ukraine and Russia with declining American aid. This will include building up more logistical support and enhancing intelligence capabilities. But it will take years for the credibility of European security guarantees to match what might've been possible with US cooperation.

Would some form of direct European military assistance to Ukraine, such as securing western Ukrainian airspace, help establish such credibility?

I'm not sure. The problem with a European-only initiative at this moment is that the continent always responds more slowly than one would hope. But NATO will not disappear, and US baseline support under President Trump will likely remain. I believe that includes backstopping Europe if necessary.

Do you think President Trump's decision to allow Russia to sell oil will fracture the sanctions wall that Europe has helped impose at great cost to its citizens?

Over the near-term, I don't think so. Europe has become much more hawkish on sanctions than Trump..

If the peace dividend that started being paid in the aftermath of the fall of the Soviet Union contributed materially to our decades-long equity rally and falling rates, does the sharp global resurgence of defense spending threaten to restrain economic and equity growth?

The peace dividend was important. But there were other structural changes that were playing out at the time that arguably were even more important. They included the opening up of trade with China, the collapse of Communism in Eastern Europe, and the expanding savings glut in Asia. This helped boost demand and while keeping inflation low. That was all very positive for economic growth and lower interest rates.

Expansive military spending in the US, Europe, Japan, and elsewhere will reverse some of these trends, contributing to greater inflation in the near term and limiting central bank rate cuts. Down the road, I worry that the

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Christopher Smart Interview continued from p. 34

further buildup of long-term debt will crowd out some of the investment that supports growth.

Ray Dalio is concerned that increasing global remilitarization and the breakdown of post-World War II order are increasing the chances of the world entering another period of large-scale war. Any thoughts on this?

Ray Dalio is a thoughtful observer and surely a talented investor. But I think he sometimes describes trends as a part of an inevitable order that doesn't always neatly play out. History does a lot more rhyming than repeating. I'm not sure we're necessarily heading to another world war. I think Ray's thinking may be too mechanical in suggesting there is no way to avoid this disaster.

OK. But large-scale remilitarization isn't a benign sign. Rather than discouraging conflict, armies that are built up often are deployed as aggression tends to beget aggression.

Yes. It's never a good thing when governments are spending money on armaments rather than economic development. Still, there's nothing inevitable about the next phase of geopolitics we are entering. Leaders can make choices that lead to better outcomes, especially when their economies are so interdependent. They may make bad choices, but nothing is inevitable.

There's an ever-growing need for effective diplomacy to help resolve existing wars and brewing conflicts. Are we seeing a reduced emphasis on problem solving or are diplomatic corps still fairly robust and we are simply in a more bellicose time?

There's a lot of turmoil at the US State Department, but I think that's a temporary phenomenon. Most of the additional military

spending in the world has to do with shifting alliances and threats. The combination of a renewed threat from Russia and a reorientation of US priorities clearly has everyone's attention in Europe. Japan is increasingly worried about China's growing navy. I'm not sure the world is turning away from diplomacy so much as hoping to have a back-up plan just in case.

Factoring in AI-driven borrowing demands, can capital markets absorb rising government debt without pushing up rates?

While there has already been a significant round of AI debt issuance, many big tech firms are self-financing. I believe this leaves enough capacity to finance additional AI demand without driving interest rates higher. The larger concern is the timing of revenue creation from these AI investments and whether these streams will be sufficient to service the debt in the years ahead. Rising government indebtedness presents a separate problem, because political leaders refuse to raise taxes that would help stabilize deficits and debt levels. It's hard to know when a crisis may be imminent, but it's clearly a problem to watch.

Are you concerned that private credit risk could damage debt markets if private funds continue to struggle?

We're clearly seeing a downturn in certain sectors. But several factors may mitigate the risks. First, endowments, pension funds, and insurance companies — key investors in private markets — have very long-term horizons and many will see falling prices as buying opportunities. That should reduce the odds of cascading defaults tipping the economy into recession. Second, private credit markets are relatively small compared to the broader banking system and investment-grade bond market and unlikely

to pose the same systemic threats that subprime lending did in 2008.

Where do you see short- and long-term rates heading this year?

Short-term rates will probably continue to edge higher as prices continue to rise and the conflict adds uncertainty. In this environment, the Fed will find it hard to cut rates. And now there is growing concern that the Fed may be forced to push rates higher. Longer-term rates may rise, however, there may be a limit on how far they rise as recessionary fears re-emerge.

Are you concerned the new Fed chairman will have trouble sustaining the bank's independence?

Not yet. The president's attacks on Chairman Powell haven't been helpful. But I don't think markets are worried that near-term Fed behavior is contingent on a call from the White House. As I just mentioned, I think Chair Kevin Warsh will have a hard time pushing rates lower when inflation is steadily rising.

What's the likely outcome of the mid-terms?

The House will likely turn Democratic with the Senate a toss-up. The president will have less leeway to get legislation passed, and investigations into the executive branch will further clog up deal making. So, I don't expect much legislation will get done as politicians increasingly turn their focus to the presidential race in 2028.

Thank you Christopher for quite a tour of major domestic and global issues. Hopefully, we can follow up with you in the second half of the year to see how many of these matters are playing out.

Eric Uhlfelder, June 2026

two weeks in June, captured this sentiment.

Though CEOs believe hiring will likely remain constrained for the rest of the year, they think capital investment spending and sales growth will be robust, running at levels not seen in four years.

Business Roundtable Chair Chuck Robbins, Cisco's chair and CEO, is concerned that consumers and businesses continue to face headwinds. He thinks, "Washington can help build confidence and drive growth by extending the U.S.-Mexico-Canada Agreement, modernizing the permitting process, and adopting a federal framework for AI regulation that protects US technology leadership."

These positive findings may even be a bit understated, having come out a week before the US and Iran released their joint memo of understanding.

Straits of Hormuz

The conflict that triggered the swoon in stocks and bonds in late winter and stressed the global economy has not been remedied.

The current accord between the US and Iran will likely ease financial strains over the near term, but it's setting the stage for greater uncertainty. Instead of a nuclear capability it has been

coveting, Iran now possesses perhaps an even more potent demonstrated global threat in controlling the Strait of Hormuz. Its closure has already cowed a Super Power.

Eurasia Group's Ian Bremmer and Firas Maksad put it simply: "The cease-fire does not mark the end of this chapter of conflict and regional division in the Middle East; it is instead driving a geopolitical realignment along new fault lines."

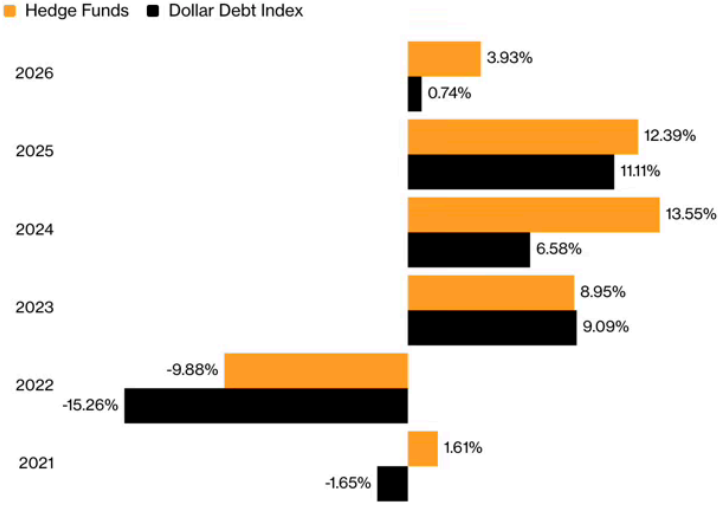
Believing Iran is now in a stronger strategic position, they predict a more polarized and fractured Middle East.

This leading geopolitical consultancy argues that the war (i.e., President Trump) has, "accelerated the collapse of the US-anchored order that held the Middle East together for decades. That arrangement kept oil flowing, rival powers out of the region, and Washington the broker of everything that mattered, from Iranian containment to the more recent Arab-Israeli normalization process. It was already fraying before the fighting started. The war broke it."

We saw a similar break when the Kremlin decided to challenge the post-World War II order by invading Ukraine in 2022, causing a major realignment of trade and energy flows that now

HEDGE FUNDS BEAT EM INDEX RETURNS

EM-focused hedge funds have generated higher returns than dollar-debt index for developing countries



Note: Shows full-year performance except this year that shows Jan. 1-April 30 period's performance

Source: Bloomberg

has become the status quo. And the chances of Russia and Ukraine reaching a near-term detente is even more remote than the US and Iran. (See sidebar on Ukraine pp. 29-32.)

These developments, according to Ray Dalio, are likely to increase disorder and conflict. (See his thoughts on p. 3.)

Despite palpable chaos triggered by reduced energy flows since Iran closed shipping through the Strait on February 28, the International Monetary Fund and the World Bank believe improving energy efficiency has mitigated the shock.

The ability to respond to stress may be an evolving

hallmark of today's global economy.

Geopolitical strategist Christopher Smart, who spoke at length in our feature Q&A (pp. 33-35), has observed, "countries and companies are adapting to the loss of Gulf oil. There's some demand destruction and rationing, but there are also signs of buyers finding alternative sellers in Brazil, Malaysia, and elsewhere. It's a big shock with some very localized pain points, but it may not be the catastrophic outcome many of us initially feared."

Nevertheless, the impact of the war has cut growth expectations. Formerly

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Christopher Smart is a managing partner of the Arbroath Group, a Boston-based macro and geopolitical consultancy. He was chief global strategist and head of the Barings Investment Institute after a career managing international and emerging markets portfolios. In government, he served as deputy assistant secretary of Europe and Eurasia at the US Treasury, a special assistant to the US president, and senior director for International Economics at The White House. He was also a senior fellow at the Harvard Kennedy School of Government and at the Carnegie Endowment for International Peace.

While an undergraduate degree in engineering certainly suggests a desire to precisely understand how complicated things work, it doesn't necessarily portend a successful career in fund management.

But it did for Ashvin Murthy, who has generated a decade of remarkably consistent returns by investing across the global macro economy. And his success has fueled exponential asset growth.

A summer internship with Goldman Sachs in London led the young engineering student to merge his skillset with finance at Columbia University, where he earned a Master's in financial engineering.

This was then followed by several years as a policy analyst at Singapore's Ministry of Finance, from where Murthy hails, a half a dozen years fine-tuning his foreign exchange and interest rate trading skills in Singapore, London, and Zurich at UBS, and then three years in Hong Kong as the regional head of FX Options at Natixis.

Murthy headed back home to Singapore in 2016 where he set up a very disciplined macro fund with well-defined and repeatable goals.

These qualities became immediately evident after a review of key documents and an initial conversation with the firm.

Unlike high-rolling managers that recall legacy macro shops that wagered large directional bets on the British pound, precious minerals, interest rates, or stock indices, Murthy instead seeks to generate returns by focusing on patterns that periodically appear across market cycles.

This earned AVM Macro the 35th rank in this year's Top 50 of the world's most consistent managers. The fund has experienced low volatility and drawdowns, along with limited correlation to the market.

AVM's inaugural ranking was achieved with 5-year trailing annualized returns of 10.5% through December 2025, during which time the fund had only nine down months. Its worst drawdown of -3% happened in early 2022.

Murthy had expected equities to continue to

rally into 2022 on strong economic and EPS growth. He also thought inflation would peak in the second quarter, limiting the Fed's rate tightening cycle. Accordingly, AVM was long equities and duration.

The firm had underestimated labor shortages as pandemic lockdowns eased, which generated service inflation. The Russian invasion of Ukraine made things worse.

"We exited our long equity and long duration positions, which accounted for the drawdown," explains Murthy, "and pivoted our exposure going long the dollar and short duration."

The S&P 500 ended the year down more than -18% as the war in Ukraine collided with post-pandemic stressed supply chains, which collectively pushed up energy and commodity prices and fueled inflation and interest rate hikes.

AVM gained 2.3% for the year.

While many asset managers got tagged when Russian assets stopped trading in the West, AVM didn't write-down a single Russian investment. Murthy had stopped trading that market after the 2018 sanctions were imposed on Moscow.

Over the last five years through 2025, annualized volatility was less than 4%, Sharpe was 1.8, while market correlation was 0.26.

This period wasn't an aberration. It reflected continued improvement in execution.

Since the B-class share's launch a decade ago in March 2017 (five months after the founders' class started up), the fund's historical numbers pretty much tell the same story with annualized returns of 9.3%, a worst drawdown of -8.3%, volatility of 4.6%, and a Sharpe of 1.44.

Several key drivers are behind the fund's consistency.

The first is the fund only trades liquid strategies involving interest rates, currencies, equity indices, and commodities. It constantly monitors liquidity to avoid getting caught in temporary squeezes that can cause havoc.

Just as important, Murthy is market and geopolitically agnostic: "Our positions are

not initially shaped by what we think may play out, but on what various data points are collectively telling us."

This analysis helps the investment team shape and maintain three to four uncorrelated main themes at any one time. Each may last from 6 to 12 months. Trade duration averages 3 to 6 months, informed by disciplined profit-taking as targets are reached, or the triggering of stop-losses to allow the team time to reassess a thesis that has gone sideways.

"We also trade around core positions," explains Murthy. "There are times where we may trim our exposure to a profitable trade and add to a losing one if our conviction remains high and return outlook appears even more attractive. But if we're wrong, and we hit our stop loss, we will be quick to move on to the other profitable themes in the portfolio."

This approach has helped create a shock-resistant portfolio, evident when looking at the fund's performance during the S&P 500's five worst months since AVM was launched. They occurred between December 2018 and September 2022 when the market lost between -8.4% and -12.5%. The fund registered gains from 0.3% to 3.0% during these challenging months.

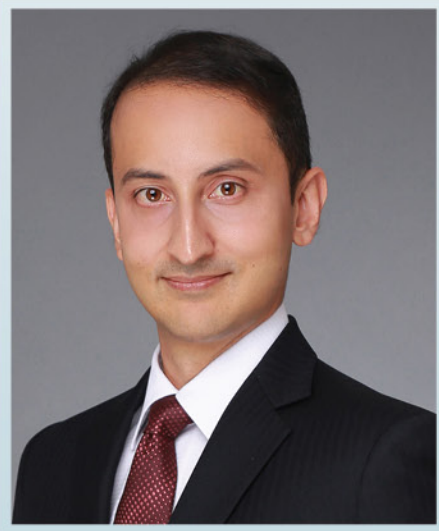
US Growth and Tariffs

Heading into 2025, Murthy saw mispricing on several fronts.

While US equity markets remained buoyant, "our leading indicators were pointing to

AVM MACRO

Engineering Profits



Ashvin Murthy, Founder

a meaningful deceleration in US growth. The dollar was elevated, short-dated US Treasury yields remained at relatively high levels, and markets did not expect the Fed to ease interest rates."

In seeing monetary policy divergence between the Fed and the Bank of Japan, AVM went long the yen against the dollar and bought short-dated US Treasuries. Murthy believed BoJ would continue to tighten while the Fed would likely cut rates as the US economy slowed.

It was also little secret that the new US administration was likely to institute a broad range of tariffs, which would put further pressure on domestic growth and investor sentiment. Murthy saw these as additional tailwinds.

President Trump's tariff announcement in early April, coupled with first-quarter negative GDP growth estimates, triggered a sharp fall in the dollar and US yields. This boosted the fund's return by 3.6%.

While the US was exporting confusion with tariffs, AVM saw that the European financial sector would not be significantly impacted. Attractive valuations and rising earnings expectations, especially in the banking sector, made it a compelling long trade.

Murthy was also constructive on emerging markets. He expected central banks to sustain their disciplined focus on inflation and debt that supported their currencies and attractive yield spreads.

These positions helped AVM realize its second-best year with gains of 14%.

Emerging Markets

Specific opportunistic plays periodically appear in certain emerging markets when there's a recurring cycle: monetary policy credibility breaking down, inflation then spiraling, and authorities eventually forced to adopt extreme tightening.

Murthy sees options markets offering attractive risk-rewards when the likelihood of recovery can be read before the markets recognize it.

During the early years of the present decade, Turkey's low-interest rate policy was fueling inflation that hit triple-digits. Ankara significantly depleted its foreign reserves trying to defend the falling lira.

By mid-2023, the newly appointed finance minister, Mehmet Şimşek, pushed through orthodox policies that hiked overnight interest rates from 8.5% to 50% over the following 12 months while also tightening fiscal policy, including greater restrictions on the country's minimum wage growth.

Ahead of the market, AVM bet in spring of 2024 the lira would reflate, believing the government would stay the course to recovery.

The fund invested 50 bps of NAV on inexpensive US dollar-Turkish lira digital put options that were to expire in December 2024. They were made cheap by high carry costs related to local interest rates and a forward rate that was still pricing in further lira depreciation.

The main risk: if the government pulled back on its restrictive policies.

That didn't happen. By October, two months before they were set to expire, the options were deep in the money and AVM sold them at 70% of the maximum payouts, which generated a net profit of 3% of NAV.

Trading Around Positions

Just before Murthy was looking at tightening Turkish interest rates, AVM's indicators were suggesting in 2024 that US inflation would continue to decline toward the Fed's 2% target rate.

This followed on the heels of one of the Fed's most aggressive series of rate hikes that moved overnight rates up 5% in less than a year in mid 2023.

Expecting the Fed to start monetary easing, AVM in November 2023 went long 2-year US Treasuries at 4.9%, risking 50bps of NAV, anticipating a series of rate cuts in 2024.

A Treasury rally delivered an early 1.5% gain that AVM locked in.

But the trade broke down early in 2024 when first quarter CPI unexpectedly spiked to an annualized rate of nearly 5%.

The fund did not wait for its defensive stop to be triggered. It quickly crystalized a 40bp loss.

The combination of rising inflation and a solid labor picture led AVM to believe rate cuts were no longer possible and yields would have to rise. So, the fund went short 2-year Treasury futures at a yield of 4.5%, risking 50bps of NAV. Within six weeks, yields moved towards 5% and the fund generated a 1.5% gain.

Getting Noticed

Fund assets have been growing exponentially. Between 2020 and 2021, AVM assets doubled to \$80 million. By the end of 2025, fund assets reached \$416 million with firm assets of \$566 million. And as of May 2026, these numbers climbed to \$626 million and \$926 million, respectively.

The fund's core investors are made up of institutional clients (53%), family offices (18%), high-net worth investors (14%), fund of funds (8%), management and family capital (5%), and private banks (2%).

"While our strategy and liquid investments would allow the fund to grow substantially larger," observes Murthy, "we believe there is a link between asset size and certain performance risks." In keeping with the firm's disciplined approach to fund management, AVM intends to soft close the fund to institutional investors at \$1.3 billion.

GRAHAM ABSOLUTE RETURN C SERIES
A Discretionary Edge

Graham Capital Management, with \$21 billion under management, is one of the world’s most enduring global macro managers whose founding dates back more than three decades. Credit its longevity to the firm’s ability to continuously perform and evolve from its initial roots as a trend-following strategy into a more diversified and customized solution asset manager.

Graham’s creation in 1994 was directly inspired by an even more venerable source, Paul Tudor Jones, who suggested to Ken Tropin, Graham’s founder, to set up shop. Jones became the firm’s first and oldest-running investor.

In January 2018, the firm initiated the C series of its Absolute Return fund, which ranked 30th in this year’s survey. The strategy was initially launched back in 2005.

What distinguishes Absolute Return from other Graham products is that 85 percent of its assets are run by discretionary managers, who Tropin notes “have been part of our operations for most of our history.”

The fund has distinguished itself by its ability to consistently generate positive annual returns. It’s had only one down year across its 21-year history in 2017.

The C series, which started up a year later, has been profitable every year and enjoys a slight edge with a fee structure more focused on performance, enabling it to be the first Graham fund to qualify for the Top 50.

It has generated annualized gains of 8.7%

through December 2025, significantly outpacing the firm’s flagship systematic composite strategy over that time by having shallower drawdowns and less volatility.

This series’ trailing 5-year numbers are even more impressive with compound yearly returns of 11.4%.

That’s three full percentage points higher than BarclayHedge’s macro strategy average.

Tropin achieved these gains with volatility of just 5.6% and a worst drawdown of less than -6%, which helped generate a Sharpe ratio of 1.5. The result: Uncorrelated performance of -0.34, the second-lowest within the Top 50.

A key driver of Graham’s more recent performance, explains Tropin, has been the rise of a more volatile and opportunistic trading environment since inflation and interest rates spiked in the aftermath of the pandemic. This has created far more interesting macro events compared to the decade prior to the onset of Covid when global monetary policy was pretty much on hold since the Great Recession.

While systematic managers have benefitted from this environment, Tropin notes that discretionary traders may have an edge in anticipating trends before they are reflected

in data.

The rise in the number of unexpected events, especially since last year’s change at the White House, has created more opportunities. “New and shifting policies are causing major economies to diverge even more,” Tropin says, “further increasing the number of potentially compelling trades.”

This sounds constructive for macro traders, but Tropin knows this environment also comes with elevated risk as the frequency



Ken Tropin, Founder

of trend reversals increases.

Significant sensitivity to risk remains a key trait that distinguishes Graham from many more volatile legacy macro managers, who had dominated the industry when Tropin launched his firm.

“Risk is our first order of concern shared by the 25 PMs who invest for the fund,” he explains. “We invest when opportunities look attractive because we believe risks are discernable and manageable, not because the market sentiment says go.”

PMs have a significant degree of discretion to trade specific market views or

themes that fall within the firm’s well-defined investment mandate. But they follow Graham’s risk framework. This includes increased focus on risk when volatility spikes, defined draw-down guidelines, regular stress tests to identify events with first order of vulnerabilities, and daily risk committee meetings that review positions, liquidity, and other market-related risks.

A Touch of Quant

Most macro traders analyze fundamental macroeconomic indicators such as inflation, fiscal and monetary policy, and various supply and demand metrics to forecast price shifts.

A discretionary approach relies on human insight and subjective decision-making to help identify both idiosyncratic and broad-based trading ideas. While they can take longer-term positions, they tend to be tactical and responsive to evolving events.

Accordingly, these traders also tend to be more adept than systematic PMs in navigating unprecedented or specialized themes, particularly when data is more fragile or elusive.

Absolute Return’s discretionary performance is complemented by 15% of the fund dedicated to quantitative trades informed by vast datasets. Within stable and transparent markets, these intermediate- and longer-term trades can generate positive uncorrelated returns, helping to make Absolute Return more resilient.

Both strategies can be challenged by abrupt market reversals. But discretionary PMs may have an edge by being able to react faster to sharp market inflections than quantitative systems, which often require

time for signals and models to adapt to sudden changes.

When President Trump announced his global tariff regime in the spring of 2025, discretionary traders were quicker to anticipate likely macro impacts related to the sudden, uncoordinated rollout of new tariffs. Quantitative strategies, in contrast, struggled with price swings caused by a rather unprecedented policy-induced disruption. It took these models time to react to the evolving systematic signals.

Quantitative’s edge was evident at the start of the US and Israeli invasion of Iran in March 2026. Its models quickly added to their existing long positions in energy markets, whereas discretionary traders were net flat energy and more focused on rates, which wasn’t as well rewarded.

The Market’s Two Challenging Years

When the pandemic hit in March 2020, it created an exceptionally challenging period of unprecedented volatility and steep declines across risk assets triggered by a global rush for liquidity.

Early on, Absolute Return suffered a nearly -12% drawdown due to losses in non-core and non-macro strategies.

“We responded by reducing risk, wound down certain relative-value and volatility-oriented exposures, and refocused capital on our highest-conviction discretionary macro strategies,” recalls Tropin.

During the second half of the year, PMs’ attention shifted from crisis management to a rebound driven by extraordinary levels of monetary and fiscal stimulus, helping Absolute Return to rally, ending the year

slightly in the black.

In early 2022, post-pandemic demand and supply chain challenges collided with the shock caused by the Russian invasion of Ukraine. Energy and commodity shortages coupled with unprecedented global sanctions against Moscow triggered a series of strong macro trends. They included rising interest rates and falling equity markets, along with rapidly increasing commodity and energy prices.

These conditions fueled Graham Absolute Return’s strongest year in 2022, with gains across all major sectors. The fund was up by more than 21%, having outpaced the S&P 500 by nearly 40 percentage points.

Last Year

Fixed income and commodities drove Absolute Return’s 11.1% gain in 2025.

About one-third of the fund’s risk was allocated to fixed income, explains Tropin. “Key trading themes included yield dynamics driven by term premia, fiscal considerations, and political risk.”

Yield curve spreads constantly expanded and contracted as long rates were increasingly influenced by fiscal supply and inflation risk, rather than by cyclical growth expectations.

The fund specifically benefitted from long and short exposure to corporate credit, US government agency-backed-mortgage futures, and European rates. Metals was the next-strongest contributor to returns. Equities and agriculture and soft commodities added modestly to the year’s gains, while currencies and energy produced slight losses.

Continued on next page

Graham Absolute Return C Series continued from p. 40

Alignment of Interests

Absolute Return has consistently performed as an all-weather fund as investors were promised. Graham has honored all redemption terms, and never gated or suspended any of its funds, nor rely on side-pockets.

Management’s 5% stake across the firm’s investment strategies ensures Graham’s interests are in sync with its investors.

As returns rise, Series C’s unique cost structure enables management fee to be increasingly credited against the incentive fee. This means fees are limited when the fund performance doesn’t exceed a hurdle tied to the prevailing risk-free rate. In 2018, 2020, and 2023, when gains didn’t top 6.2%, investors only paid a 1.75% management fee. When the fund excelled as it did in 2022, 2024, and 2025, management collected a flat incentive fee of 30%.

The fund never levies pass-through expenses.

Looking Ahead

While the firm doesn’t impose a house view on traders, Tropin is worried about record equity valuations, especially during a time of war, rising inflation, and escalating geopolitical risks.

“Left-tail risks are periodic facts of life,” Tropin explains, “but unlike the Great Recession, the pandemic, and the Russian invasion of Ukraine, the Iranian war was suddenly thrust upon the world, which made it far more challenging to deal with.”

His baseline response to higher levels of uncertainty was to moderate risk as vol-

atility rose.

This was especially important in managing fixed-income market exposure, whose behavior, Tropin says, is normally predictable. “But it became insanely unpredictable after the Iran war started,” he observed, “because the impact of the energy shock was simply unknowable.”

Graham’s President and CIO Jens Foehrenbach says the firm now is, “focused on the risk that inflation remains higher for longer in the second half of the year.”

This is due to convergence of many variables.

“The war acts like a tax,” notes Foehrenbach, “and there are private credit issues affecting capital availability. AI is beginning to support investment and productivity, but restrains hiring at the margin.” Trade policy uncertainty will continue to be an issue. And the upcoming midterms add uncertainty about how fiscal policy may shift.

The question for markets now is not whether growth is slowing, but whether inflation proves persistent enough to keep central banks cautious for longer.

Ken Tropin, however, does feel certain about several things.

First, the most powerful force is market momentum, currently driven by the embrace of AI, deregulation, and corporate actions. Second, economies and markets will remain dynamic, full of risks and opportunities. And third, effective alternative investments need to mitigate client portfolio volatility through delivery of consistently uncorrelated performance regardless of what markets are doing.

projecting a benign outlook earlier this year, the World Bank has lowered its 2026 growth forecast from 2.7% to 2.5%. This is a 40bps decline from its 2025 numbers.

It warns growth could slow even further to 1.3% if energy disruptions are exacerbated, triggering material stress across financial markets.

Smart doesn’t think that’s likely. “While there are clear questions surrounding just how quickly the flow of oil will be restored,” he says, “neither side is eager to re-start hostilities anytime soon.

So, they will likely find a way to keep the peace and get the oil flowing without ever really resolving questions on nuclear enrichment, regional proxies or even Iran’s missile program.”

Indomitable Markets

A recent chart that ran in The Economist (p. 42) makes an intriguing point about the connection between various macro risks and markets. Since the start of 2020, there doesn’t seem to be any.

A global pandemic, major military conflict, and trade wars affecting critical global goods and commodities don’t seem to sidetrack markets very long. They instead appear to be increasingly seen as buying opportunities, which act as a self-correcting mechanism, despite no fundamental reduction of

underlying risk.

At this moment, corporate performance is supporting current optimism.

As of the end of May, the global financial tracking firm, FactSet, reported some pretty heady earnings numbers driving the US equity rally.

With virtually all the S&P 500 companies having reported, first quarter year-over-year earnings growth was 28.6%, propelled by tech and AI.

But growth has not been limited to tech.

According to chief US equity strategist at Goldman Sachs Ben Snider, “the median S&P 500 company, excluding the mega-cap tech stocks, reported growth of 14 per cent, making this the strongest quarter in over a decade outside of the 2018 tax cuts and the 2021 Covid reopening period.”

The financial industry and materials sector saw profits up by 20%, and mining and metals’ earnings jumped by 90%.

The outlook for the next 12 months suggests sustained earnings momentum.

Four of the five largest contributors to the Index’s earnings are likely to see profitability surge. According to The Economist, “Nvidia is expected to increase its already high earnings in 2026 by nearly 80%. Broad-

com, a rival chip-designer, should do nearly as well. Micron and Sandisk, which make memory chips that are handy for AI and increasingly in short supply, are forecast to increase their earnings seven-fold and 16-fold, respectively.”

Snider says such profits are distinguishing the current tech boom from the Internet craze three decades earlier. “Share prices and earnings have moved hand in hand,” he explains, and “this close relationship stands in sharp contrast to the late 1990s, when investors bid up valuation multiples in expectation of earnings far in the future.”

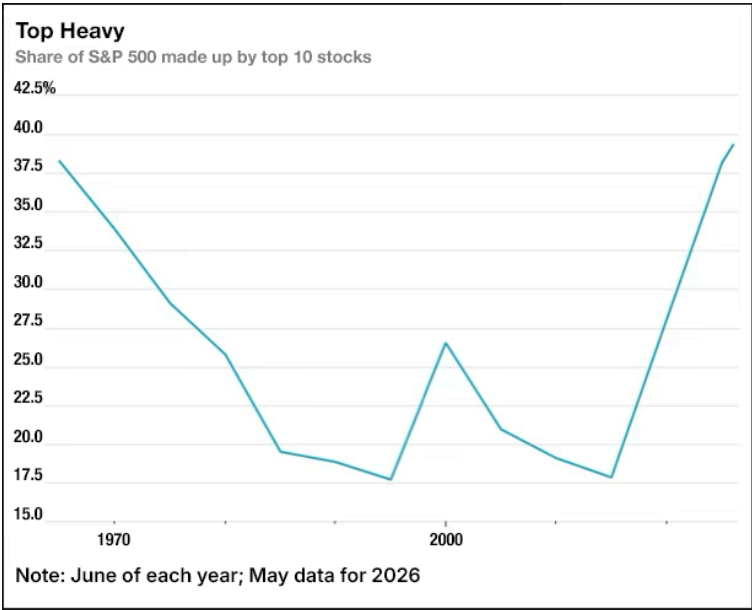
However, he cautions that the “10 largest companies now account for 41 per cent of index market capitalization, the highest share in decades.” Even that didn’t happen in the lead up to the Tech Wreck of 2000 (see chart to the right).

He also warns that if transiting the Strait of Hormuz remains a material issue, it will continue to exert “pressure on corporate profit margins, consumer wallets and interest rates.”

Snider also sees market risk related to massive IPOs that will likely enhance near-term volatility as investors scramble to significantly adjust their portfolios, triggering a slew of sells and buys.



Source: LSEG Workspace / The Economist



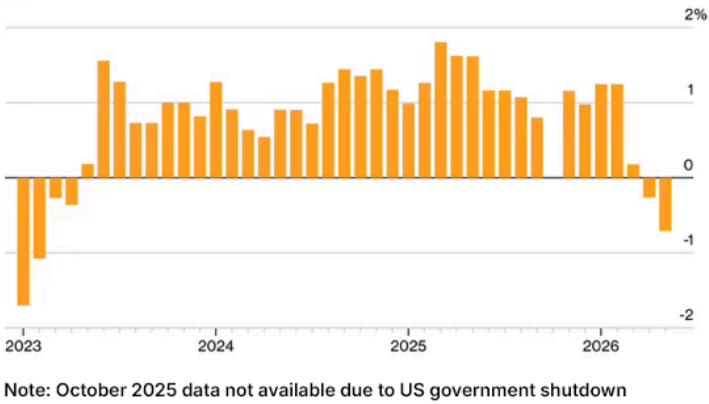
Source: S&P Global / Financial Times

Once new issues like SpaceX are folded into major equity indices, they will further exaggerate equity concentration and sector weightings.

While aware of the earnings outlook, Goldman Sachs’ Chief Executive David Solomon is concerned about momentum. In discounting various risks, he believes the

GROWING CONSUMER STRESS

US Real Wages Fall for Second Month
Stubborn inflation is eroding Americans' pay gains
Change in average hourly earnings (YoY)



Source: Bureau of Labor Statistics / Bloomberg

US consumer confidence index

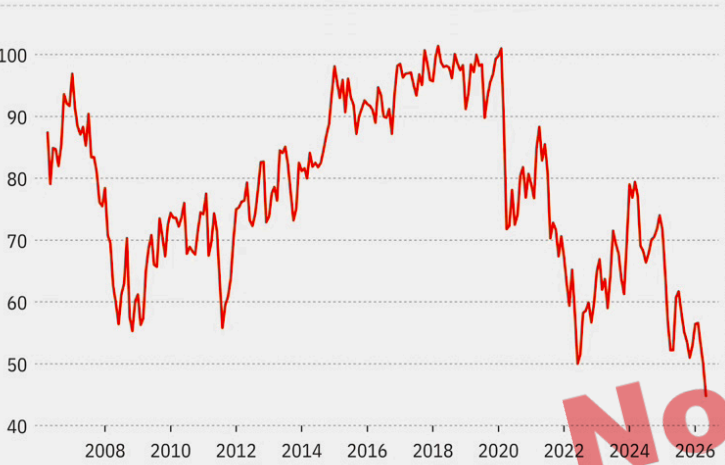


Chart: Lauren Morganbesser/Semafor • Source: University of Michigan

Source: Semafor

market is acting more from greed than fear and reminds investors that market sentiment “can turn into fear very quickly.”

Allocators

Many allocators I regularly interview appear to be ignoring noise coming out of 1600 Pennsylvania Avenue and instead focus on what markets are saying.

Patrick Ghali, a partner at the London-based global consultancy Sussex Partners, observed that before the US and Iran signed their memo of understanding, markets were looking past the president’s actions, just as they learned to look past the initial shock from Russia’s invasion of Ukraine.

Anthony Novara, director of alternatives and market research at the \$413 billion Fiducient Advisors based in Chicago, puts it slightly different: “Wall Street seems increasingly indifferent to external shocks.”

Head of investment solutions and institutional clients at the \$14 billion Swiss-based NS Partners Cedric Dingens believes that despite the President’s consistent ability to create short-term volatility, “the market has learned to tune him out.”

For NS Partners, this creates buying opportunities

as it sustains existing medium-term convictions.

Dingens says the cognitive dissonance between record-breaking markets and geopolitical risks, “isn’t as shocking as it initially seemed, driven by real and forward earnings expectations,” and markets’ improving ability to work past supply constraints since the pandemic struck.

He is concerned, however, that US earnings are supported by one-time boosts from tax cuts, along with deregulation fueling corporate activity, and an “all-in” belief in AI. Dingens sees this propelling the US debt and deficit and partially explains why he has turned bearish toward the dollar.

He expects the second half of 2026 to continue where the first half left off: “a volatile rally that pushes stocks higher, interest rates that won’t decline but will not be materially raised because growth is still risky, and lots of geopolitical worries that will not be resolved.”

“With AI making up more than 40% of the S&P 500 valuation,” Novara worries that it

“represents a systemic risk, wherein we think it’s better to have too little exposure than too much.”

He addresses equity risk by having half his portfolio in fixed income risk assets and 20% in uncorrelated strategies, including macro, volatility arbitrage, and quantitative trading. The balance is focused on hedged equity. Regular rebalancing ensures this weighting is maintained.

While war and AI have dominated much of the current discussion, Novara also is concerned about private credit, especially in seeing leverage piled on leverage and the lack of transparency.

He worries borrowing covenants are not particularly attractive and private equity is getting increasingly intertwined with private credit, adding to risk.

“Any significant sell off in private credit,” says Novara, “could encourage unrelated investors to reduce exposure, creating knock-on effects beyond private credit space.”

Overseeing \$3.5 billion as head of hedge fund allo-

cations at the World Bank Pension Fund, Mohamed Farid remains agnostic about where the market or the economy is heading. “Uncertainty and volatility will likely continue for the rest of the year and beyond,” says Farid, “since it’s a reflection of the manner in which the US president operates.”

Farid is beginning to judiciously add AI exposure.

But he’s concerned that, “if massive cap-ex spending doesn’t lead to sufficient

sales and profit growth, then the Magnificent 7 could end up having a reverse, gravitational pull on markets that are already expensive and overinvested.”

Farid adds, growing market leverage increases risk of margin calls. And he wouldn’t be surprised, “if during this extreme period of spending and leverage that the SEC is not sufficiently monitoring systemic risks that are building up.”

Worst case: He fears a

scenario comparable to the lending crisis that fueled the Great Recession.

It’s hard to know whether this indomitable bull market is setting up financial hazards that investors will pay for later. Corrections are periodic realities.

But compared to the previous period of very low interest rates that ran between the Great Recession and the pandemic, Graham Capital’s Ken Tropin prefers “these more interesting times.” ■



The 16th president restored guardrails that had been shattered, reconstructing the country and setting it on course to reach its 250th anniversary.

Credit: Rick Berk

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