

# ABSOLUTE RETURN STRATEGIES (“ARS”) – MARKET UPDATE

Q4 2025

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# 2026 OUTLOOK

## MACROECONOMIC ENVIRONMENT

**Accelerated Growth Potential**

**Inflation Higher, Then Lower**

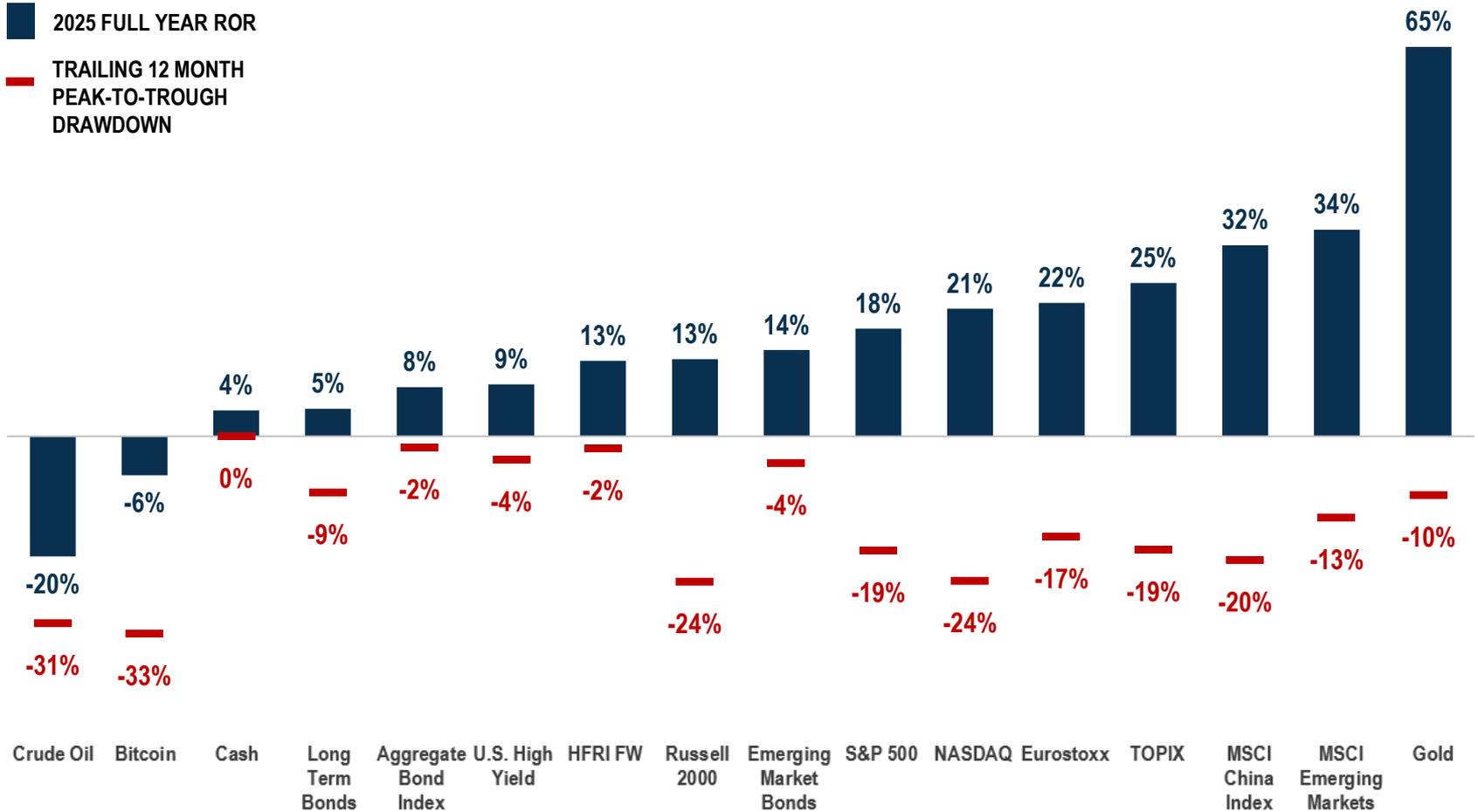
**High Valuations and Short-Term Volatility**

**Risk Assets Perform Long-Term**

## APPROACH

- **Unique Moment, Stay Invested**
- **Risk Conscious on Everything**
- **Be Prepared for Value Creation and Destruction**
- **Remain Agile, Things Moving Fast**

# MARKET MOVES IN 2025



Performance shown as December 31, 2025.

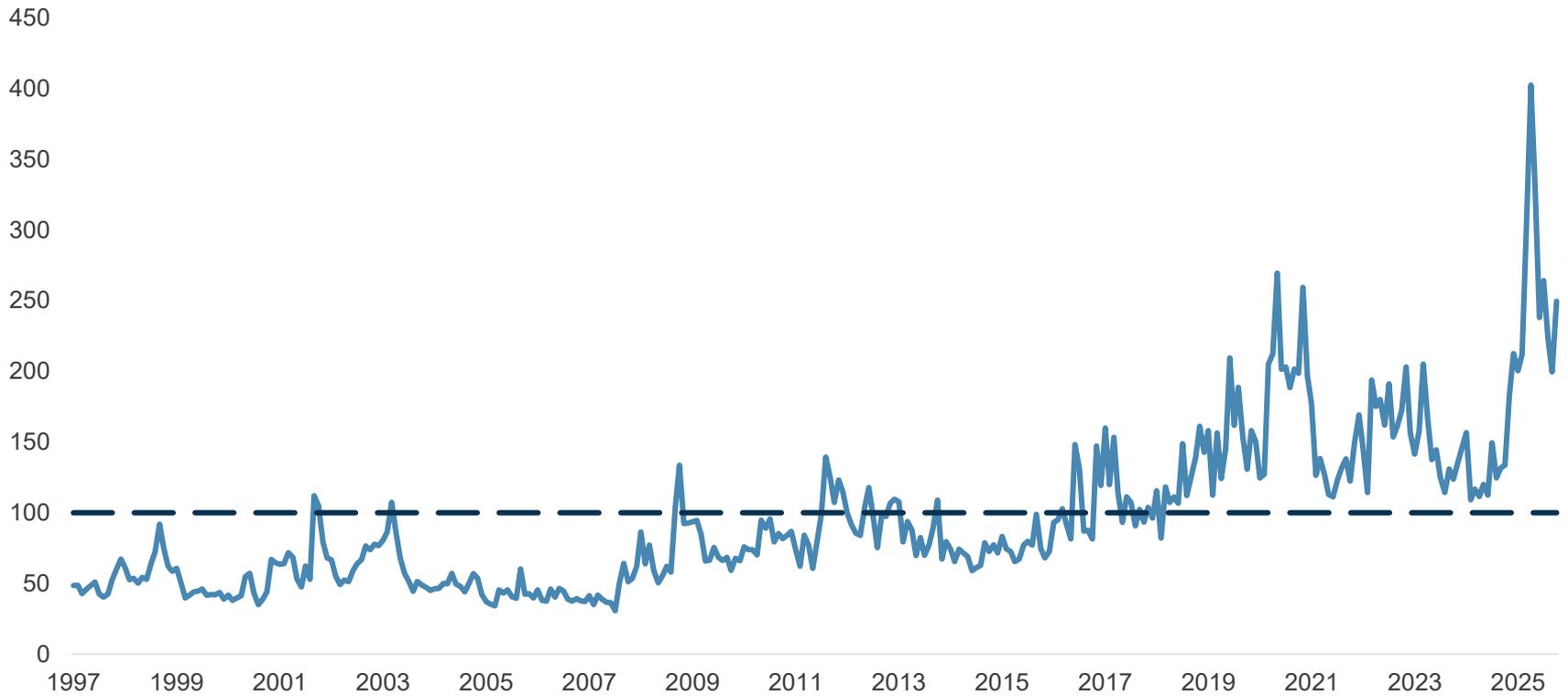
Data Source: Bloomberg.

Past performance is not necessarily indicative of future results. No assurance can be given that any investment will achieve its objectives or avoid losses.

# UNCERTAIN ECONOMIC AND GEOPOLITICAL BACKDROP

## GLOBAL ECONOMIC POLICY UNCERTAINTY INDEX

Index Value Normalized where 100 is equal to the average level 2010-2019

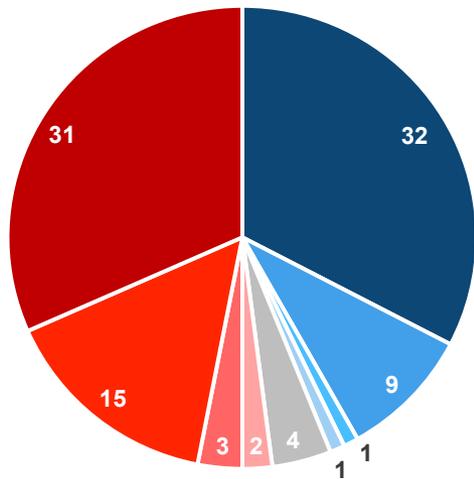


Data as of December 31, 2025.  
Data Source: Bloomberg Finance, L.P.

# ELECTION YEAR UNCERTAINTY

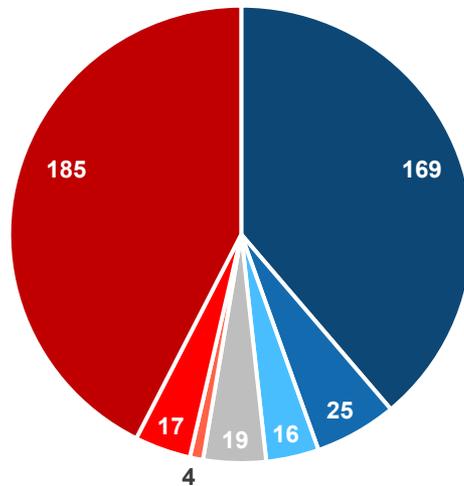
The 2026 mid-term elections are expected to be closely contested, with the House expected by many to flip to Democrats. The current administration may press more aggressively to pass legislation in the current year, which could lead to higher volatility.

## SENATE SEATS



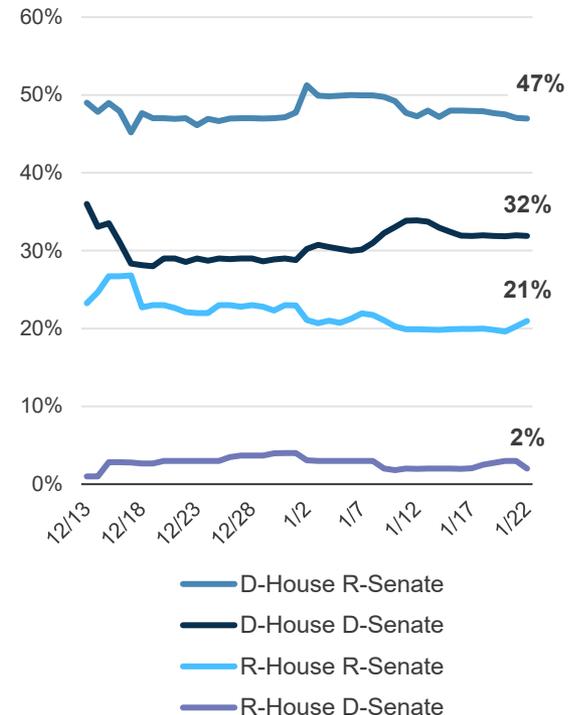
- D - No Election
- D - Safe
- D - Likely
- D - Leans
- Toss - Up
- R - Leans
- R - Likely
- R - Safe
- R - No Election

## HOUSE SEATS



- D - Safe
- D - Likely
- D - Leans
- Toss Up
- R - Leans
- R - Likely
- R - Safe

## PREDICTION MARKET ODDS



Source: 270toWin, Kalshi

# FISCAL CONSTRAINTS

## FRANCE

10-YEAR YIELD



## UNITED STATES

10-YEAR YIELD



## JAPAN

10-YEAR YIELD



**GOVERNMENT DEBT<sup>1</sup> & DEFICIT<sup>2</sup>**  
(% of GDP)

**120%**

**-5.8%**

**GOVERNMENT DEBT<sup>1</sup> & DEFICIT<sup>2</sup>**  
(% of GDP)

**129%**

**-7.9%**

**GOVERNMENT DEBT<sup>1</sup> & DEFICIT<sup>2</sup>**  
(% of GDP)

**227%**

**-2.0%**

Data as of December 31, 2025.

1 Debt defined as general government gross debt by the International Monetary Fund (IMF).

2 Deficit defined as general government net lending / borrowing.

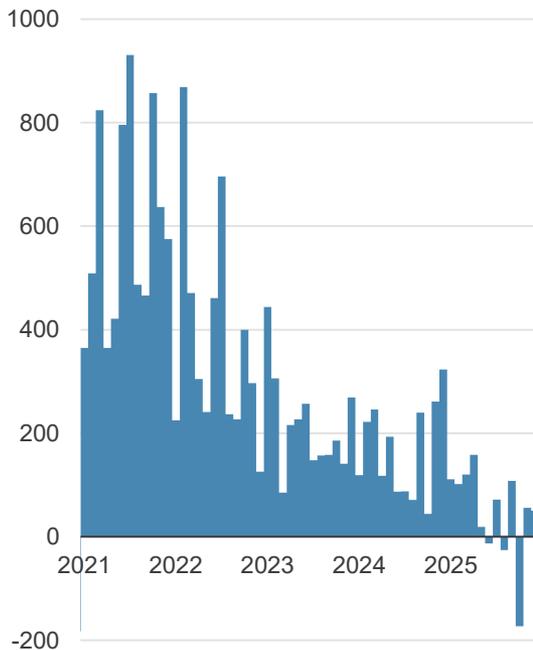
Data Sources: Bloomberg Finance, L.P., IMF World Economic Outlook

# CHALLENGES FACING THE FED

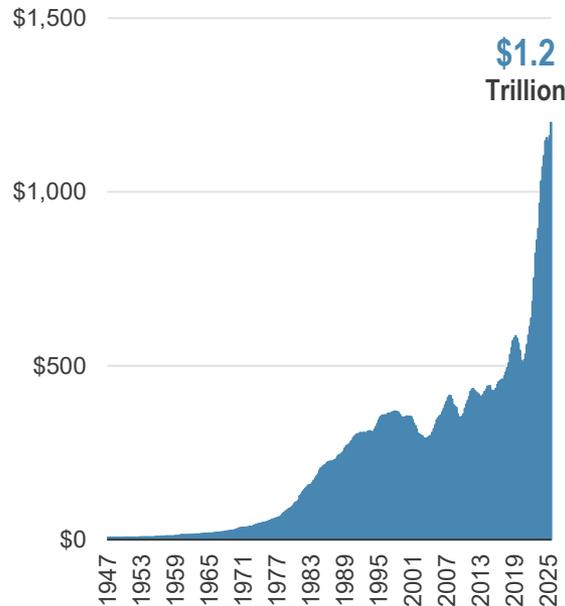
The Federal Reserve is facing pressure to lower interest rates as jobs growth slows and interest costs are ballooning. However, inflation remains above the Fed's 2% target and the potential for further excess inflation remains a concern.

## CHANGE IN EMPLOYMENT

(in Thousands)



## FEDERAL INTEREST PAYMENTS (\$B)<sup>1</sup>



## CPI INFLATION



<sup>1</sup> Data as of June 30, 2025.

Source: Federal Reserve

Data as of December 31, 2025, unless otherwise stated.

# MARKET VALUATIONS

## S&P 500 P/E RATIO



## HIGH YIELD SPREADS



Data Source: Bloomberg Finance, L.P.  
Data as of December 31, 2025.

Past performance is not necessarily indicative of future results. No assurance can be given that any investment will achieve its objectives or avoid losses.

# AI LEADING MARKETS

## 2025 YEAR TO DATE TOTAL RETURN

12/31/2024 – 12/31/2025



Data as of December 31, 2025.

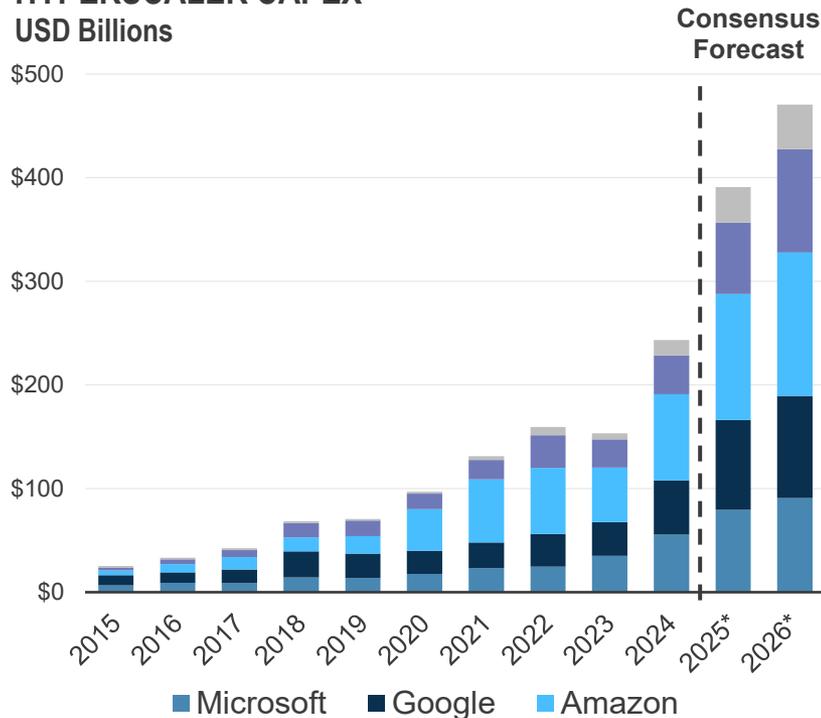
Data Source: Bloomberg Finance, L.P

Past performance is not necessarily indicative of future results. No assurance can be given that any investment will achieve its objectives or avoid losses.

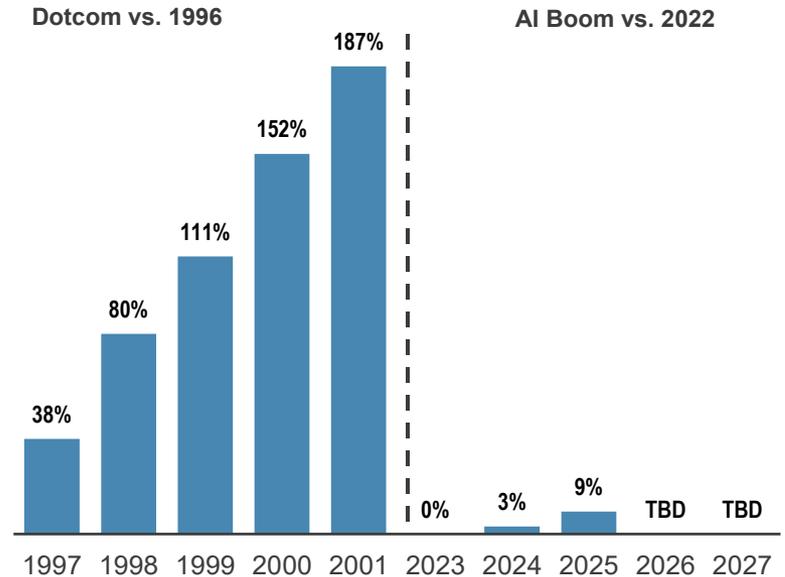
# AI CAPITAL EXPENDITURES

AI capex growth remains a dominant investment narrative with a significant economic and market impact. While high levels of spending are seen by some as signs of a “bubble”, unlike prior cycles spending in the current AI buildout is largely financed by cash flows rather than debt issuance.

## HYPERSCALER CAPEX USD Billions



## CUMULATIVE GROWTH IN TMT HY AND IG

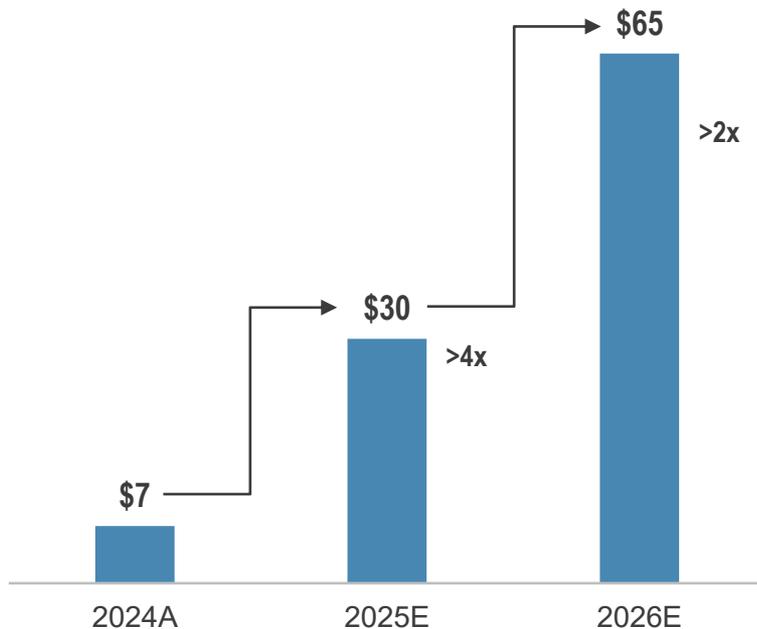


Data Source: Bloomberg Finance, L.P  
Data as of December 31, 2025.

# STRONG GROWTH FROM AI LABS

The leading AI labs are rapidly compounding revenue at scale and have quickly become among the largest private companies in history, though valuations and cash burn rates are an open concern.

## RAPID REVENUE SCALING



## ELEVATED VALUATIONS & NEGATIVE FREE CASH FLOW ARE CONCERNS



OpenAI

EV	\$500B
REVENUE MULTIPLE	~20-60X

2025 FCF ESTIMATE	- \$8B+
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ANTHROPIC

EV	\$180B
REVENUE MULTIPLE	~10-30X

2025 FCF ESTIMATE	- \$3B+
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Data Sources: Bloomberg Finance L.P., Reuters  
Data as of December 31, 2025.

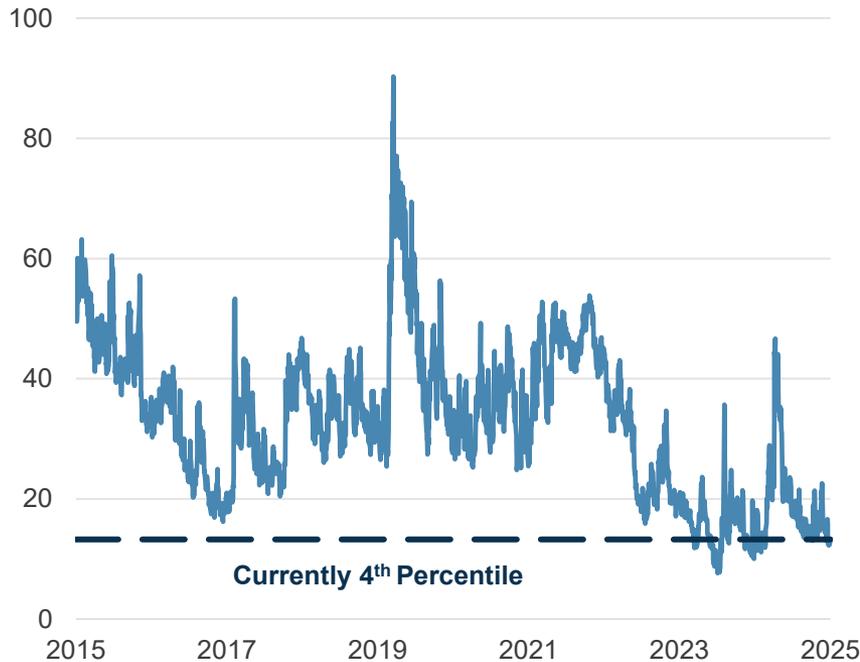
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# DISPERSION AND CORRELATION

While the backdrop for beta driven returns appears challenged, relatively low correlations and high levels of dispersion may create elevated profit opportunities for those able to identify winners and losers.

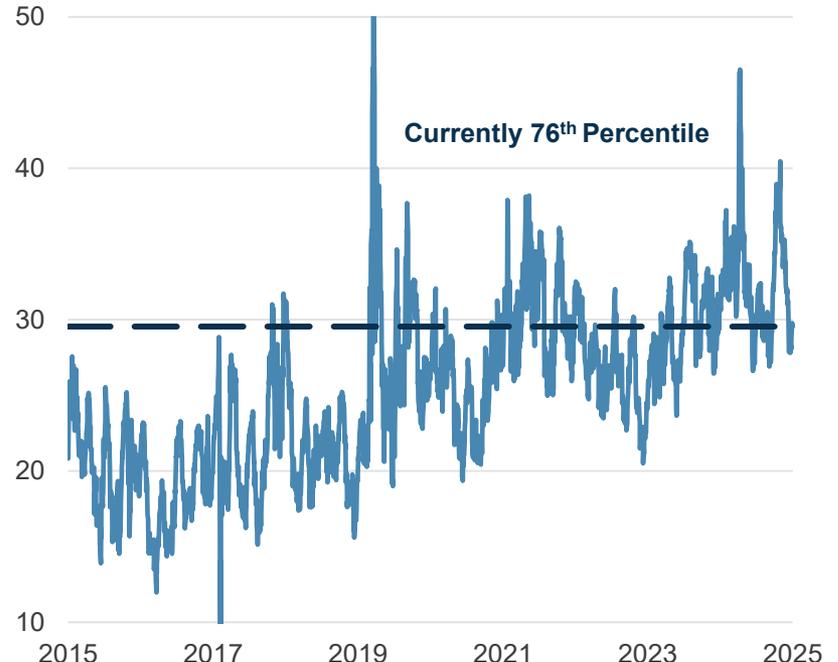
## LOW CORRELATIONS FACILITATE PORTFOLIO DIVERSIFICATION

CBOE 3 month Implied S&P 500 Correlation Index



## HIGH LEVELS OF DISPERSION CAN PROVIDE ALPHA OPPORTUNITY

CBOE S&P 500 Dispersion Index



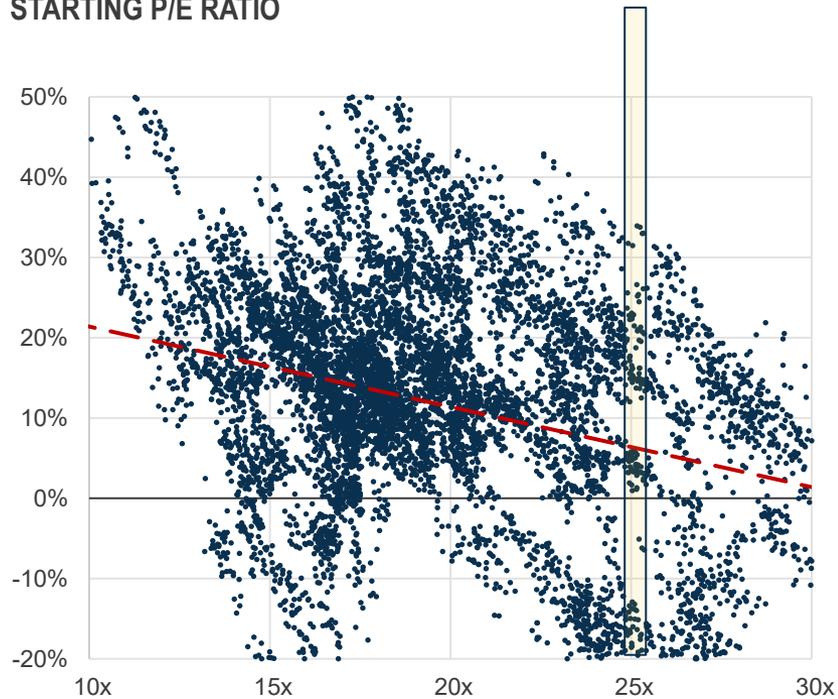
Data Source: Bloomberg Finance, L.P.  
Data as of December 31, 2025.

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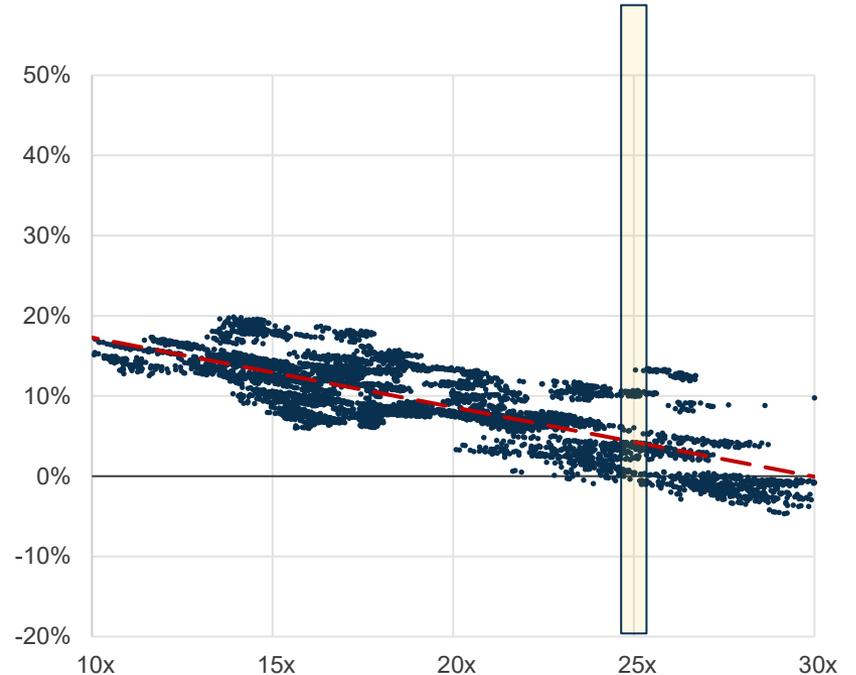
# SHORT-TERM AND LONG-TERM PERSPECTIVE

While equity market returns are noisy over any given year and elevated valuations are a headwind, over the long term expected returns at current valuation levels have historically been positive.

**NEXT 12 MONTH S&P 500 TOTAL RETURN VS. STARTING P/E RATIO**



**NEXT 10 YEAR S&P 500 ANN. ROR VS. STARTING P/E RATIO**

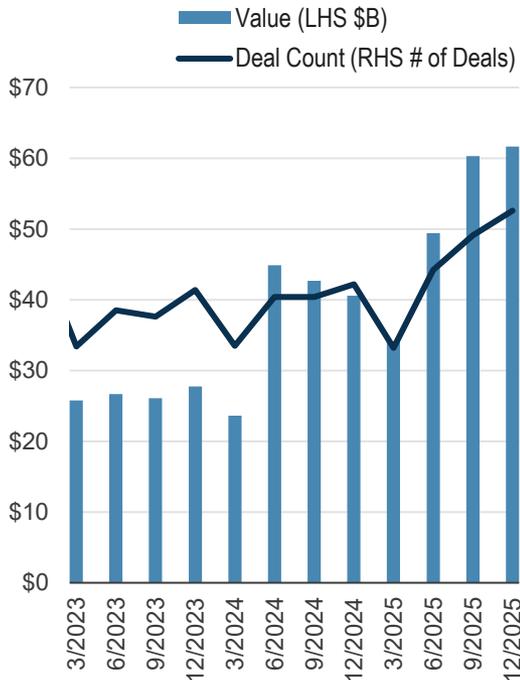


Data Source: Bloomberg Finance, L.P.  
Data as of December 31, 2025.

# 2026 IS EXPECTED TO BE A STRONGER YEAR FOR CAPITAL MARKETS

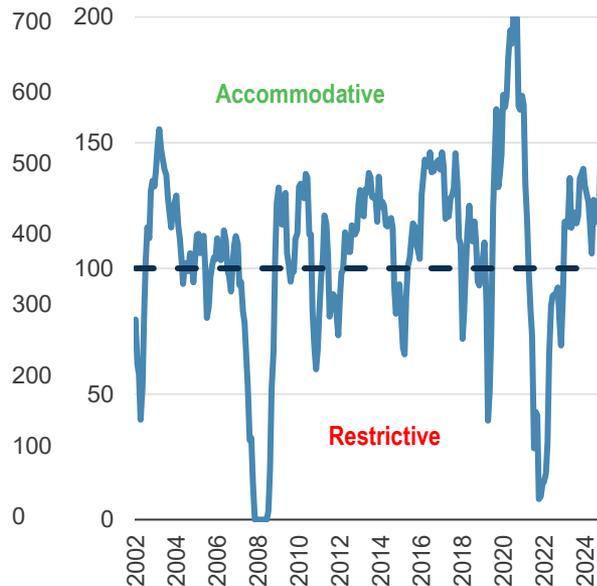
Following several years of muted capital markets activity, momentum is building into 2026. Sentiment is strong across the industry, and many companies are looking to list publicly, large IPOs rumored in 2026 include SpaceX, OpenAI, and Anthropic.

## U.S. IPOs



## GS IPO BAROMETER

Neutral = 100



**Goldman Sachs**

“I think the world is set up at the moment to be incredibly constructive for M&A and capital markets...We expect activity to accelerate in 2026...Our outlook is supported by a number of catalysts...strong pickup in sponsor activity”  
- **CEO David Solomon, Jan 2026**

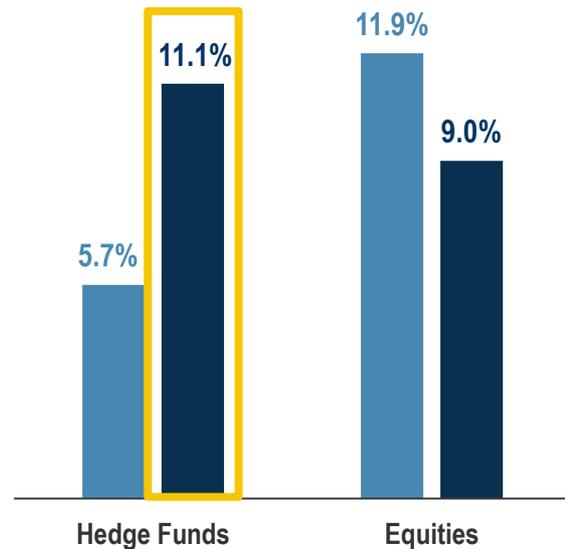
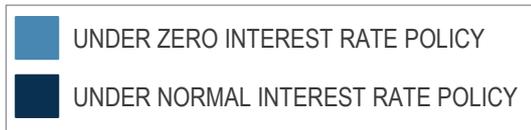
**Morgan Stanley**

“In 2025, the U.S. economy proved as resilient as ever... The capital markets are kicking in with well-capitalized corporates and higher end consumers driving the economy forward. 2026 starts with the tailwinds of constructive fiscal policy and easier monetary policy.”  
- **CEO Ted Pick, Jan 2026**

# NON-ZERO RATES ARE A TAILWIND FOR HEDGE FUNDS

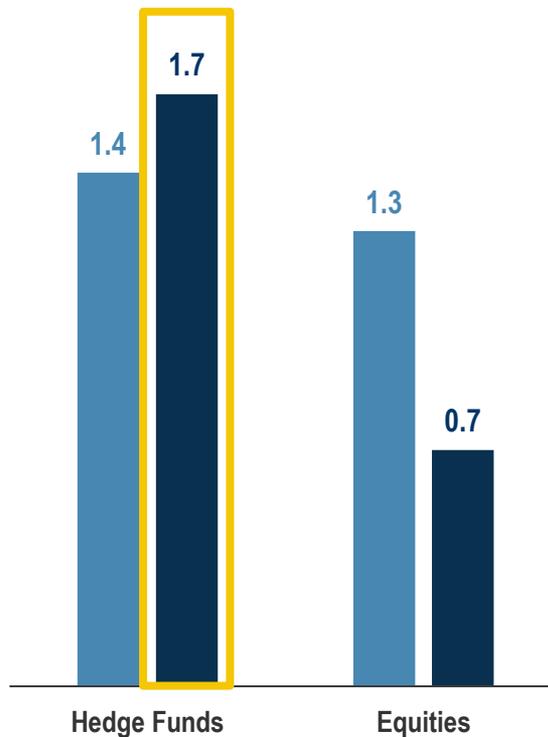
## ANNUALIZED RETURNS

1990-2025



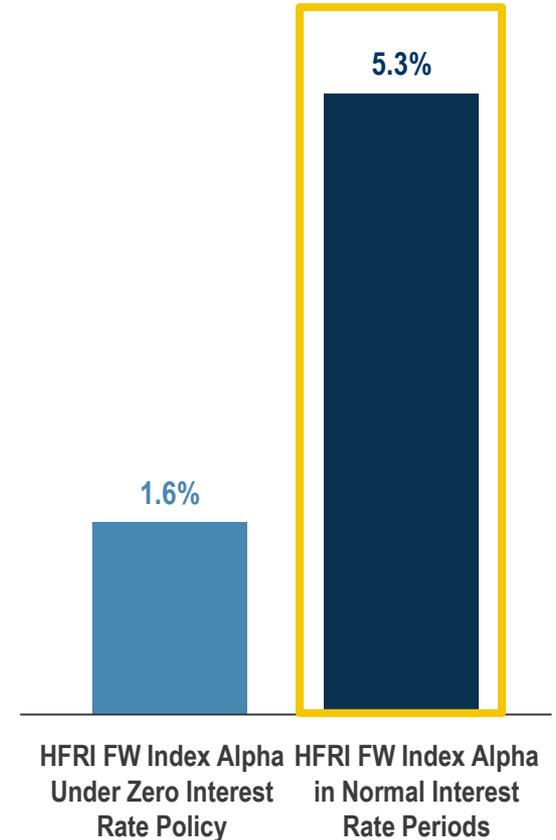
## SHARPE RATIO

1990-2025



## ANNUALIZED RETURNS

1990-2025



Data as of December 31, 2025. Zero interest rate policy is defined as a period where the effective federal funds rate is less than 50 basis points, normal interest rate policy is defined as all periods where the effective federal funds rate is greater than 50bps. Hedge Funds represented by the HFRI FW Index, Equities represented by the MSCI World Index. **Past performance is not necessarily indicative of future results. No assurance can be given that any investment will achieve its objectives or avoid losses.**

# INVESTMENT FOCUS

Amidst the current market environment, our investment priorities and areas of focus include:

## CORE PORTFOLIO PRINCIPLES

### ALPHA-ORIENTATION

Partner with elite managers

### OPPORTUNISTIC & FLEXIBLE

Adjust in response to market opportunities and dislocations

### DIVERSIFICATION OF RISK & RETURN

Diversified across strategies

#### MARKET NEUTRAL & LONG SHORT EQUITY

- Focus on identifying new talent
- Access elite multi-PM and market neutral firms
- Source top specialists

#### ALTERNATIVE CREDIT

- Long short credit strategies
- Higher rates stressing corporates
- Liability management and restructuring

#### DIVERSIFYING STRATEGIES

- Beneficiaries of elevated volatility environment
- Strategies independent of market direction
- Relative value trading across asset classes

**Select risks include: manager risk, macroeconomic risk, interest rate risk, strategy risk, mark-to-market risk and liquidity risks.**

Data as of December 31, 2025. Unless apparent from context, all statements herein represent GCM Grosvenor's opinion. Past performance is not necessarily indicative of future results. No assurance can be given that any investment will achieve its objectives or avoid losses.

# NOTES AND DISCLOSURES

## Appendix



# ENDNOTES

**10-year U.S. Treasury Note**<sup>1</sup> - The 10-year Treasury note is a debt obligation issued by the United States government with a maturity of 10 years upon initial issuance. A 10-year Treasury note pays interest at a fixed rate once every six months and pays the face value to the holder at maturity. The U.S. government partially funds itself by issuing 10-year Treasury notes.

**Amortization**<sup>7</sup> – Amortization is an accounting technique used to periodically lower the book value of a loan or an intangible asset over a set period of time. Concerning a loan, amortization focuses on spreading out loan payments over time. When applied to an asset, amortization is similar to depreciation.

**Alpha ( $\alpha$ )**<sup>7</sup> – Alpha is a term used in investing to describe an investment strategy’s ability to “beat” the market, or its “edge.” Alpha is thus also often referred to as excess return or the abnormal rate of return in relation to a benchmark, when adjusted for risk. Alpha, often considered the active return on an investment, gauges the performance of an investment against a market index or benchmark that is considered to represent the market’s movement as a whole. Alpha is used in finance as a measure of performance, indicating when a strategy, trader, or portfolio manager has managed to over or under perform in relation to the market return (or another benchmark) over some period. A positive alpha indicates the return on investment outperformed the benchmark rate on a risk-adjusted basis. A negative alpha indicates the return on investment underperformed compared to the benchmark index.

**Beta ( $\beta$ )**: Beta measures an investment’s volatility versus a market index. It represents the systematic or market-driven risk of an investment. Beta may be positive, negative or zero. An investment with a positive beta tends to move in the same direction as the index; an investment with a negative beta tends to move in the opposite direction. Further, an investment with a beta greater than 1 (in absolute value) is more volatile than the index. An investment with a beta of 2, for example, is twice as volatile as the index. An investment with a beta less than 1 (in absolute value) is less volatile than the market index. The formula for Beta is:

Where:

*Cov* = covariance

*Var* = variance

$r_i$  = rate of return of investment

$r_b$  = rate of return of market benchmark

$$\beta_{i,b} = \frac{Cov(r_i, r_b)}{Var(r_b)}$$

**Bitcoin (BTC)**<sup>7</sup> – Bitcoin is a cryptocurrency designed to act as money and as a form of payment outside the control of any one person, group, or entity.

**Bloomberg Global Aggregate Bond Index**<sup>1</sup> - The Bloomberg Global Aggregate Bond Index is a flagship measure of a global investment grade debt from twenty-four local currency markets. This multi-currency benchmark includes treasury, government-related, corporate and securitized fixed-rate bonds from both developed and emerging markets issuers. Material differences include risk profile of comparable investment and liquidity.

**Bloomberg Global Aggregate Securitized Index**<sup>1</sup> - This Securitized Index tracks securitized bonds from Bloomberg Global Aggregate Bond Index.

**Bloomberg U.S. Aggregate Bond Index**<sup>1</sup> - The Bloomberg U.S. Aggregate Bond Index is a broad-based flagship benchmark that measures the investment grade, U.S. dollar-denominated, fixed-rate taxable bond market. The index includes Treasuries, government-related and corporate securities, MBS, ABS, and CMBS (agency and non-agency). Material differences include risk profile of comparable investment and liquidity.

**Bloomberg U.S. Aggregate Securitized Index**<sup>1</sup> - The Bloomberg U.S. Securitized Index is a composite of asset-backed securities, collateralized mortgage-backed securities (ERISA-eligible) and fixed rate mortgage-backed securities.

**Bloomberg WTI Crude Oil Subindex**<sup>1</sup> - Formerly known as Dow Jones-UBS WTI Crude Oil Subindex Total Return (DJUBCLTR), the index is a single commodity subindex of the Bloomberg CI composed of futures contracts on crude oil. It reflects the return of underlying commodity futures price movements only and is quoted in USD.

**Brent Crude Oil Active Futures Contract**<sup>1</sup> - A global benchmark for navigating crude oil markets. Ice Brent Futures is a deliverable contract based on EFP delivery with an option to cash settle.

Data sources: (1) Bloomberg Finance L.P., (2) Credit Suisse, (3) MSCI, (4) S&P Global, (5) U.S. Bureau of Labor Statistics, (6) Chicago Board Options Exchange, (7) Investopedia, (8) Goldman Sachs. Indices are unmanaged, may include the reinvestment of dividends, do not reflect the impact of management fees or performance fees and may not be available for direct investment.

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# ENDNOTES

**Capital Expenditure (CapEx)**<sup>7</sup>: Capital expenditures are funds companies use to acquire, upgrade, or maintain physical assets like buildings, technology, or equipment, with the goal of increasing operational scope for future economic benefits.

**Chicago Board Options Exchange (“Cboe”) Volatility Index (“VIX”)**<sup>1</sup> - The VIX is a financial benchmark designed to be an up-to-the-minute market estimate of the expected volatility of the S&P 500 Index and is calculated by using the midpoint of real-time S&P 500 Index option bid/ask quotes.

**Chicago Board Options Exchange Implied Correlation Index**<sup>6</sup> - The Cboe Implied Correlation index measures correlation market expectations by quantifying the spread between the S&P 500 index implied volatility and the average single-stock basket component implied volatility.

**Chicago Board Options S&P 500 Dispersion Index**<sup>6</sup> - The Cboe S&P 500 Dispersion Index (DSPX<sup>SM</sup>) measures the expected dispersion in the S&P 500<sup>®</sup> over the next 30 calendar days, as calculated from the prices of S&P 500 index options and the prices of single stock options of selected S&P 500 constituents, using a modified version of the VIX<sup>®</sup> methodology. In contrast to “realized dispersion” — a measure of independent movement observed in the components of a diversified portfolio — the Dispersion Index is a forward-looking implied measure. The index may provide an indication of the market's perception of the near-term opportunity set for diversification or, equivalently, as an indication of the market's perception of the near-term intensity of idiosyncratic risk in the S&P 500's constituents.

**Consumer Price Index (“CPI”)**<sup>5</sup> - a measure of the average change over time in the prices paid by urban consumers for a market basket of consumer goods and services.

**Credit Suisse High Yield Index**<sup>2</sup> - The Credit Suisse High Yield Index (USHY) is a market cap weighted benchmark index designed to mirror the investable universe of the U.S.-denominated high yield debt market. The index aims to capture the liquid universe of high yield debt denominated in U.S. Dollars and issued by the most actively traded names in U.S. credit market.

**EURO STOXX 50 Index**<sup>7</sup> – The EURO STOXX 50 Index is a market capitalization-weighted stock index of 50 large, blue-chip European companies operating within eurozone nations. Components are selected from the EURO STOXX Index, which includes large-, mid-, and small-cap stocks in the eurozone

**Emerging Markets Bond Index (EMBI)**<sup>7</sup> – The Emerging Markets Bond Index (EMBI) is a benchmark index for measuring the total return performance of international government and corporate bonds issued by emerging market countries that meet specific liquidity and structural requirements.

**Federal Funds Rate**<sup>7</sup> – The target interest rate range at which commercial banks borrow and lend their excess reserves to each other overnight, which is set by the Federal Open Market Committee (“FOMC”).

**Financial Times Stock Exchange (FTSE) US Three-Month Treasury Bill Index** – The FTSE US Three-Month Treasury Bill Index is an average of the last three three-month Treasury bill month-end rates. Total returns reported. Material differences include safety/guaranteed nature of comparable investment and liquidity.

**Free Cash Flow (FCF)**<sup>7</sup> – The cash a company has left after spending money to support and maintain its operations and capital assets.

**Global Economic Policy Uncertainty Index**<sup>9</sup>: Measures the frequency of newspaper articles that contain references to the economy, policy, and uncertainty.

**Goldman Sachs Hedge Fund VIP Index**<sup>8</sup> – The Goldman Sachs Hedge Fund VIP Index (the “Index”) is owned by Goldman Sachs Asset Management L.P. (the “Index Sponsor”). The Index is calculated by Solactive AG (the “Calculation Agent”). The Index consists of hedge fund managers’ “Very-Important-Positions,” or the US-listed stocks whose performance is expected to influence the long portfolios of hedge funds. Those stocks are defined as the positions that appear most frequently among the top 10 long equity holdings within the portfolios of fundamentally-driven hedge fund managers. The Index is rebalanced on a quarterly basis to reflect changes in reported hedge fund manager holdings.

**Gross Domestic Product (“GDP”)**<sup>7</sup> - Gross domestic product (GDP) is the total monetary or market value of all the finished goods and services produced within a country's borders in a specific time period. As a broad measure of overall domestic production, it functions as a comprehensive scorecard of a given country's economic health.

**HFRI Fund of Funds Composite Index (“HFRIFOF”)** – The HFRI Fund of Funds Composite Index is an equally-weighted index of funds with a variety of strategies and multiple managers. It is not included in the HFRI Fund Weighted Composite Index. The index reports net-of-all-fee returns. Calculated three times per month and rebalanced annually. Material differences include non-investable nature of index.

Data sources: (1) Bloomberg Finance L.P., (2) Credit Suisse, (3) MSCI, (4) S&P Global, (5) U.S. Bureau of Labor Statistics, (6) Chicago Board Options Exchange, (7) Investopedia, (8) Goldman Sachs (9) Morningstar. Indices are unmanaged, may include the reinvestment of dividends, do not reflect the impact of management fees or performance fees and may not be available for direct investment.

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# ENDNOTES

**HFRI Fund Weighted Composite Index (“HFRI”)** – The HFRI Fund Weighted Composite Index includes approx. 1,000 constituent domestic and offshore funds (no funds of funds are included). Funds must have AUM of \$50M and have been actively trading for 12 months. This index is calculated three times per month and rebalanced annually. Material differences include non-investable nature of index.

**HFRX Global Hedge Fund Index (“HFRX”)** – The HFRX Global Hedge Fund Index is designed to be representative of the overall composition of the hedge fund universe. It is comprised of an asset-weighted distribution of eight HFRX hedge fund strategy indices. This investable index is calculated daily and rebalanced quarterly. Material differences include investment objectives, costs and expenses and liquidity.

**High-Yield Bond (HY)**<sup>7</sup> – High-Yield bonds are debt securities issued by corporations that offer higher interest rates due to their lower credit ratings compared to investment-grade bonds.

**Inflation**<sup>7</sup> – Inflation is a gradual loss of purchasing power, reflected in a broad rise in prices for goods and services over time. High inflation means that prices are increasing quickly, with low inflation meaning that prices are increasing more slowly.

**Initial Public Offerings (IPO)**<sup>7</sup> – The first time that a private company sells shares of its stock to the public on a stock exchange

**Investment Grade (IG)**<sup>7</sup> – Investment Grade is the rating that signifies a municipal bond, or corporate bond presents relatively low risk of default.

**Japan Treasury Discount Bill**<sup>1</sup> – The Japan Treasury Discount Bill (T-Bill) is a short-term debt instrument issued by the Japanese government to finance its short-term funding needs. T-Bills are sold at a discount to their face value and mature in less than one year.

**JP Morgan Domestic High Yield Index**<sup>1</sup> – The J.P. Morgan Domestic High Yield Index (JP Morgan Domestic HY) is a market-weighted index that tracks the performance of high yield bonds issued by domestic corporations in the United States. High yield bonds are debt securities with lower credit ratings than investment-grade bonds, indicating a higher risk of default but also a higher potential yield.

**JP Morgan Emerging Markets Bond Index Global**<sup>1</sup> – The JP Morgan Emerging Market Bond Index (EMBI) are a set of three bond indices to track bonds in emerging markets operated by JP Morgan. The indices are the Emerging Markets Bond Index Plus, the Emerging Markets Bond Index Global and the Emerging Markets Bond Global Diversified Index.

**Look-Through Exposure** – Aggregated exposure, at the strategy level, for each underlying fund in a portfolio (e.g., 20% U.S. Long Equities, 50% U.S. Short equities, etc.) Measured as both a percent of capital (percent of actual assets of a fund) and percent at risk (which takes into account borrowing). Total of all percent of capital exposures for a fund is always 100%, while total percent at risk may be higher due to borrowing.

**Long Notional Exposure** – Long notional exposure represents the market value of securities purchased as a percentage of capital.

**Magnificent Seven Stocks**<sup>7</sup> – The “Magnificent Seven” is a term used to reference a group of seven high-performing and influential stocks in the technology sector. Analyst Michael Hartnett coined the phrase in 2023 when commenting on the seven companies commonly recognized for their market dominance, technological impact, and changes to consumer behavior and economic trends. The seven included stocks include Alphabet (GOOGL; GOOG), Amazon (AMZN), Apple (AAPL), Meta Platforms (META), Microsoft (MSFT), NVIDIA (NVDA), and Tesla (TSLA).

**Marginal Value at Risk (“VaR”)**<sup>7</sup> – Marginal VaR refers to the additional amount of risk that a new investment position adds to a firm or portfolio.

**Morgan Stanley Capital International (“MSCI”) AC Asia Pacific Index**<sup>3</sup> – The MSCI AC Asia Pacific Index captures large and mid cap representation across 5 Developed Markets countries and Emerging Markets countries in the Asia Pacific region (Developed Markets countries in the index include: Australia, Hong Kong, Japan, New Zealand and Singapore. Emerging Markets countries include: China, India, Indonesia, Korea, Malaysia, Pakistan, the Philippines, Taiwan and Thailand). With 1,542 constituents, the index covers approximately 85% of the free float-adjusted market capitalization in each country. Calculated based on the price changes and reinvested dividends.

**Morgan Stanley Capital International (“MSCI”) World Index**<sup>3</sup> – The MSCI world index is a broad global equity index that represents large and mid-cap equity performance across 23 developed markets countries. It covers approximately 85% of the free float-adjusted market capitalization in each country. Material differences include risk profile of comparable investment and liquidity.

Data sources: (1) Bloomberg Finance L.P., (2) Credit Suisse, (3) MSCI, (4) S&P Global, (5) U.S. Bureau of Labor Statistics, (6) Chicago Board Options Exchange, (7) Investopedia, (8) Goldman Sachs. Indices are unmanaged, may include the reinvestment of dividends, do not reflect the impact of management fees or performance fees and may not be available for direct investment.

# ENDNOTES

**Morgan Stanley Capital International (“MSCI”) China Index<sup>3</sup>** – The MSCI China Index captures large and mid cap representation across China A shares, H shares, B shares, Red chips, P chips and foreign listings. The index covers about 85% of this China equity universe.

**National Association of Securities Dealers Automated Quotations (“NASDAQ”)<sup>1</sup>** - The NASDAQ-100 Index (“NASDAQ”) is a modified capitalization-weighted index that includes 100 of the largest domestic and international non-financial securities listed on The Nasdaq Stock Market.

**Natural Gas, Active Futures Contract – NYMEX<sup>1</sup>** - The NYMEX, or New York Mercantile Exchange, is an organized market where tradable commodities—such as contracts on natural gas—are bought and sold. The NYMEX is the world’s largest exchange for energy products. It handles billions of dollars in commodities each year and helps form the basis for the prices paid for these commodities. When it comes to natural gas (and other commodities, too), the NYMEX trades futures contracts. These legally binding agreements ensure that the parties involved buy or sell at an agreed-upon price at a specified time in the future.

**Net Notional Exposure<sup>7</sup>** - Net notional exposure represents the difference between long and short notional exposure.

**Peak-to-Trough (PTT) Drawdown (Peak-to-trough Loss)** - PTT Drawdown is a measure of cumulative return from the highest point in the absolute dollar value of an investment to the following lowest point.

**Price-to-Earnings (P/E)<sup>7</sup>** - Ratio compares a company’s share price with its earnings per share

**Personal Consumption Expenditures (PCE) Index<sup>9</sup>** - The PCE price index reflects changes in the prices of goods and services purchased by consumers in the United States.

**Risk-Free Rate of Return<sup>7</sup>** - The risk-free rate of return is the theoretical rate of return of an investment with zero risk. All investments carry some form of risk, making this value theoretical. The risk-free rate represents the interest an investor would expect from an absolutely risk-free investment over a specified period of time. Different countries and economic zones use different benchmarks as their risk-free rate. The interest rate on a three-month U.S. Treasury bill (T-bill) is often used as the nominal risk-free rate for U.S.-based investors and the interest rate on a three-month U.S. T-bill minus the impact of inflation is often used as the real risk-free rate. This rate is a useful proxy because the market considers there to be virtually no chance of the U.S. government defaulting on its obligations and the market for U.S. government debt is one of the largest and most liquid markets that exist.

**Russell 2000 Biotech Index<sup>1</sup>** - The Russell 2000 Index is comprised of the smallest 2000 companies in the Russell 3000 Index, representing approximately 8% of the Russell 3000 total market capitalization. The index is designed to measure the performance of small-cap biotechnology companies and includes a range of companies involved in various aspects of biotech, such as pharmaceuticals, medical research, drug discovery, and development.

**Secured Overnight Financing Rate (SOFR)<sup>7</sup>** - The Secured Overnight Financing Rate (SOFR) is a benchmark interest rate for dollar-denominated derivatives and loans that replaced the London Interbank Offered Rate (LIBOR) in June 2023.

**Shanghai Shenzhen CSI 300 Index (CSI 300)<sup>7</sup>** - The Shanghai Shenzhen CSI 300 Index is designed to replicate the performance of the top 300 stocks traded in the Shanghai and Shenzhen stock exchanges and is weighted for market capitalization. The CSI 300 is considered the blue-chip index for mainland China stock exchanges, as it tracks both the Shanghai and the Shenzhen markets.

**Sharpe Ratio** - The Sharpe Ratio is a measure of risk-adjusted returns. It is defined as an investment’s excess return over the risk-free rate divided by the standard deviation of the investment’s return:

$$\text{Sharpe Ratio} = \frac{[r_i - r_{rf}]}{\text{StdDev}(i)}$$

Where:

$r_i$  = annualized rate of return of the investment  $r$

$r_f$  = annualized risk-free rate of return

$\text{StdDev}(i)$  = annualized standard deviation of investment returns

Data sources: (1) Bloomberg Finance L.P., (2) Credit Suisse, (3) MSCI, (4) S&P Global, (5) U.S. Bureau of Labor Statistics, (6) Chicago Board Options Exchange, (7) Investopedia, (8) Goldman Sachs (9) U.S. Bureau of Economic Analysis. Indices are unmanaged, may include the reinvestment of dividends, do not reflect the impact of management fees or performance fees and may not be available for direct investment.

# ENDNOTES

**Short Notional Exposure** - Short notional exposure represents the market value of securities sold short as a percentage of capital.

**Standard Deviation (StdDev) ( $\sigma$ )** - Standard Deviation is a statistical measure of a variable's dispersion around the mean. It is often used as a measure of investment risk. The formula for the Standard Deviation of a population of data is:

Where:

$N$  = number of returns

$\mu$  = mean of returns

$X_i$  = return observation

$$\sigma = \sqrt{\frac{\sum_{i=1}^N (x_i - \mu)^2}{N}}$$

**Standard & Poor's ("S&P") 500 Index**<sup>1</sup> - The S&P 500 Index is a capitalization-weighted index designed to measure the performance of the U.S. economy through changes in the market value of stocks representing major industries. Shares rebalanced quarterly. Constituent changes made as needed. Total returns reported. Material differences include risk profile of comparable investment and liquidity.

**Standard & Poor's ("S&P") 500 Equity Risk Premium Index**<sup>4</sup> - The S&P 500 Equity Risk Premium Index measures the spread of returns of U.S. stocks over long term government bonds.

**STOXX Europe 600 Index**<sup>1</sup> - The STOXX Europe 600 Index is derived from the STOXX Europe Total Market Index and is a subset of the STOXX Global 1800 Index. With a fixed number of 600 companies, the STOXX Europe 600 Index represents large, mid and small capitalization companies across 17 countries of the European region. Calculated based on the price changes and reinvested dividends.

**Time to Recovery ("TTR")** - The number of months taken to recover the full peak-to-trough drawdown amount- measured from the trough of the drawdown to the first subsequent period where the value of the investment meets or exceeds the peak of the drawdown.

**Technology, Media, & Telecom (TMT) Sector**<sup>7</sup> -The TMT sector covers areas like hardware, semiconductors, software, media, and telecom.

**Tokyo Price Index (TOPIX)**<sup>7</sup> - The Tokyo Price Index—commonly referred to as TOPIX—is a metric for stock prices on the Tokyo Stock Exchange (TSE). TOPIX is a capitalization-weighted index that lists all firms in the "first section" of the TSE, a section that organizes all of Japan's largest firms on the exchange into one group.

**U.S. Dollar Index (DXY)**<sup>7</sup> - The U.S. dollar index is a measure of the value of the U.S. dollar relative to a basket of foreign currencies.

**Yield to Maturity ("YTM")**<sup>7</sup> - YTM is considered a long-term bond yield but is expressed as an annual rate. It is the internal rate of return (IRR) of an investment in a bond if the investor holds the bond until maturity, with all payments made as scheduled and reinvested at the same rate.

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# DATA SOURCES

## Notes and Disclosures

Bloomberg Finance L.P.

Credit Suisse.

Preqin.

Eurekahedge.

HFR, Inc. [www.HFR.com](http://www.HFR.com).

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