

# HEDGE FUND OVERVIEW

Q1 2026

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# THE CASE FOR HEDGE FUNDS

We believe hedge funds are highly effective tools in helping investors achieve their long-term goals:

## STRUCTURAL ADVANTAGES

- Flexible investment mandate
  - Can adapt and dynamically shift exposures to capitalize on changing conditions
- Not constrained to “benchmarks” like most traditional managers
- Alignment of interests with investors
  - Strong financial incentives to focus on performance

## ATTRACTIVE RISK/REWARD PROFILE

- Exhibit attractive risk/reward profiles over both intermediate and long time frames
  - Favorable return profiles with low market sensitivity
- Ability to mitigate losses in markets corrections and capitalize on opportunities created during such periods
  - Prioritize risk management through use of hedging tools

## DIVERSIFICATION BENEFITS

- Seek limited correlation with global markets
  - Utilize hedged, long/short investment approach
  - Focus on generating absolute (positive) returns
- Act as a complement to traditional assets
  - Can reduce overall sensitivity to global markets
  - Offer access to niche, differentiated and time-sensitive market opportunities
- Greater consistency of returns than long-only equity

## FAVORABLE MARKET ENVIRONMENT

- Well-positioned to mitigate risks amid an uncertain macroeconomic climate
  - Conventional equity and credit markets appear challenged
- Market environment lends itself to strategies that are difficult for traditional managers to implement
  - Hedge fund strategies may benefit from higher volatility and dispersion within equity and credit markets

As of March 31, 2025.

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

Unless apparent from context, all statements herein represent GCM Grosvenor's opinion. **No assurance can be given that any fund will achieve its objective or avoid losses. Past performance is not necessarily indicative of future results.**

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# WHAT ARE HEDGE FUNDS?

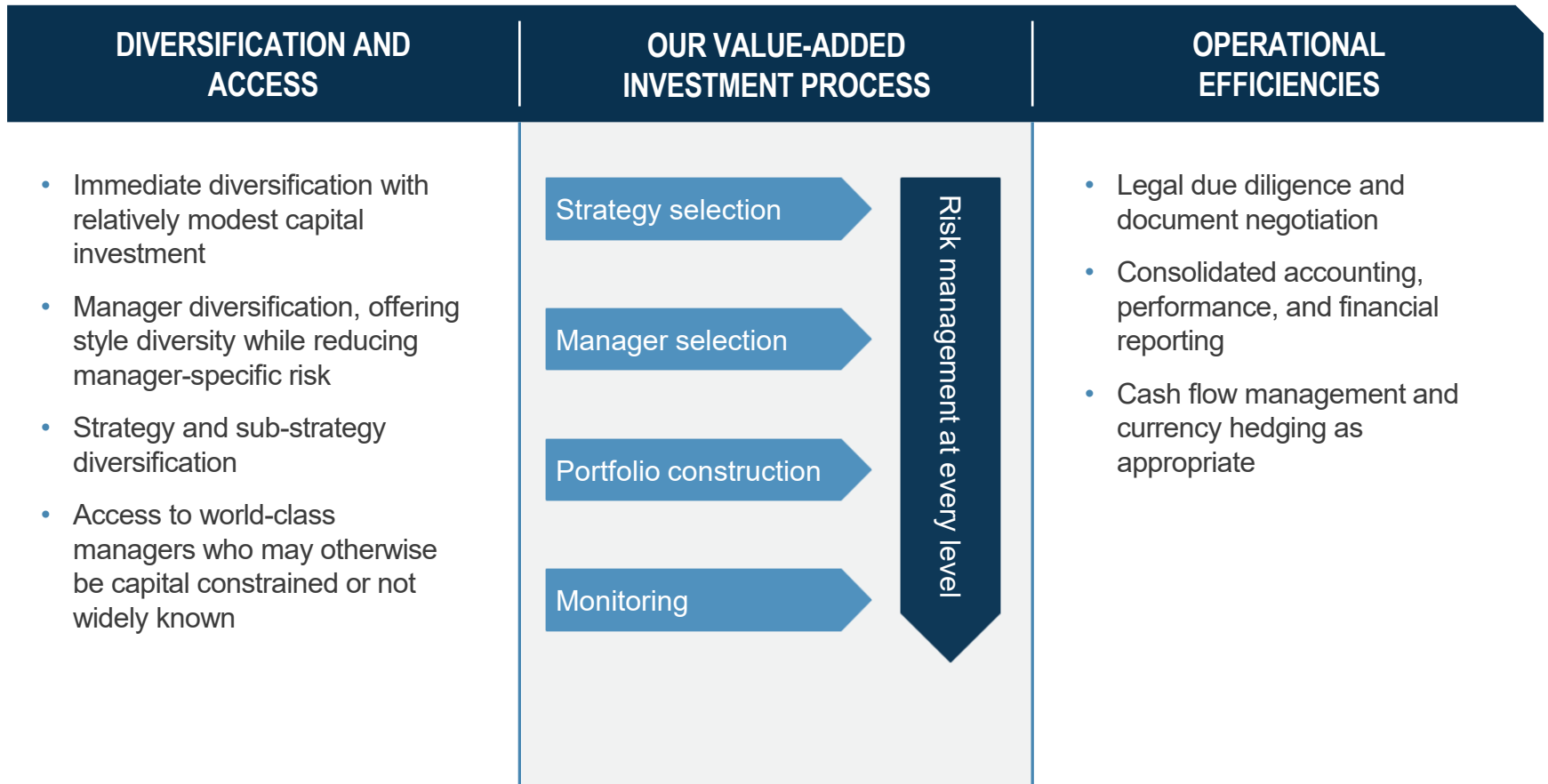
- Typically, private investment vehicles, often structured as limited partnerships or corporations
- Flexible investment mandates, often seeking to exploit market inefficiencies
- Differ by strategies employed, markets accessed, instruments used, and risks involved
- Many hedge fund firms are large global investment management organizations with offices in multiple countries and expertise across asset classes and regions
- Generally absolute return focused
- Name is generally misunderstood
- No descriptive power regarding:
  - Markets
  - Strategies
  - Securities
  - Risk profile
- Seek alignment of interests between investment managers and investors

# TRADITIONAL VS. HEDGE FUND INVESTMENTS

	TRADITIONAL INVESTMENT	HEDGE FUND INVESTMENT
<b>OFFERED</b>	Publicly	Privately to qualified investors
<b>SECURITIES USED</b>	Typically limited mandate	Typically flexible mandate across markets and instruments
<b>POSITIONS</b>	Buy (“go long”) securities	Buy and sell short (“go long” and “go short”) securities
<b>LIQUIDITY</b>	Generally liquid	Restrictions on liquidity depending on the investment strategy
<b>PERFORMANCE OBJECTIVE</b>	Relative performance <ul style="list-style-type: none"> <li>• Seek to outperform benchmark</li> </ul>	Typically absolute returns <ul style="list-style-type: none"> <li>• Seek positive returns with reduced volatility over market cycle</li> </ul>
<b>CORRELATION</b>	Performance typically correlated to benchmark	Seek limited correlation to global markets
<b>FEES</b>	Flat fee based on assets	Performance fee in addition to a flat fee

# DISTINGUISHING FEATURES OF FUNDS OF HEDGE FUNDS

We believe funds of funds are an efficient way to access alternative investments. Funds of hedge funds are distinguished from other investments in the following ways:



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

For illustrative purposes only. No assurance can be given that any investment strategy will achieve its investment objectives or avoid losses.

# EQUITY-FOCUSED HEDGE FUND STRATEGIES (1 OF 2)

Equity-focused strategies involve the purchase or sale of equities based on fundamental and/or quantitative analyses and other factors. Managers seek to capitalize on discrepancies between their assessment of security valuations and current market prices.

## EQUITIES STRATEGIES

### Directional equity strategies

- Fundamental equity strategies utilizing a range of portfolio construction approaches
- Underlying funds are typically generalist in nature and have a broad mandate to invest in either developed market or global equity markets
- Typically, will have a high net exposure profile

### Low-net equity strategy

- Fundamental equity strategies utilizing low-net portfolio construction approaches
- Underlying funds are typically generalist in nature and have a broad mandate to invest in either developed market or global equity markets
- Net portfolio exposures may tilt net short at times, alpha shorting a more prevalent return driver in all markets

## TYPICAL EQUITIES HEDGE FUND ATTRIBUTES

	DIRECTIONAL	LOW-NET
TYPICAL SECURITIES	Equity	Equity
LIQUIDITY PROFILE	High	High
LEVERAGE REQUIRED	Low	Low to medium
COMPLEXITY	Low	Low to moderate
CORRELATION TO MARKETS	High	Moderate
USE OF DERIVATIVES	Low	Low

For illustrative purposes only. No assurance can be given that any investment strategy will achieve its investment objectives or avoid losses. Not all investments in these categories exhibit all of these attributes.

# EQUITY-FOCUSED HEDGE FUND STRATEGIES (2 OF 2)

Equity-focused strategies involve the purchase or sale of equities based on fundamental and/or quantitative analyses and other factors. Managers seek to capitalize on discrepancies between their assessment of security valuations and current market prices.

## EQUITIES STRATEGIES

### Market neutral equity

- Equity strategies with tightly contained and risk-managed beta profiles, typically with a higher degree of portfolio turnover than fundamental peers
- Many of the multi-PM funds fall within this sub-strategy

### Specialist equity strategies (sector / region)

- A variety of niche strategies, narrowly defined funds targeting specific opportunities such as sector specialist funds or regional specialists

### Activism

- Firms specializing in activist approaches, portfolios are typically heavily long-biased in nature with a high degree of position level concentration
- Manager seeks to affect corporate change and thereby drive investment gains

## TYPICAL EQUITIES HEDGE FUND ATTRIBUTES

	MARKET NEUTRAL	SPECIALIST	ACTIVISM
TYPICAL SECURITIES	Equity	Equity	Equity
LIQUIDITY PROFILE	High	High	Medium to low
LEVERAGE REQUIRED	Medium to high	Low to high	Low
COMPLEXITY	Moderate to high	Low	Moderate to high
CORRELATION TO MARKETS	Moderate to low	Low to high	High
USE OF DERIVATIVES	Low	Low	Low

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# EVENT DRIVEN HEDGE FUND STRATEGIES

Event driven strategies involve the purchase or sale of securities tied to a specific actual or expected corporate action or event. Managers seek to capitalize on discrepancies between their assessment of security valuations and current market prices, and the likelihood and timing of the event that is expected to catalyze the convergence of the valuation gap.

## EVENT DRIVEN STRATEGIES

### Risk arbitrage

- Seek to exploit announced or anticipated mergers or acquisitions creates potential inefficiencies in pricing of securities

### Diversified event driven

- Seek to exploit situations in which announced or anticipated events (e.g., mergers, acquisitions, divestitures, spin-offs, recapitalizations, bankruptcies) create potential inefficiencies in the pricing of securities

## TYPICAL EVENT DRIVEN HEDGE FUND ATTRIBUTES

	RISK ARBITRAGE	DIVERSIFIED EVENT DRIVEN
TYPICAL SECURITIES	Equity	Equity, fixed income, derivatives
LIQUIDITY PROFILE	High	Moderate to high
LEVERAGE REQUIRED	Low to moderate	Low to moderate
COMPLEXITY	Low to moderate	Varies (low to high)
CORRELATION TO MARKETS	Low to moderate	Low to moderate
USE OF DERIVATIVES	Low	Moderate

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# RELATIVE VALUE HEDGE FUND STRATEGIES (1 OF 2)

Relative value strategies are less dependent on market direction. Trades are constructed to capitalize on perceived mispricings of one instrument relative to another, or, within a given instrument, one maturity relative to another.

## RELATIVE VALUE STRATEGIES

### Convertible arbitrage

- Buy an issuer's convertible bonds and short its underlying common stock
- Goal is to exploit perceived pricing inefficiencies from a fundamental- or volatility-based perspective

### Statistical arbitrage

- Use quantitative models to buy and sell equity securities that are exhibiting a perceived temporary divergence from their historically stable price relationships
- Seek to maintain neutrality to broad equity market movements and equity market factors

## TYPICAL RELATIVE VALUE HEDGE FUND ATTRIBUTES

	CONVERTIBLE ARBITRAGE	STATISTICAL ARBITRAGE
TYPICAL SECURITIES	Equity, fixed income	Equity
LIQUIDITY PROFILE	Moderate	High
LEVERAGE REQUIRED	Moderate to high	Moderate to high
COMPLEXITY	Moderate	High
CORRELATION TO MARKETS	Low to moderate	Low
USE OF DERIVATIVES	Low to moderate	Low

For illustrative purposes only. No assurance can be given that any investment strategy will achieve its investment objectives or avoid losses. Not all investments in these categories exhibit all of these attributes.

# RELATIVE VALUE HEDGE FUND STRATEGIES (2 OF 2)

Relative value strategies are less dependent on market direction. Trades are constructed to capitalize on perceived mispricings of one instrument relative to another, or, within a given instrument, one maturity relative to another.

## RELATIVE VALUE STRATEGIES

### Fixed income arbitrage

- Buy and sell related fixed income securities
- Goal is to exploit perceived pricing inefficiencies while hedging interest rate exposure

### Option volatility arbitrage

- Make directional and relative value investments in volatility
- Directional investments express a view on the likely trend of implied volatility across various asset classes
- Relative value investments attempt to exploit perceived mispricing between multiple options or instruments containing implied volatility

## TYPICAL RELATIVE VALUE HEDGE FUND ATTRIBUTES

	FIXED INCOME ARBITRAGE	OPTION VOLATILITY ARBITRAGE
TYPICAL SECURITIES	Fixed income, derivatives	Derivatives
LIQUIDITY PROFILE	High	High
LEVERAGE REQUIRED	Moderate to high	Low to moderate
COMPLEXITY	High	High
CORRELATION TO MARKETS	Low	Low
USE OF DERIVATIVES	Moderate	High

For illustrative purposes only. No assurance can be given that any investment strategy will achieve its investment objectives or avoid losses. Not all investments in these categories exhibit all of these attributes.

# MACRO-FOCUSED HEDGE FUND STRATEGIES

Macro-focused managers invest based on analyses and forecasts of macroeconomic trends, including governmental and central bank policies, political changes, fiscal trends, trade imbalances, interest rate trends and inter-country government relations.

## MACRO STRATEGIES

### Discretionary

- Invest based primarily on fundamental research of numerous macro factors
- Can take directional or relative value approaches
- Standard trades include
  - Currency positions
  - Interest rate positions
  - Equity, sector or index positions
  - Commodity positions

### Systematic

- Invest based on mathematical, algorithmic or technical models that use fundamental or trend-following macroeconomic and/or price data as inputs

## TYPICAL MACRO HEDGE FUND ATTRIBUTES

	DISCRETIONARY	SYSTEMATIC
<b>TYPICAL SECURITIES</b>	Equity, fixed income, derivatives, commodities, currencies, indices	Equity, fixed income, derivatives, commodities, currencies, indices
<b>LIQUIDITY PROFILE</b>	High	High
<b>LEVERAGE REQUIRED</b>	Varies (low to high)	Low to moderate
<b>COMPLEXITY</b>	Low to moderate	Varies (low to high)
<b>CORRELATION TO MARKETS</b>	Low	Low
<b>USE OF DERIVATIVES</b>	Moderate	Moderate to high

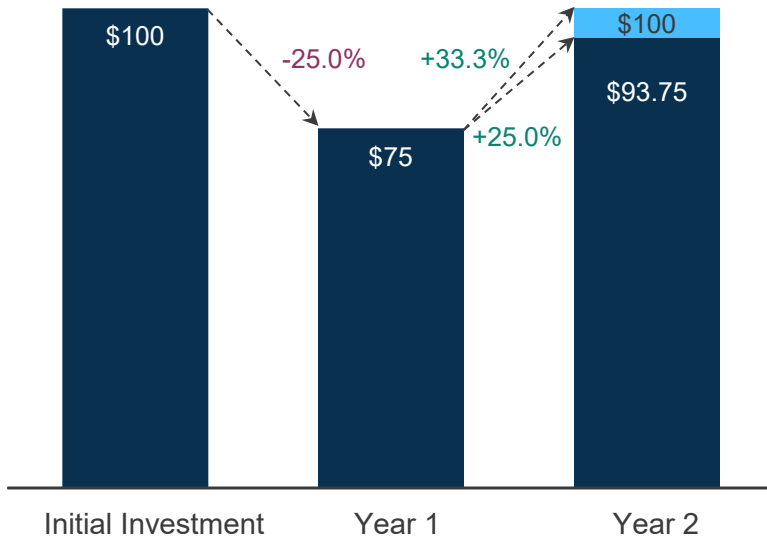
For illustrative purposes only. No assurance can be given that any investment strategy will achieve its investment objectives or avoid losses. Not all investments in these categories exhibit all of these attributes.

# THE POWER OF MINIMIZING NEGATIVE RETURNS

Substantial negative returns make it more difficult to recover portfolio value and achieve portfolio growth.

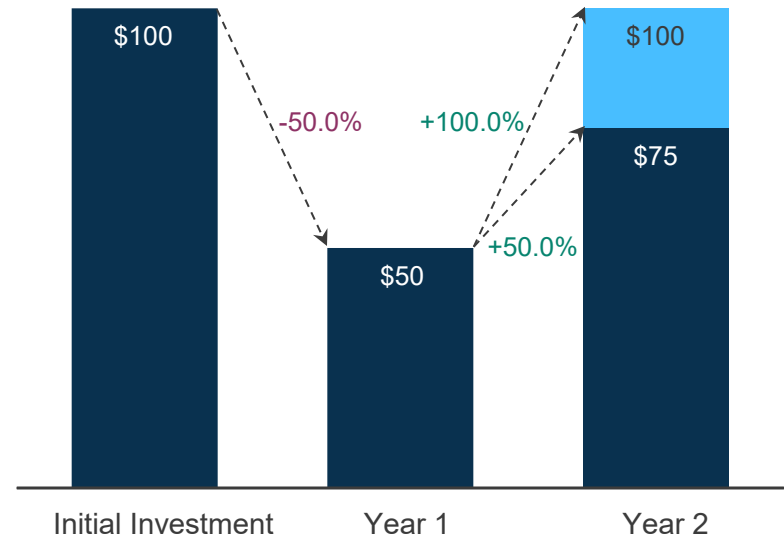
## 25% Loss year

33.3% return needed in year two to get back to \$100.



## 50% Loss year

100.0% return needed in year two to get back to \$100.

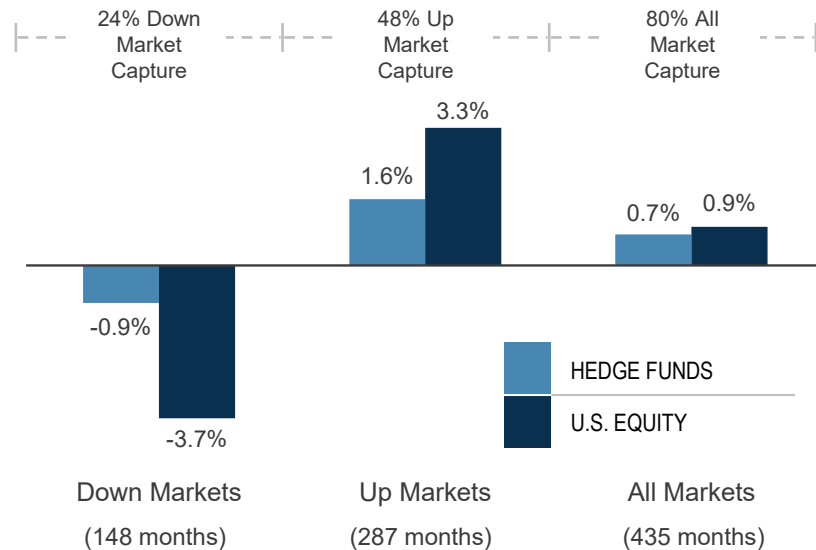


# HEDGE FUND PERFORMANCE

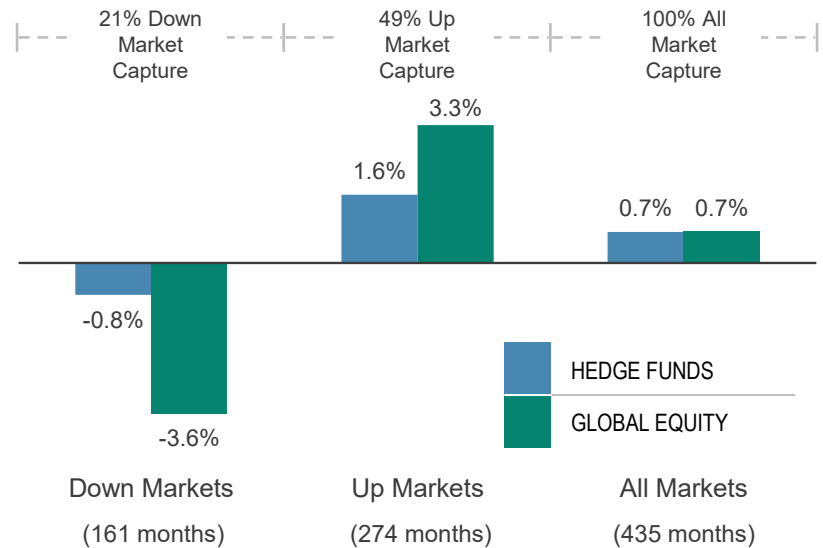
Historical preservation of capital in down markets

## PERFORMANCE IN VARIOUS MARKET ENVIRONMENTS January 1990 through March 2026

### U.S. EQUITY



### GLOBAL EQUITY



**AVERAGE DOWN MARKET CAPTURE: 23%**

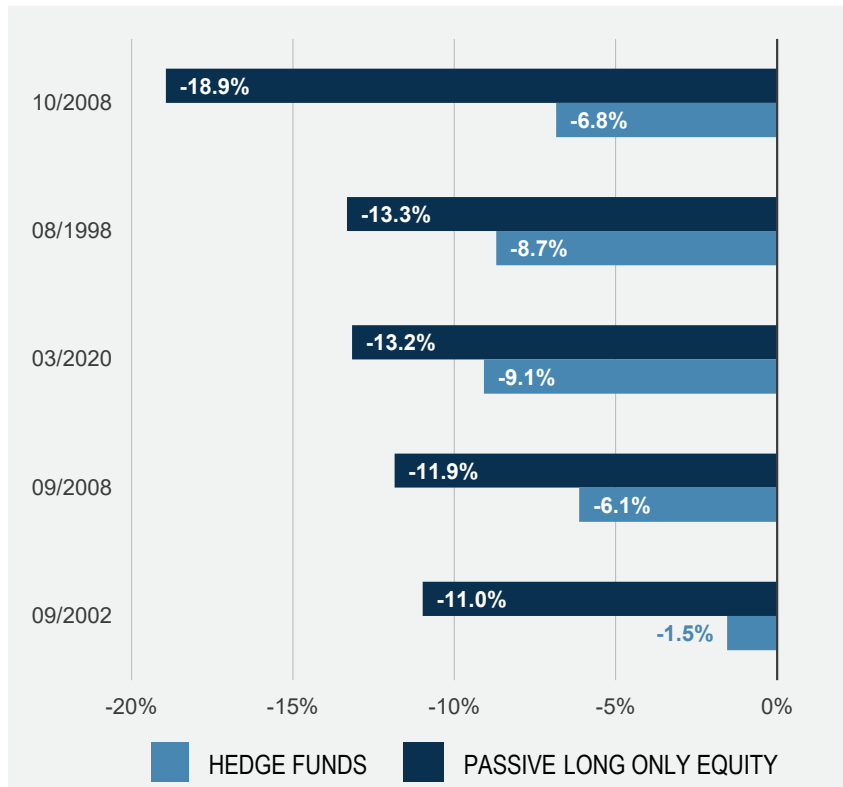
Past performance is not necessarily indicative of future results. "Hedge funds" represented by HFRI Fund Weighted Composite Index; "U.S. equity" represented by S&P 500 Index; "Global equity" represented by MSCI World Index. Indexes are unmanaged and investors cannot directly invest in them. Composite index results are shown for illustrative purposes and do not represent the performance of a specific investment.

# EFFECT OF ASYMMETRIC MARKET CAPTURE

Hedge fund investing has historically reduced drawdown risk (capturing less equity market down movements).

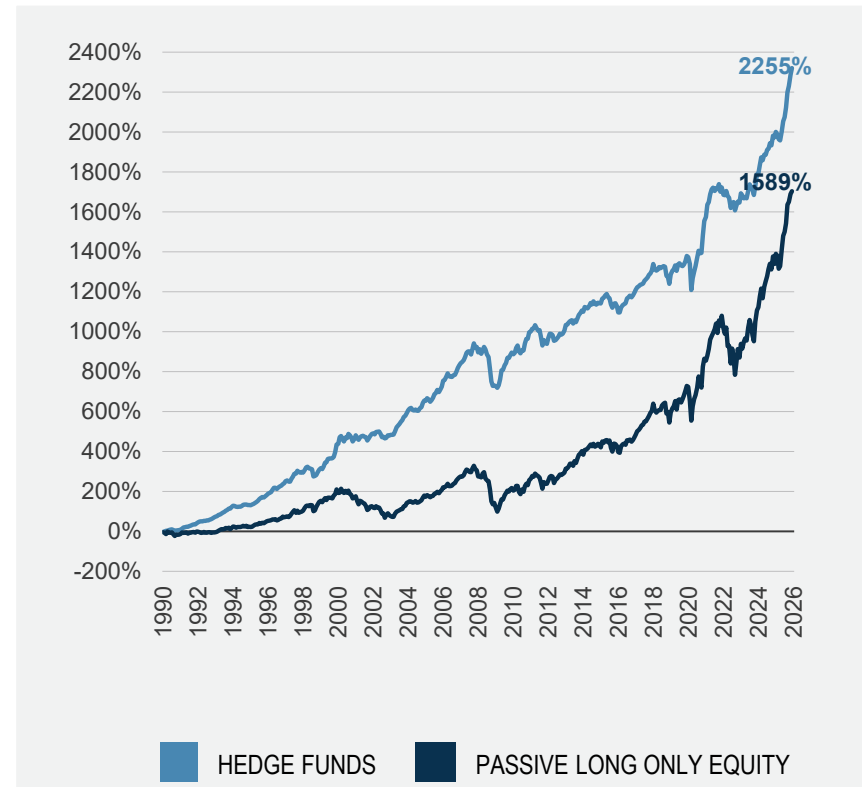
## FIVE WORST MONTHLY EQUITY MARKET DRAWDOWNS

Hedge funds and passive long-only equity (Jan. 1990 through March. 2026)



## CUMULATIVE RETURNS

Hedge funds and passive long-only equity (Jan. 1990 through March. 2026)



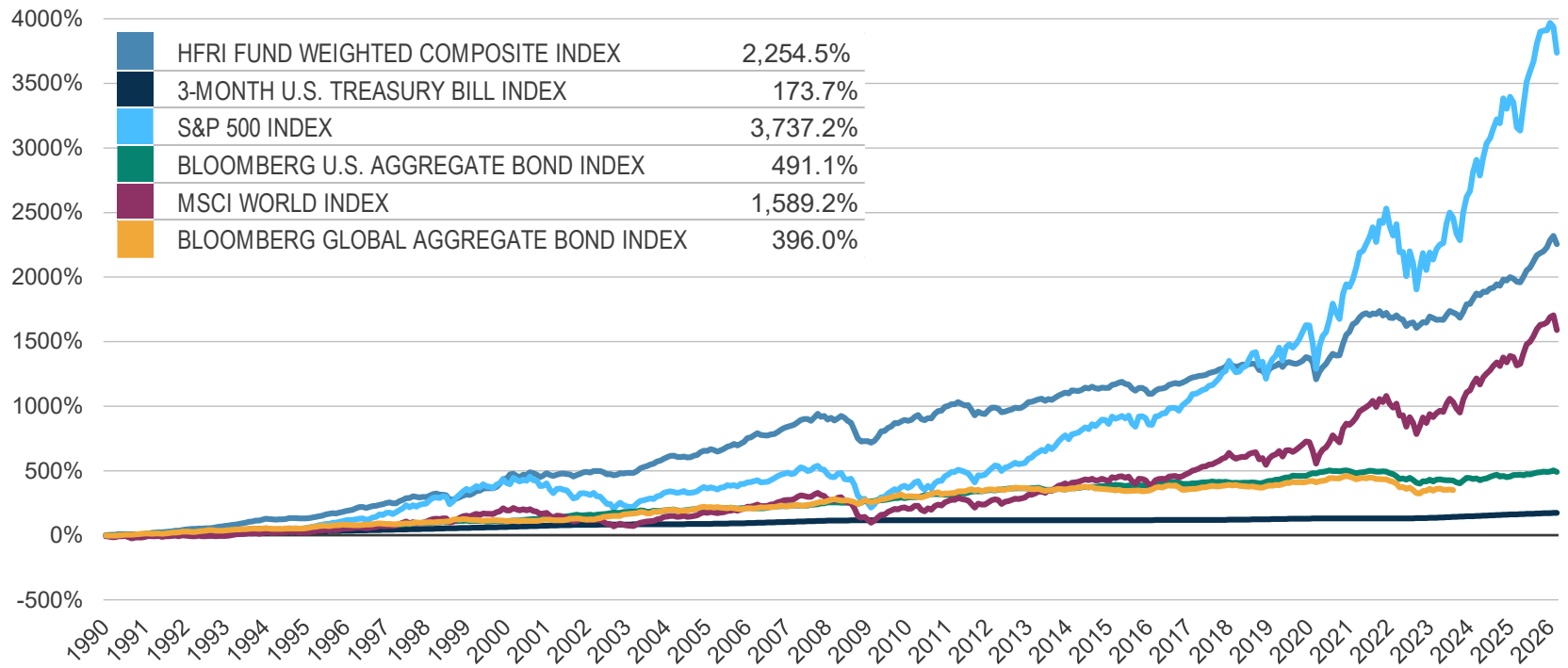
"Hedge funds" represented by HFRI Fund Weighted Composite Index; "Passive long-only equity" and "equity market" represented by MSCI World Index.

Additional information available upon request. **Past performance is not necessarily indicative of future results.** Indices are unmanaged and investors cannot directly invest in them. Composite index results are shown for illustrative purposes and do not represent the performance of a specific investment.

# CUMULATIVE NET RETURN OF COMPOSITE VS. MARKET INDEXES

## CUMULATIVE RETURNS: HFRI FUND WEIGHTED COMPOSITE INDEX

January 1990 through March 2026



All returns expressed in USD. Past performance is not necessarily indicative of future results.

# NOTES & DISCLOSURES

## Appendix



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# ENDNOTES

**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.

**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.

**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.

**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.

**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.

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# ENDNOTES

**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.

**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® 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® 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.

**Drawdown** - A Drawdown is any losing period during an investment record. It is defined as the percent retrenchment from a price peak to a price valley. A Drawdown is in effect from the time a price retrenchment begins until a new price high is reached. (That is, in terms of time, a Drawdown encompasses both the period from price peak to price valley (length) and the time from the price valley to a new price high (recovery).

**Depreciation<sup>7</sup>** – Depreciation is an accounting practice used to spread the cost of a tangible or physical asset over its useful life. Depreciation represents how much of the asset's value has been used up in any given time period. Companies depreciate assets for both tax and accounting purposes and have several different methods to choose from.

**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

**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.

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# ENDNOTES

**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.

**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** - 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.

**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.

# ENDNOTES

**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:

Where:

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

$r_f$  = annualized risk-free rate of return

$StdDev(i)$  = annualized standard deviation of investment returns

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

**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.

**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.

**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.

**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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# 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.

**Annualized** – An annualized statistic has been normalized to a 12-month equivalent. This is accomplished by taking the geometric monthly average return to the twelfth power.

**Arbitrage<sup>7</sup>** - Arbitrage is the simultaneous purchase and sale of the same or similar asset in different markets in order to profit from tiny differences in the asset's listed price. It exploits short-lived variations in the price of identical or similar financial instruments in different markets or in different forms.

**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

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

**Bloomberg Commodity Index<sup>1</sup>** - The Bloomberg Commodity Index is composed of futures contracts and reflects the returns on a fully collateralized investment in the Bloomberg Commodity Index (BCOM). This combines the returns of the BCOM with the returns on cash collateral invested in 3-month U.S. Treasury Bills. BCOM U.S. calculated on an excess return basis and reflect commodity futures price movements. The index rebalances annually weighted 2/3 by trading volume and 1/3 by world production and weight-caps are applied at the commodity, sector, and group level for diversification. Roll period typically occurs from 6th-10th business day based on the roll schedule.

**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.

**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).

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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# DATA SOURCES

## Notes and Disclosures

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