

# One Battle After Another

## SUMMARY Q1 2026

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### Executive Summary:

- Market regime increasingly defined by a “sequence of shocks”
- Performance (+10.3% in Q1 2026) driven by cross-asset dislocations during volatility episodes
- Strategy continues to demonstrate diversification and convexity characteristics

### Market Regime: a “sequence of shocks” environment

Since 2022, markets are shifting toward a regime where volatility is generated by a succession of distinct shocks, rather than a single sustained crisis. Each shock or “battle” whether macroeconomic, policy-related, or geopolitical triggers a local repricing across assets, followed by a period of normalisation before the next event occurs.

This pattern has been observed across multiple events, including inflation and rate repricing in 2022, US

regional banking stress in 2023, and more recently geopolitical developments coming from trade tariffs in April 2025, and the Middle East war in March.

The common feature across these episodes is not their origin, but the market behavior they generate: (1) sudden increases in volatility, (2) significant and frequent dislocations (3) very high asset correlations.

### Q1 2026: Cross-Asset Dislocation

From late February, markets transitioned into a geopolitical-driven stress regime, with simultaneous effects across asset classes.

Commodities reacted first, particularly in energy markets, before spillovers extended to the broader complex. Rates and FX markets reflected a repricing of

policy expectations alongside flight-to-quality dynamics. In equities, portfolios underwent progressive rebalancing as investors reassessed positioning.

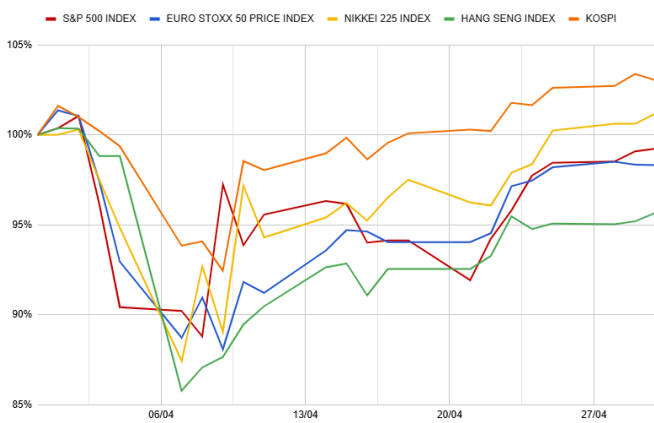
Unlike previous episodes, dislocations did not occur as a single event but instead developed in waves, creating a more continuous opportunity set.

## April 2025 vs March 2026 - Comparative Analysis

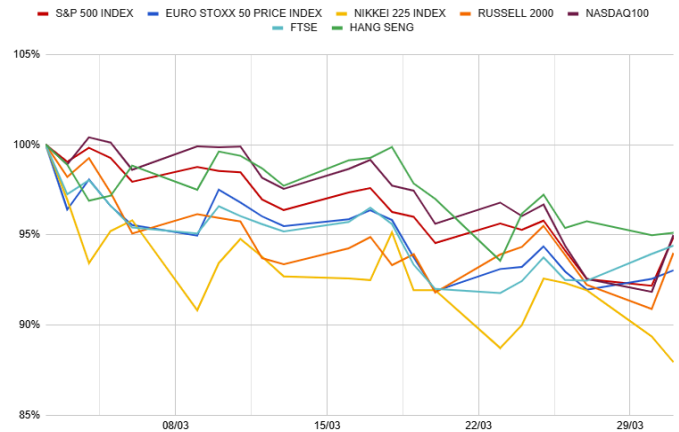
The April 2025 and March 2026 episodes illustrate two distinct types of dislocation. In April 2025, markets reacted to a policy-driven shock with immediate and synchronised repricing, resulting in a sharp spike in volatility, a broad sell-off, and a subsequent rebound (see figures 1 & 3). In contrast, March 2026 was driven by geopolitical developments and exhibited a progressive, multi-stage transmission. Volatility

increased gradually, equity markets declined over the month, and dislocations were more evenly distributed throughout the period - this resulted in a more persistent but less abrupt dislocation profile (see figures 2 & 3).

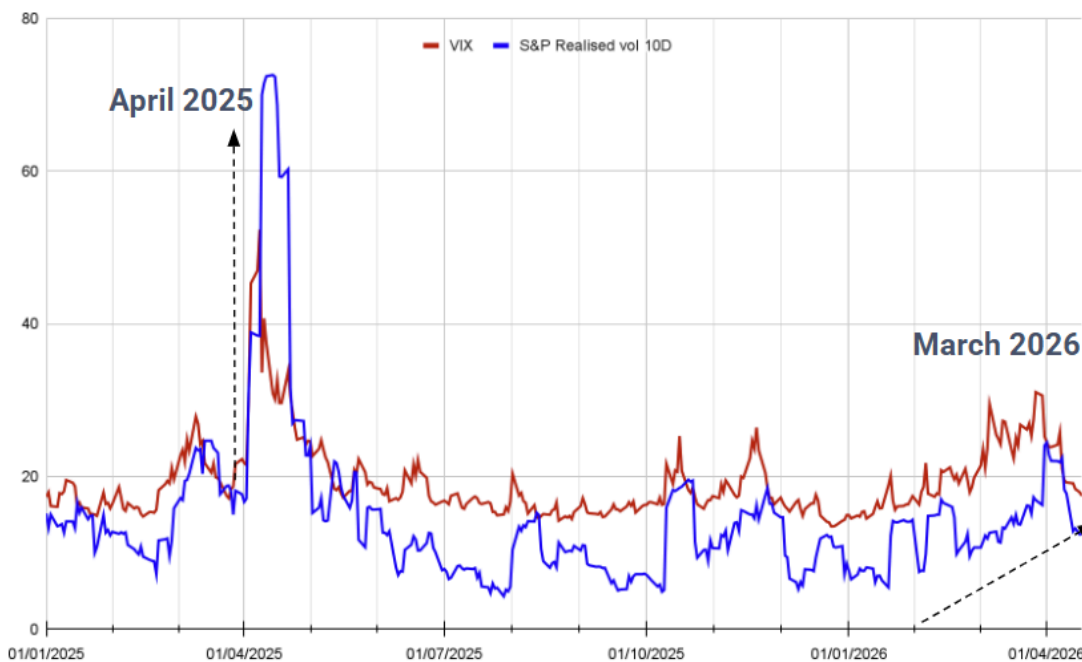
**Figure 1: Equity Index Performance - April 2025**



**Figure 2: Equity Index Performance - March 2026**



**Figure 3: VIX and realized volatility (Jan 2025-March 2026)**



Sources (figures 1,2,3): Bloomberg - ABC arbitrage AM

## Where Alpha Emerges

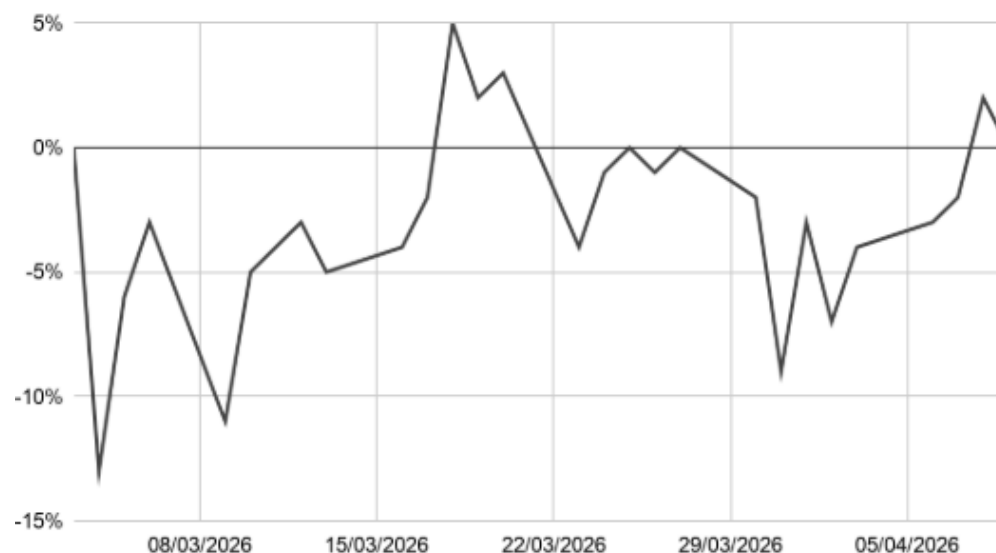
ABC arbitrage seeks to capture relative value dislocations across markets, which tend to arise following volatility shocks. After an event, markets typically experience an initial phase of dislocation and overshooting, generally driven by liquidity needs, de-risking, and portfolio rebalancing (among other factors). This is followed by a correlation spike, where assets move more synchronously, before relationships gradually normalise. Some of our strategies systematically take contrarian positions on spread deviations, aiming to benefit from this normalisation process.

In practice, cross-asset spreads, such as those between equities or equity indices, can widen materially

during periods of stress. As dislocations increase, the strategies' positions are scaled progressively, reflecting the expanding opportunity set.

As spreads revert toward their statistical mean or an "equilibrium" level, positions are monetised. The example of the Kospi - Nasdaq spread (see figure 4) illustrates how equity market volatility in March 2026 increased both the magnitude and frequency of these opportunities, notably where the spread is seen to oscillate around its mean level (zero in this example). This phenomenon was observed across a vast number of correlated equities and equity index futures.

**FIGURE 4 - KOSPI VS NASDAQ Spread**



Sources : Bloomberg - ABC arbitrage AM

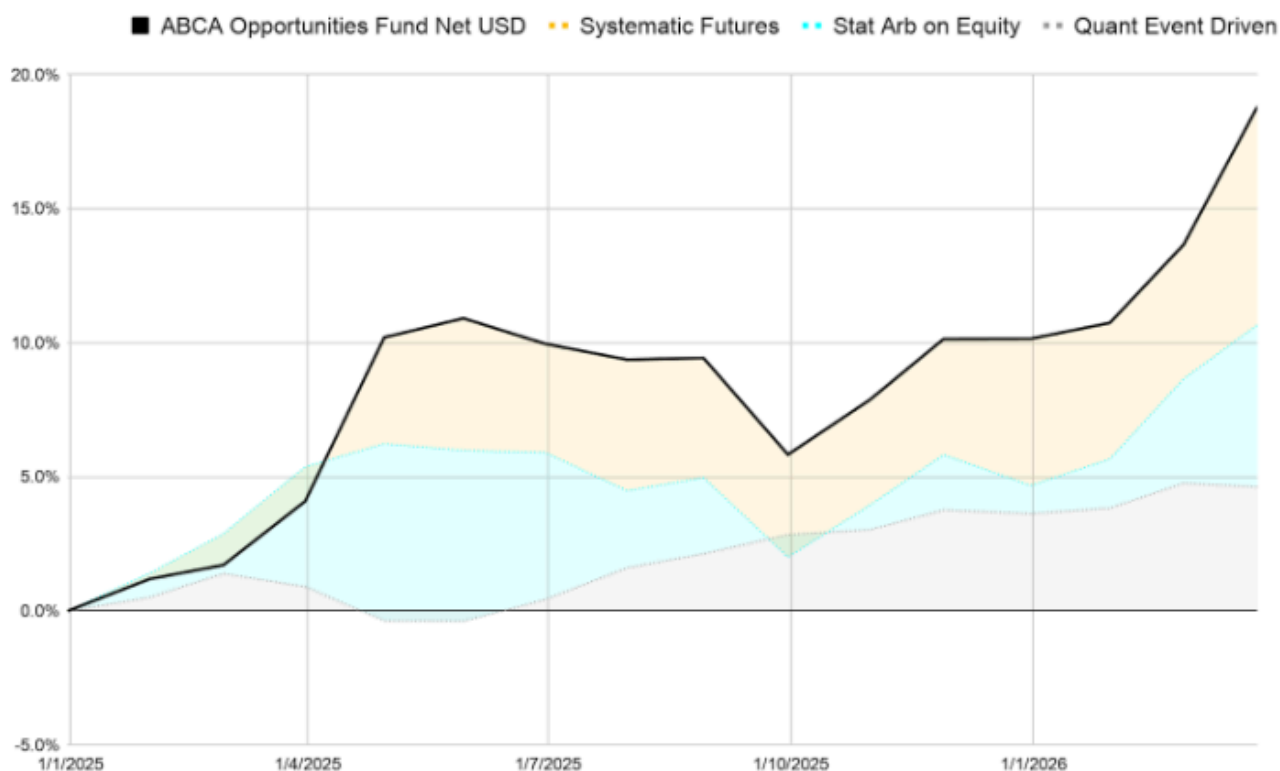
## Fund Performance & Risk (Q1 2026)

All sub-strategies contributed positively during the quarter, with approximately 80% of performance generated by statistical arbitrage strategies across equities and futures (see figure 5). Their opportunity set was indicated by cross-market dispersion, elevated correlation regimes, and increased turnover of the strategy, all of which are characteristic of dislocation-driven environments and high potential alpha.

Between January 2025 and March 2026, the fund has generated in excess of 20% cumulative net returns.

During March 2026, the strategy exhibited higher intraday activity and gross exposure, reflecting increased opportunity capture. However, positions were quickly recycled, resulting in low overnight risk. Compared to April 2025, where performance and risk were concentrated over a short period, Q1 2026 saw a more even distribution of both risk and returns throughout the month. This reflects a regime of more persistent but less extreme volatility.

**FIGURE 5 - ABCA OPPORTUNITIES FUND PERFORMANCE**



Sources : ABC arbitrage AM

## Strategy Role in Portfolio

In a “sequence of shocks” environment, return generation becomes increasingly episodic rather than overtly directionally-driven. Strategies capable of capturing short-lived dislocations across assets, rather than relying on persistent directional trends, may therefore provide meaningful diversification within institutional portfolios.

The ABCA Opportunities Fund can be classified as a diversifying liquid-alternative strategy, focused on relative value and statistical arbitrage.

It is designed to complement traditional allocations, including CTA/trend, directional macro, and multi-strategy approaches, by providing meaningful exposure to non-directional, dislocation-driven return sources.



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