Investment Strategy

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Mandate and Objectives

1.1 Strategy Definition

Discretionary global macro. Cross-asset directional. Core long/short equities plus leveraged bonds, FX, and index futures. No private credit. No frontier or sanction-risk markets. No illiquid OTC or bespoke structures. Seek large thematic macro trends and express them directly. The approach combines deep fundamental research on regime changes with technical confirmation for timing, emphasizing concentrated high-conviction positions when edge is clearest. Price action feeds back into fundamental views and can accelerate or invalidate themes. In environments with few opportunities the correct action is patience. Only act when there is a true opportunity. The mandate is selective deployment rather than constant activity.

1.2 Investment Objective and Return Targets

Absolute return. Through-cycle objective. The focus is on compounding, not quarterly optics or “risk-adjusted” smoothness. The bar is set to be able to produce strong returns regardless of market conditions.

Superior long-term returns are built through preservation of capital combined with selective periods of concentrated conviction. The strategy runs low gross exposure and tight downside control in low-conviction environments. When macro conditions align with the playbook and conviction is high, the strategy increases gross exposure, concentration, and allowable realized volatility to maximize upside.

The return profile is explicitly designed to be asymmetric, with the expectation of producing outsized gains during periods when conviction and market positioning align favorably, while targeting flat to modest positive returns during periods requiring defensive posturing. This approach rejects the concept of targeting steady monthly returns in favor of maximizing compound growth over multi-year periods, consistent with the view that attempting to manufacture returns when opportunities are absent typically destroys value.

1.3 Risk/Volatility Profile

Accept meaningful P&L swings. Scale up when process is working and slow down when cold or when down/flat on the year. Risk is scaled with opportunity set and liquidity conditions rather than to hit a preset return number. Early gains expand risk capacity only if

the prevailing regime continues to validate the investment theses. Respect fat tails and cycle regimes.

Volatility is expected to rise in those aligned regimes and compress when edge is low. Willing to run high conviction concentrated risk in single themes. In low-conviction or poor risk-reward periods, expected daily P&L move is generally no more than 0.30–0.40% NAV.

1.4 Capacity and Scalability

Constrained by market liquidity, not AUM. Never size beyond what can be exited without meaningful slippage. Scales well in liquid global macro trades. Capacity may be constrained in single-name equities or niche credit.

Additional capital is not accepted until there is an opportunity to deploy it. New capital is only deployed to existing positions if it makes sense to do so.

Investment Universe and Instruments

2.1 Asset Classes Traded

Global equities. Index futures, sector baskets, large cap single names.

Spot FX. Primarily G10, selectively liquid EM crosses.

Credit. No private credit.

Commodities. Primarily energy and metals via listed futures.

Listed options.

2.2 Geographic Scope

The strategy is global. Core focus is the United States, Europe, the United Kingdom, Japan, and G10 FX. Emerging markets are traded only where markets are liquid and accessible. Examples include liquid EM FX pairs and liquid ADRs. No frontier markets and no exposures in markets with capital controls or sanction risk.

2.3 Liquidity

The strategy trades only instruments that can be sized and exited without material slippage. Positions are sized so they can be exited within one to two trading days in normal conditions. Single name equity positions are capped at a defined share of average daily volume.

2.4 Time Horizon

The book is a sequence of short-term investments but manage for long-term capital compounding without regard for quarterly optics. Positions are not exited early and do not have a predefined “time horizon”. Position sizing and instrument choice are adjusted over days to weeks as policy, liquidity, and positioning evolve. If the thesis breaks or liquidity deteriorates, positions are reduced immediately. Liquidity is an explicit risk variable and is monitored, not assumed. If the trade has not started to work within the expected onset window, exit.

2.5 Instrument Selection (Expression of Views)

The strategy expresses views through listed futures, index and ETF options, and large cap single name equities. Options are used to define downside and capture convex payoffs around catalysts. The strategy avoids illiquid bespoke OTC structures and avoids basis-heavy proxy trades. Views are expressed in the instrument that most directly captures the underlying driver. Policy path views are expressed in rates and FX. Global growth and risk appetite views are expressed in equity indices, cyclicals, credit indices, or commodities. The book will rotate to the cleanest risk carrier rather than forcing exposure in a market where liquidity, positioning, or structural flows make the payoff asymmetric in the wrong way.

Investment Process

3.1 Idea Generation

The foundation of the investment process rests on the ability to envision configurations of the world that differ meaningfully from the present state. The objective is not merely to react to news, but to anticipate the second-order and frequently non-obvious implications of events on asset prices.

3.1.1 Current Events and Developments

Information gathering draws primarily from extensive reading across newspapers, newsletters, thought pieces, and periodicals. This approach allows for systematic exposure to diverse perspectives and facilitates the identification of emerging themes that may create investment opportunities. A critical element of the analytical framework involves contemplating what future headlines might reveal and which market responses are non-consensus and plausible. Historical precedent suggests that logical outcomes do not consistently translate to profitable investments; the relationship between events and market reactions often defies straightforward extrapolation. Accordingly, the process emphasizes not merely predicting what may transpire but rather identifying the appropriate investment vehicles to express views on scenarios that present themselves.

3.1.2 Superior Macro Forecasting

The philosophy underlying macro forecasting acknowledges that outperformance stems from developing superior rather than definitively correct predictions. The objective centers on achieving a more accurate assessment of likely outcomes relative to consensus expectations rather than attaining prescience. The analytical approach employs what might be characterized as a barbell strategy, combining direct engagement with the real economy through company conversations to understand how monetary, fiscal, and regulatory policies affect businesses and households, while simultaneously maintaining deep familiarity with financial market infrastructure and mechanics. This integrated macro view is considered essential, as macro trends are a significant driver of returns across all asset classes, including individual equities.

The macro framework is based on the premise that the micro drives the macro. This bottom-up data is a better predictive tool than lagging macroeconomic statistics. Company managements and operational personnel often provide leading indicators of

economic inflection points well before such shifts manifest in aggregate statistics. Trucking companies experiencing accelerating demand, retailers facing inventory constraints, or banking executives noting deteriorating credit conditions each offer valuable signals that inform macro assessments. This bottoms-up information flow enables judgments about economic direction that may prove more reliable than extrapolating from lagged macroeconomic data.

3.1.3 Reading Market Signals

A deep respect is maintained for market-generated signals, which are a potent predictive tool. Markets frequently incorporate information and anticipate developments ahead of more formalized analytical approaches which necessitates careful attention to price action and cross-asset relationships. Internal market dynamics—the relative performance of cyclical versus defensive sectors, leadership patterns, and behavior of economically sensitive market segments—often telegraph important messages about the economic environment and probability of various scenarios. While fundamental analysis provides the primary thesis development framework, technical charts serve both as verification tools and occasionally as sources of initial ideas. Charts may identify emerging trends or reversals sufficiently in advance of fundamental inflection points to allow time for deeper investigation. No trade on technicals alone; technicals confirm timing. The integration of fundamental conviction with constructive technical positioning provides the highest probability framework for idea expression, as divergence between these elements may indicate market knowledge not yet reflected in visible fundamentals or, alternatively, technical patterns not yet validated by underlying economic reality.

3.2 Opportunity Set

3.2.1 Undervalued Assets

These are assets that are either little known, seem questionable on the surface, controversial, unpopular, and/or have suffered recent underperformance. When perception is considerably worse than reality. Assets can also be underpriced due to forced sellers arising from crises, redemptions, index deletions, and disinvestment waves.

3.2.2 Regime shifts

Identifying and acting on a paradigm shift while market participants are focused on what was important in the last regime. Think about secular changes in addition to cyclical changes.

3.2.3 Reflexive Processes

A self-reinforcing opportunity begins when perception, price, and fundamentals start to co-determine one another. In markets populated by thinking participants, distorted views can influence the underlying reality, which then feeds back into price. The implication is to watch both the numerator and the denominator of returns. Psychology and credit conditions shape the path of fundamentals as much as fundamentals shape psychology. Reflexive advances recruit new buyers through a simple, compelling story that others can underwrite.

3.2.4 Unsustainable Processes or Disequilibrium

Processes that shift from self-reinforcing to self-defeating, then accelerate through forced deleveraging and liquidity withdrawal. The aim is not to predict the date of failure but to recognize the transition. Booms culminate where psychology, easy credit, and price stretch converge; that same triad tends to reverse together, creating maximum vulnerability to a break. Late-cycle tells include weak-quality leadership, narrow breadth, and crowding in illiquid exposures. When there is evidence of forced liquidation and psychology maxes out on fear, rotate to an aggressive posture.

When governments have enacted bad policy that is unsustainable, they will likely reverse course. When there has been a bad action, there is potential to get an equally bad and opposite reaction.

3.3 Thesis Development

Establish awareness of the current regime: the market cycle, how prices are affecting fundamentals, liquidity, industrial policy, and positioning.

An idea is evaluated by identifying the range of futures outcomes, the probability of the expected outcome, comparison against consensus expectations, market pricing of outcomes, and analysis of expected price movements resulting from various outcomes.

Monitor when investors have all moved into smooth 1-percent-a-month type trades. That crowding reduces forward returns and creates opportunity in unloved dislocations.

Investment Thesis Requirements:

1. Clear narrative
2. Quantitative backing for qualitative view
3. Identifiable catalyst
4. Asymmetric payoff
5. Technicals

Catalyst Types:

1. Policy inflection
2. Credit cycle turns
3. Boom/bust sequences
4. Gestalt shifts
5. Industrial Policy

Thesis Testing:

1. Actively search for flaws in every thesis
2. Monitor for thesis creep
3. Price action vs news

3.3.1 Equities

Growing Industry

The company operates in an industry expected to outperform over the next 12-24 months; the present situation is irrelevant. An industry that is large and rapidly expanding. The growth trajectory of this market provides ample opportunities for a company to scale its operations, ensuring sustained long-term growth.

Investment Process

Great Business

Strong balance sheet. Limited debt. High returns on invested capital. Ideally, free cash flow generative. High revenue growth.

Sustainable, growing competitive advantage. The competitive advantage can stem from a strong brand, high switching costs, network effects, constant rapid innovation, or expertise that is built over decades which cannot be overcome with money alone. Companies which are structurally improving and widening their moats.

Excellent Management

Management has a track record of success, operates with integrity, and has aligned incentives with shareholders. They have a deep understanding of what drives business value. They do not let any of their decisions be affected by accounting considerations. Management's truthfulness and competency can be evaluated by comparing what they said they would do with what they actually did.

Attractive Price

A margin of safety must exist between the calculated intrinsic value and the current market price. When the differential appears only marginally favorable, the risk-reward profile typically fails to justify capital allocation. This is important given the inherent uncertainty in any valuation exercise.

The relationship between business quality and investment returns depends on the price paid. What matters is the present value of all future cash flows over the life of the business, rather than near-term earnings or commonly cited multiples.

Why a potential mispricing might exist in the market must be understood. This requires awareness of the specific informational or analytical advantages relative to other market participants. The counterparty to any transaction may possess different information, time horizons, or constraints, but assuming their lack of sophistication would be imprudent.

The evaluation of attractive pricing represents an integration of business quality assessment, competitive positioning analysis, and financial modeling, all filtered through an understanding of why the current market price might not fully reflect the security's intrinsic worth.

3.3.2 Currencies

Currency investing begins with a disciplined evaluation of fundamental, technical, and positioning factors driving exchange rate movements. Focus on relevant dynamics for market pricing. A comprehensive framework includes the fundamental backdrop and the technical picture, which differs from equity markets due to positioning dynamics among exporters, corporates, and leveraged accounts.

Contrarian positioning in foreign exchange markets is often unrewarding. Economic fundamentals persist and the consensus view is usually correct during extended trends, which dominate most market environments. The primary risk is at inflection points where crowded positioning reverses sharply. Monitoring positioning data is crucial, as prolonged low volatility can precede sharp regime changes when accumulated positioning unwinds.

The opportunity set in currency markets often expands during periods of stress in fixed income markets, when volatility and repricing create dislocations across asset classes. During such periods, concentration on bonds and currencies may prove more productive than equity-focused strategies. Additionally, the structure of foreign exchange markets—with central banks, multinational corporations, and financial institutions as natural counterparties—can provide a more diverse and less purely speculative environment than some other markets, potentially offering clearer fundamental anchors for positioning decisions.

3.4 Trade Entry and Scaling Methodology

When a compelling investment opportunity is identified, positions are initiated relatively quickly rather than waiting for an exhaustive analysis to be completed. Prices often move rapidly once a theme gains traction, and excessive deliberation can result in materially worse entry points or missed opportunities entirely. However, investment ideas meet certain threshold criteria before capital is committed.

On the fundamental side, there should be a coherent narrative supported by quantitative data—a story that not only makes analytical sense but is likely to resonate with other market participants. A compelling narrative is essential for driving broader market participation; however, quantitative analysis must support the premise before committing capital. Deep fundamental analysis and valuation work are crucial for assessing how far an asset might move, but they are not the primary tools for timing the initiation of a position. Instead, it's driven by liquidity and technical price action. A strong fundamental case must be paired with a constructive chart pattern. Price action that confirms that the market is

responding to news flow in a manner consistent with the thesis. This technical discipline serves as both a timing tool and a check against becoming overly attached to a particular thesis. Both the fundamental case and technical picture must appear favorable to establish a position.

Positions are typically traded in thirds and normally opened with about one-third of the intended full size, to establish a stake while awaiting technical confirmation, avoiding the trap of being too big too early. When the market begins to move favorably and the underlying fundamentals are progressing as anticipated, that is viewed as validation and generally results in a willingness to pay up to increase exposure, particularly in trending regimes.

Only go the full size in liquid, binary breaks (e.g., pegs) which is a policy or market structure that shifts discretely, creating discontinuous pricing. In these cases, waiting for confirmation destroys the asymmetry because the move is discontinuous. The position can be initiated at the full intended size immediately.

Portfolio Construction

4.1 Gross and Net Exposure Ranges

Gross rarely >4x. Equities usually ≤100% net long or ≤50% net short. Directional FX exposure in a single currency pair can reach ±200 percent of NAV. Directional rates exposure can reach ±300 percent of NAV in 10-year bond DV01 equivalent in offense regime. This is defined as the interest rate sensitivity of the aggregate rates book translated into a 10-year sovereign bond proxy.

Exposure is dynamic and path dependent. The framework maintains flexibility to operate with minimal gross exposure during periods when the opportunity set is sparse and market conditions are unclear, recognizing that there is no requirement to maintain constant activity. This flexibility to reduce exposure dramatically during unfavorable environments represents a key source of risk-adjusted return enhancement, avoiding the forced deployment of capital during periods likely to produce mediocre results.

- Offense regime.
    - After positive year to date performance and confirmation that the core theses are working, the book is allowed to run higher gross, higher concentration, and higher realized volatility. The goal is to capture outsized upside when the process is in sync with the tape.
    - During periods of extreme pessimism following material market declines, the portfolio shifts toward an offensive posture.
- Defense regime.
    - In drawdown or when conviction is low, gross is cut, marginal expressions are removed, and the portfolio runs only the cleanest version of each theme. The objective in this state is capital preservation, not carry.
    - During late-cycle periods characterized by elevated valuations, complacent investor behavior, and easy credit conditions, the portfolio adopts a defensive posture.

4.2 Position Sizing Framework

Position sizing sets the return distribution; risk is budgeted at the position and cluster level. While conviction in an investment thesis and directional accuracy remain important, the magnitude of capital allocated to each position ultimately determines performance. Success depends on identifying attractive opportunities and appropriately scaling exposure to reflect both the quality of the opportunity and the current portfolio context.

Larger allocations reserved for setups where the left tail is bounded and the right tail is open-ended.

Sizing begins with a volatility budget at the position level. This anchors contribution to portfolio variance and sizes scale inversely with realized volatility. As market volatility increases and price ranges expand, position sizes are reduced to maintain consistent dollar risk across varying market environments. Correlations are incorporated at the cluster level; positions that share the same underlying driver are aggregated and sized as a single risk to avoid unintended leverage from directional overlap.

Liquidity and capacity constraints cap theoretical size. Positions are set relative to market depth rather than fund capital. The objective is to concentrate exposure when expected payoff asymmetry is compelling while preserving the ability to exit without impairing the portfolio.

4.3 Concentration and Thematic Exposure Limits

The portfolio maintains about 8-10 ideas, not necessarily equal-weighted with the option to take multiple positions in the same direction (a “Texas hedge”).

Position sizes expand with conviction only when supported by liquidity, asymmetric risk-reward, and the ability to monitor and adjust exposures in real time. Diversification is not pursued for its own sake; instead, dispersion of capital reflects the opportunity set and the risk budget at a given time. Rather than diluting capital across ideas with lower conviction, the strategy seeks to allocate meaningfully to the strongest opportunities identified through the research process.

Material position sizes impose a natural discipline that mitigates the risk of maintaining stale positions where attention has drifted and conviction has eroded without corresponding portfolio adjustments. When positions represent meaningful exposure, market movements demand continuous reassessment and engagement with the underlying thesis. This heightened scrutiny tends to foster the kind of rigorous, ongoing analysis that can be difficult to maintain across a broadly diversified book where individual positions lack material impact.

Concentrated positions should generally be established in markets with sufficient depth and trading velocity to permit tactical adjustments without material market impact. Markets offering continuous or near-continuous trading windows provide additional flexibility for risk management, particularly during periods of elevated volatility or when theses require rapid reassessment based on new information.

High-conviction investing may at times result in elevated cash positions when there are a lack of compelling opportunities meeting the required conviction threshold. The willingness to hold cash during such periods represents an important component of the discipline, as it prevents the deployment of capital into lower-conviction ideas simply to maintain target exposure levels.

The concentration approach typically generates more variable return patterns compared to broadly diversified strategies, and individual position performance becomes more visible within overall results.

4.4 Leverage and Use of Derivatives

Leverage is used only in liquid instruments. Index futures, bond futures or equivalents, listed and major OTC FX are the primary tools to scale exposure. Simple structures are preferred: futures, forwards, listed options.

Financing stability, margin terms, and exit liquidity are part of the decision to use leveraged instruments at size. The strategy avoids leverage ratios that would create forced liquidation risk under stressed market conditions, maintaining the principle that survival is paramount and that leverage should enhance returns during favorable environments rather than threaten capital during adverse environments. This requires maintaining sufficient unleveraged capital to meet margin calls during periods of maximum adverse movement without requiring position liquidation at disadvantageous prices.

4.5 Hedging and Factor Control

The default hedge is position reduction. If a position requires ongoing complex hedging to be tolerable, the position is of the wrong size or wrong altogether.

The strategy does not put on shorts only to offset factor exposure from longs. It exits or scales down the longs instead. Portfolio construction achieves natural hedging through the combination of long and short positions that each have positive expected returns rather than through negative expected return hedges. This approach creates a portfolio where both sides can contribute to performance rather than viewing one side as merely a cost of maintaining the other. The strategy maintains worthwhile long positions and worthwhile short positions simultaneously, achieving partial market hedging without spending capital on instruments expected to lose money.

Factor exposure is monitored but not mechanically hedged, recognizing that systematic factor tilts often represent sources of return rather than risks to be eliminated. The framework includes awareness of the portfolio's exposure to equity risk premium, term premium, credit premium, and carry, ensuring these exposures are intentional rather than accidental. During periods when factor crowding creates vulnerability, positions may be adjusted to reduce exposure, but this is done through fundamental position selection rather than through overlay hedges.

Risk Management

Risk management is thesis-anchored, liquidity-aware, scenario-tested, and path-dependent.

5.1 Position-Level Risk Controls

Individual position risk is managed through multiple layers of discipline beginning with rigorous initial analysis that identifies what would invalidate the investment thesis. Each position maintains explicitly defined exit criteria that are established at inception rather than developed reactively after adverse price movement. These criteria focus on fundamental developments and changes in the underlying thesis rather than on mechanical stop losses based solely on price levels.

Use pre-defined thesis-invalidation levels rather than mechanical price stops without regard to whether the fundamental thesis remains intact. Instead, the framework requires immediate reevaluation of any position experiencing unexpected adverse movement, with the mandate to exit completely if the original thesis no longer holds or if new information suggests the thesis was flawed. This creates a more thoughtful approach than mechanical stops while maintaining the discipline to exit losing positions promptly when justified. Great entry points reduce the need for hard stops.

Position monitoring includes continuous assessment of how positions are responding to news flow and market developments relative to expectations. When a position fails to respond positively or responds negatively to developments that should benefit it, this price action divergence triggers immediate review and often prompts position reduction or exit. This represents application of technical analysis as a risk control mechanism, using market behavior to validate or challenge fundamental views.

Constantly test for thesis drift and unknown events. If something happens that cannot be explained, assume risk just increased. Avoid having laggards or wrong-way trades be the largest weights.

5.2 Portfolio-Level Risk Controls

Portfolio risk is managed through multiple complementary approaches rather than reliance on any single risk metric. Daily risk monitoring includes tracking portfolio sensitivity to major market moves across asset classes, stress testing under various scenario assumptions including historical crisis periods, monitoring correlation patterns among

positions to detect changes in factor exposures, and assessing liquidity profiles to ensure the portfolio can be substantially de-risked within 72 hours.

The approach emphasizes scenario analysis combined with continuous monitoring of how the portfolio's profit and loss respond to daily market movements. Unexpected losses during periods that should be favorable trigger immediate investigation and often prompt risk reduction.

Risk exposure is dynamically managed based on recent performance and assessed quality of decision-making. During periods of strong performance when conviction is high and trading rhythm is positive, the portfolio operates with elevated risk exposure. Conversely, during periods of weak performance or when market conditions are unclear, risk exposure is reduced substantially. Risk is reduced when the volatility of the system rise. This dynamic approach recognizes that constant risk exposure is suboptimal and that the best risk-adjusted returns come from concentrating risk-taking during periods of identified opportunity and demonstrated competence.

5.3 Exit Discipline

Positions are only exited when the investment thesis is wrong, when a better opportunity comes by, or when survival is at risk.

The central question becomes whether facts have changed, the thesis was flawed, or an extraneous temporary influence is at work. Price declines alone do not force exits; they force a thesis audit. The portfolio responds to how positions behave relative to relevant news flow and market conditions rather than to predetermined price thresholds. Persistent negative divergence between price and news is a signal; when price action contradicts the fundamentals, exposure is cut. Losses are removed decisively when the rationale no longer holds. Some drawdowns deserve patience when the long-dated fundamental logic remains intact and the position continues to trade in line with the story.

Exits are driven by thesis invalidation; price is a signal within that framework. While such tools provide systematic protection, they risk forcing exits based solely on price action rather than on fundamental developments. Instead, position sizing begins with careful analysis of where the thesis would be invalidated, which then determines appropriate risk allocation. A well-constructed entry point, combined with position sizing that reflects genuine conviction and acceptable loss parameters, reduces the frequency of situations requiring forced exits.

Selling is a relative decision as much as an absolute one, and partial reductions are often a bridge when drivers of price are unclear or fully reflected. Capital is reallocated when prospective risk-adjusted returns worsen or a superior alternative emerges. Capital is not anchored to cost basis. The discipline is to clean the slate and redirect attention and resources to higher-quality opportunities. Conversely, realized gains are not assumed safer than unrealized ones; proceeds are typically redeployed and therefore remain at risk.

5.4 Approaches to Risk Taking

Portfolio management requires continuous self-assessment regarding performance rhythm and mental state. This self-awareness directly informs position sizing and risk exposure decisions. Performance rhythm operates as a practical framework for adjusting risk. When the portfolio is performing well and recent investment decisions have proven correct, this indicates alignment between market assessment and reality. During these periods, gross exposures can be larger. Bets are smaller earlier in the year. Strong early-year performance creates the flexibility to pursue more aggressive opportunities, and the combination of capital preservation with periodic concentrated bets during high-conviction moments drives long-term returns. When experiencing drawdowns or unsuccessful trades, position sizes are reduced and the approach to sizing is to take smaller, more cautious positions until reestablishing a positive rhythm. The focus shifts to rebuilding confidence through smaller positions that allow for pattern recognition and renewed conviction before scaling back into substantial risk-taking. This approach requires distinguishing between temporary setbacks and fundamental disconnects between market view and price action. When positions move against expectations, this may signal the need for intensive research and reassessment. A high-conviction thesis during a cold period may still warrant meaningful position sizing, though with heightened rigor in analysis.

Performance and Return Expectations

6.1 Target Return / Sharpe Profile

Absolute return target with variable Sharpe; no calendar return promises. Demand for smoothness compresses future returns and raises latent risk. Preference is higher long-run compounding even if the P&L is not smooth. Better to be lumpy and right. While Sharpe ratio is monitored, it cannot be relied on to manage risk since volatility isn’t risk. Volatility can sometimes be good if it's part of a trend and it's providing entry points within a trend.

6.2 Expected Drawdown Characteristics

Drawdowns from concentrated risk are possible; controlled via speed, liquidity, and thesis discipline. Meaningful drawdowns of 10% can occur if the portfolio is up significantly on the year. Modulate risk to cap 5% drawdowns if not up very much or down. Manage exposure so that large drawdowns are less likely after periods of recent poor performance.

Risk is defined as permanent capital impairment. Volatility is reported and considered but is not the governing constraint. Accept mark-to-market swings if the thesis is sound and the price offers enough future return. High prices and crowded consensus present true downside risk than a volatile but cheap asset.

6.3 Benchmarking and Success Criteria

Absolute return and cycle-aware capital compounding. Judge by preservation in bad regimes and home runs in good. Portfolio is not managed to the S&P 500 or to standard hedge fund peer groups. Relative performance matters professionally, but excessive focus on peer comparisons can distort decision-making and encourage herd behavior.

Differentiation

7.1 What Makes the Process Repeatable

Repeatable loop: concentrate in the highest-conviction macro themes, fund those themes by cutting good ideas to focus on great ones, and monitor those themes continuously so they do not go stale.

Repeatability derives from disciplined adherence to a multi-faceted process rather than reliance on any single insight or technique. The core repeatable elements include systematic cycle assessment providing framework for understanding where markets stand and how positioning should adjust, integration of fundamental and technical analysis creating multiple validating signals rather than single-point reliance, dynamic position sizing that scales risk based on both opportunity quality and demonstrated execution success, and rigorous self-monitoring that adjusts activity with the trading rhythm

Markets can be counted on to operate in a cycle. The strategy's approach to the opportunity set ensures the ability to capitalize when they appear.

7.2 Sources of Alpha

7.2.1 Insight and Forward Thinking

Alpha is pursued by forming differentiated views on future world states and market participant behavior. The focus is less on current data (widely known and often discounted) and more on qualitative judgment about the path ahead, outcome distribution, and the gap between consensus expectations and reality. Risk and opportunity are often driven more by participant behavior and positioning than by instrument features.

The ability to conceive materially different world configurations and assess their probabilities to allocate capital is a core investment competency. The analysis focuses on 12–24 months ahead, not today. The goal is not certainty but plausible futures, probabilities, and where pricing is incorrect.

Once a forward view is formed, the instrument set is evaluated and expressions are considered where they offer superior payoff geometry or cleaner exposure to the thesis. Regime sensitivity is monitored as models calibrated to prior regimes can misprice transitions. The process also considers the trade after the trade. Anticipation extends beyond the initial move to second-order effects, flows, and reflexive dynamics that follow early success or failure. Pre-planned post-event behaviors inform adds, trims, or rotations

into successor expressions. The goal is to compound correctly after a successful trade while containing drawdowns if early signals are false.

Discipline is maintained when price already reflects consensus enthusiasm or pessimism. Event risk is acted on only when mispriced. The information edge is less about data and more about isolating key variables, understanding investor incentives and constraints, and positioning for capital's future preferences, not just its current state. Flexibility is preserved across cycles; the process adapts rather than relying on static factors or historical templates.

7.2.2 Willingness to Concentrate

Concentration as a portfolio construction discipline generates alpha through reinforcing mechanisms that distinguish it from conventional diversification. Most returns come from a few ideas, even in broadly diversified holdings. By allocating capital to these select opportunities, the approach eliminates the dilutive effect of lower-conviction positions that contribute marginal returns while consuming risk budget and management attention. Truly exceptional investment opportunities are scarce at any given time.

Concentration imposes discipline, preventing stale positions from accumulating without rigorous analysis. Continuous reassessment becomes crucial when capital is meaningfully at risk in limited holdings, demanding intellectual honesty and adaptive thinking. This contrasts with the false comfort of statistical diversification, which often reflects a misunderstanding of correlation dynamics and can obscure deteriorating fundamentals across numerous small positions.

This approach may cause greater volatility in reported returns and increased scrutiny during underperformance, but it streamlines investment operations and allows cash holding when high-conviction opportunities are absent. Its enhanced focus and intellectual rigor provide structural advantages in identifying and capitalizing on mispriced opportunities that more diffuse portfolio construction methods overlook.

7.2.3 Cross-asset Flexibility

Cross-asset flexibility enables the concentration of capital in markets where opportunity sets are most favorable at any given time, rather than forcing deployment within a single asset class regardless of conditions. Implementing views with direct instruments reduces basis risk and preserves purity of signal, which can be difficult to achieve through proxy exposures inside a single asset class. The capacity to shift concentration across

uncorrelated asset classes, rather than remaining constrained to a single domain, represents a structural advantage in capturing differentiated return streams that may not be accessible to strategies with narrower mandates.

7.2.4 Liquidity, Speed, and Flexibility

Maintaining a portfolio composition that prioritizes liquidity, speed, and flexibility represents a systematic source of alpha that becomes particularly evident during periods of market stress or rapid regime change. Exposures expressed in deep markets and sized to preserve exit optionality enable rapid adjustment and opportunistic capital allocation toward high-conviction ideas while simultaneously reducing exposure to deteriorating theses limiting capital loss. This approach creates a structural advantage at market inflection points, where the flexibility to disengage from consensus positioning ahead of trend exhaustion can generate meaningful relative performance versus peers who face greater impediments to portfolio adjustment. In aggregate, this design tends to capture dislocations earlier, cut errors faster, and press alignment harder than slower-moving peers, contingent on disciplined sizing and durable market liquidity.

7.2.5 Non-Commercial Counterparties

Trading against central banks and governments can be a persistent source of alpha because policy actors are mandate-driven, non-profit-seeking, and often constrained by institutional process, leading to misaligned prices with fundamentals. This divergence creates persistent inefficiencies that nimble capital can exploit. When reaction functions prioritize near-term macro objectives over asset-price stability, imbalances may build and unwind abruptly, creating asymmetric payoffs around regime shifts for capital prepared to recognize and time the transition.

The scale dynamics further enhance this opportunity set: hedge funds constitute a relatively small portion of capital deployed in foreign exchange, rates, and other macro markets compared to central banks, sovereign wealth funds, and other institutional real money flows. Consequently, macro markets tend to be less saturated with speculative capital seeking to arbitrage away mispricings than equity markets, where hedge fund activity is proportionally larger.

Additionally, the bureaucratic nature of central banking institutions, characterized by committee-driven decision-making, mandate constraints, and slower adaptation, can result in policy responses that lag market realities or create unintended consequences.

Historical episodes show that focusing on consumer price stability while underweighting asset price inflation can lead to significant imbalances that cause dislocations when corrected.

The combination of non-commercial counterparties, favorable scale dynamics, and structural inefficiencies in policy implementation creates an environment where fundamental analysis and tactical positioning generate returns less dependent on competing against similarly motivated speculators.