



November 2025

# Diversifying Alternatives and the Rearview Mirror

Understanding Return Expectations, Part 10

## Executive Summary

Diversifying alternatives—investment strategies whose gains and losses occur at different times to those of major markets—are beloved by portfolio optimizers seeking to maximize risk-adjusted returns. But for human investors, it’s more of a love/hate relationship. Stock markets go up most of the time, which means that diversifiers are often likely to feel like a drag on returns—even if they improve long-term wealth accumulation.

In Part 10 of the *Understanding Return Expectations* series, we explore how the very same investor biases that create opportunities for long/short strategies also make it hard for investors to reap the benefits—and how to overcome them.<sup>1</sup>

### Antti Ilmanen

Principal and Global  
Co-Head of Portfolio  
Solutions Group

### Thomas Maloney

Managing Director  
and European Head  
of Portfolio Solutions  
Group

*The authors thank colleagues for helpful dialogues and comments.*

---

<sup>1</sup> AQR is a manager of diversifying alternative strategies, so while this article presents our honest opinion, readers should be aware that of all the articles in the series, this is the closest to AQR’s own business interests. Diversification does not eliminate the risk of investment losses.

# Objective Expectations for Long/Short Strategies

This series has highlighted the extrapolative nature of equity investors' subjective return and growth expectations, and the contrarian nature of mean-reverting rate expectations in bonds. Now we delve into a different corner of the portfolio—alternatives. This paper will focus on long/short alternatives, also known as liquid alternatives or hedge fund strategies. We set aside commodities, another interesting diversifying alternative asset class, which are discussed elsewhere.<sup>2</sup> Private assets are discussed in the appendix.<sup>3</sup>

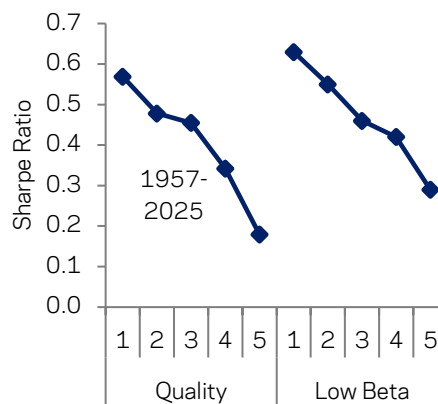
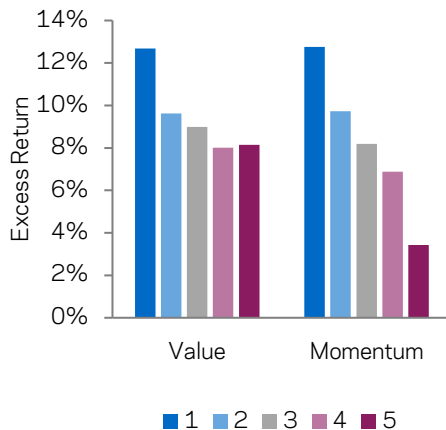
In previous papers we contrasted subjective and objective expected returns. Long/short strategies do not have obvious measures of objective expected returns: yield-based metrics are unhelpful when the portfolio holdings are

continually changing. Some investors might suggest zero as a starting point, citing “Sharpe’s arithmetic of active management,” which asserts that because all active investors’ holdings must add up to the market, the aggregate return of their active positions must be zero (before fees).

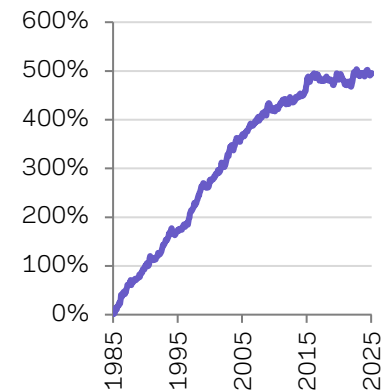
However, some well-known long/short strategies can be codified and backtested over decades or even centuries, and the average return is very far from zero. Various explanations have been proposed, based on compensation for additional risk or on behavioral biases. These “alternative risk premia” or “academic alpha” return sources include factor-based strategies such as value, momentum, and quality, and time series strategies like trend-following (see **Exhibit 1**).

## Exhibit 1. Academic Evidence of Positive Returns from Simple Rules-Based Strategies

A. U.S. Stocks Sorted into Quintiles, Jan 1927 - Jul 2025



B. Trend, 1985 - 2025



Source: Ken French and AQR data libraries, Bloomberg. Quintile portfolio returns are value-weighted excess-of-cash returns of the stocks in that portfolio, gross of costs and fees. Value portfolios are sorted on book-to-market, momentum on 12-month returns. Quality and Low Beta are as described in “Quality Minus Junk” (2013) and “Betting Against Beta” (2014). Cash is ICE BofA U.S. 3-month T-Bill Index. Trend is as described in “Time Series Momentum” (2012), undiscounted and gross of fees. Past performance is not a reliable indicator of future performance.

<sup>2</sup> For discussion of commodity return expectations, see Ooi, Maloney and Brixton (2022) and Ilmanen (2022).

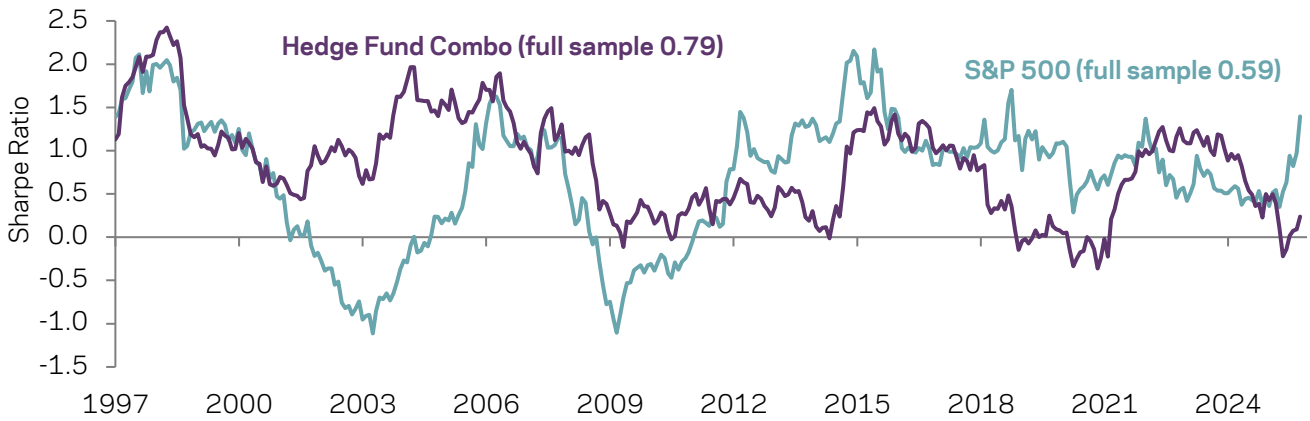
<sup>3</sup> We exclude private assets from our “diversifying alternatives” category, because although they may provide some mild diversification by broadening the opportunity set, they are often exposed to significant equity or credit market risk, especially at medium-term horizons or if the return smoothing is adjusted for.

We can also study the historical performance of the hedge fund industry. Exhibit 2 shows the rolling performance of a simple average of two diversifying hedge fund categories that span most of the investment universe: equity market neutral and global macro. This has delivered a higher risk-adjusted return than the S&P 500 (though lower average return), with milder drawdowns and modest correlations. Other hedge fund categories and broad composite indices have been much more correlated to equity markets.

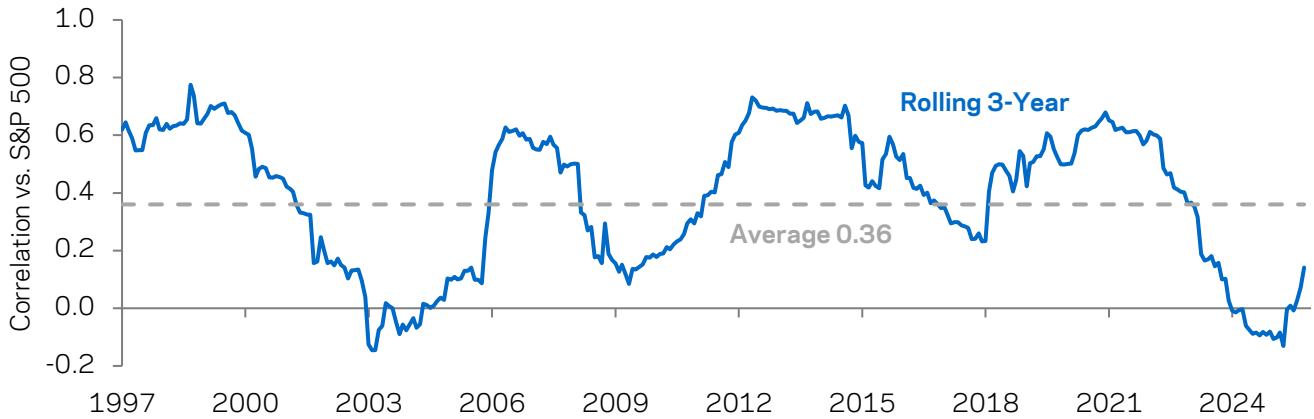
Even for these well-documented strategies and well-established hedge fund strategies, reasonable objective expectations are highly debatable. How much of the historical average return is attributable to selection biases? How much of the academic “premium” is eroded by implementation costs? And how much is arbitrated away once many managers are competing for it? We would answer “some, but not all” to all three questions, but not everyone agrees.<sup>4</sup> Even the objective expected returns are subjective.

**Exhibit 2. Diversifying Hedge Fund Strategies Have Delivered Over Three Decades**

A. Rolling 3-Year Sharpe Ratios, Jan 1, 1994 - Sep 30, 2025



B. Rolling 3-Year Correlation to U.S. Equities, Jan 1, 1994 - Sep 30, 2025



Sources: Hedge Fund Research, Bloomberg and AQR. Upper chart shows rolling Sharpe ratios of S&P 500 Index and simple average of HFR Equity Market Neutral Index and HFR Macro Index, based on monthly returns. S&P 500 returns are gross of fees, hedge funds returns are net. Cash is ICE U.S. 3-month T-Bill Index. Lower chart shows correlation between the two series. Past performance is not a reliable indicator of future performance.

<sup>4</sup> Selection or overfitting bias concerns can be mitigated by finding new supporting evidence in other periods, regions and asset classes. See Ilmanen et al. (2021) for a comparison of in-sample and out-of-sample performance for major factor premia. Overfitting biases are worst for strategies with several parameters that have been optimized for past performance. Hedge fund indices can suffer from various biases including survivorship bias and several types of reporting bias. Some index methodologies are less susceptible to biases—these often exhibit more modest performance. Note that a strongly diversifying investment does not need a very high Sharpe ratio to provide portfolio benefits.

# Subjective Expectations: Performance Chasing and the Hunt for Manager Skill

So, investors are rightly wary of backtest performance and hedge fund indices that may be misleading due to various selection and reporting biases. They are concerned that once-successful strategies might stop working once everyone knows about them. More broadly, investors are aware that it is hard to distinguish skill from luck in manager performance, and this motivates them to review their allocation decisions continuously, as new information accumulates.

Unfortunately, on top of these rational considerations, investors are plagued by irrational behavioral biases that make it harder to form reasonable expectations of manager performance. Here are the main culprits:

**1. The Law of Small Numbers:**<sup>5</sup> Investors tend to underestimate the role of sampling variation (i.e., luck) and the breadth of the distribution of

possible outcomes, even for a good investment. They also tend to misinterpret outcomes that stand out among many investments, which makes it even harder to allocate rationally and patiently to the most diversifying strategies.

**2. Myopic Loss Aversion:** Investors tend to feel the pain of losses more strongly than the pleasure of gains, at irrationally short horizons. This tends to cause overreactions to recent losses, and excessive manager turnover.<sup>6</sup>

In the face of these powerful biases, illiquidity can be helpful. Private investments don't report painful short-term fluctuations, and often investors couldn't extract their money even if they wanted to. In contrast, liquid diversifiers have many advantages when it comes to boosting portfolio resilience, but they are easy prey for return-chasing biases.

## Navigating the Market Cycle

The managers of diversifying alternative investments are not just vying against each other for an investor's attention and assets. They are also competing against the rest of the investor's portfolio, and especially the largest allocation which is usually to public and private equity. Equity markets tend to go up most of the time, with occasional episodes of severe losses. In other words, bull markets tend to be longer, whereas bear markets tend to be more intense. And during a bull market, equities are hard to beat. This means that most of the time, diversifiers are likely

to feel like a drag on returns—even if they deliver long-term benefits. Some diversifiers, like trend following, have the opposite tendency to equity markets, with gains tending to come “all at once”, between long fallow periods (see **Exhibit 3**). Patient investing with these strategies can be particularly challenging. Investors often focus on the standalone (line-item) performance of diversifiers, and thus miss their portfolio impact (for example, note how the diversifier in Exhibit 3 helped the 60/40 portfolio in all of its major drawdowns).

<sup>5</sup> Kahneman and Tversky (1971), “Belief in the Law of Small Numbers.”

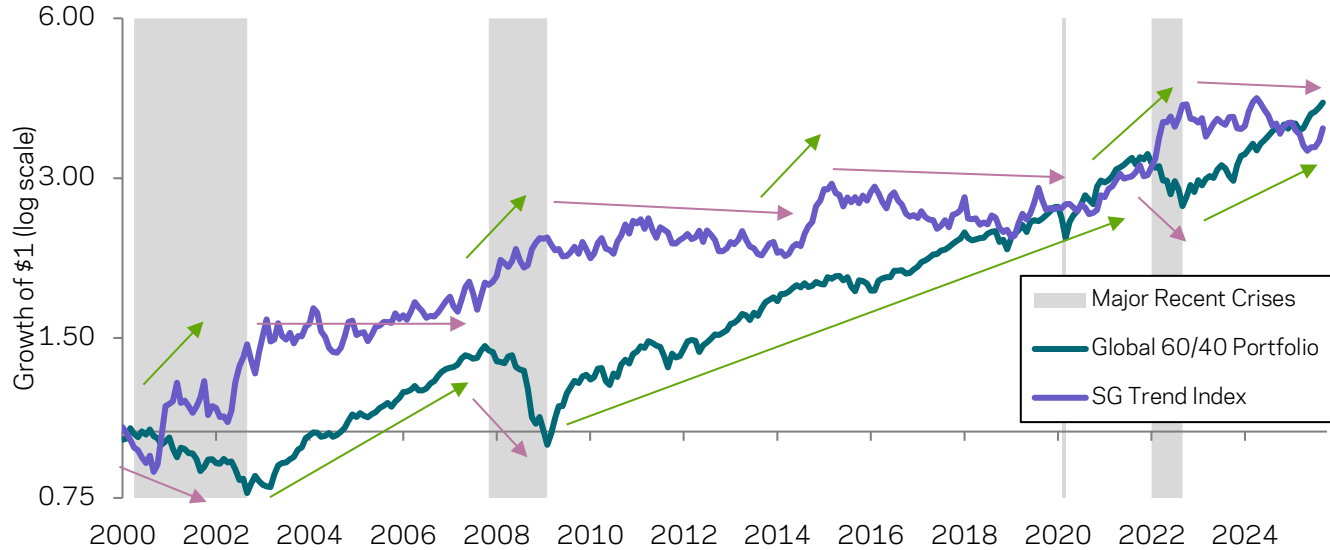
<sup>6</sup> See for example Kahneman and Tversky (1979), “Prospect Theory: An Analysis of Decision under Risk,” and Benartzi and Thaler (1995), “Myopic Loss Aversion and the Equity Premium Puzzle.”

On top of this, investors are always and understandably more skeptical about complex or unconventional strategies than they are about, say, the equity premium. This makes them more

likely to “throw in the towel” on diversification—implicitly reduce their subjective expectation of its benefits to zero—and embrace equity market risk.

### Exhibit 3. The Magic and the Misery of Great Diversification

Global 60/40 and Trend Following Performance, Jan 1, 2000 - Sep 30, 2025



Source: AQR, Bloomberg. SG Trend Index inception date is January 1, 2000. Global 60/40 Portfolio is 60% MSCI World Net Total Return USD Index and 40% Bloomberg Global Aggregate Hedged Total Return Index, rebalanced monthly, gross of fees. SG Trend Index is net of fees. Indices shown are not investable. Past performance is not a reliable indicator of future performance.

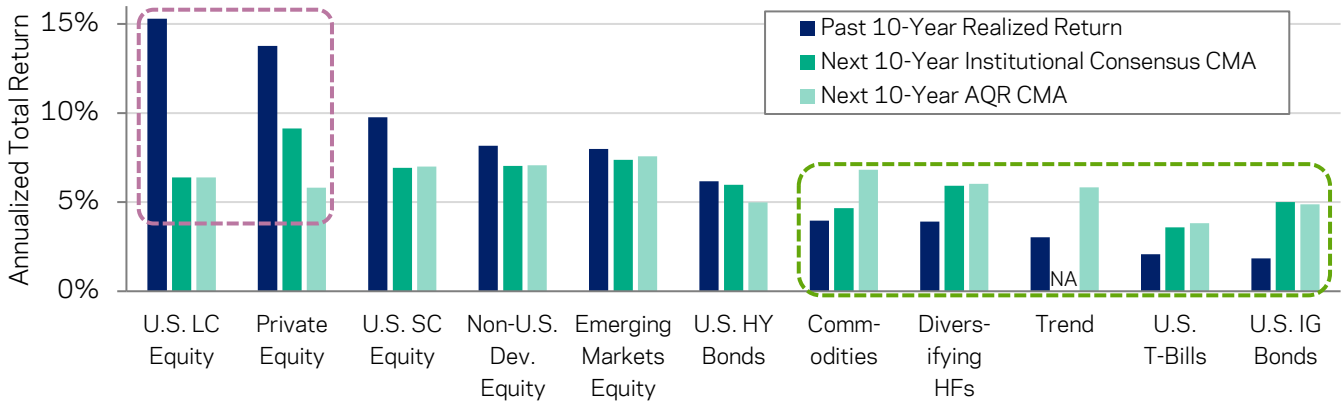
Finally, investors’ tendency to over-extrapolate multi-year equity market performance—as discussed in Parts 1, 2, and 7—has implications for their allocations to diversifiers. **Exhibit 4** highlights the gap between the past decade’s exceptional returns for U.S. large cap and private equity, and more modest forward-looking expectations for those asset classes. In contrast, several diversifying alternatives have delivered abnormally low returns over the past decade. The prevalent “rearview mirror mindset” ensures that many investors’ expectations are closer to the dark blue bars than the green bars, and arguably this has left many portfolios over-allocated to equities and under-allocated to diversifying alternatives in 2025.

**Exhibit 5** gives a very long historical perspective by displaying the rolling 10-year Sharpe ratio of the classic 60/40 portfolio. After a strong decade for core investments—like the 1990s or 2010s—diversifiers are inevitably seen as a drag on returns by some investors. At the same time, the diversifiers themselves experience performance fluctuations and often underperform during bull markets<sup>7</sup> (by definition, the best diversifiers will receive no tailwinds from a buoyant stock market). These cycles often lead investors to abandon diversifiers at the worst possible time. In the next section, we explore ways to encourage patient and strategic diversification throughout the investment process and throughout the market cycle.

<sup>7</sup> See Blitz (2020) for a discussion of the 2010s “lost decade” for popular equity factors, and Babu et al. (2020) for an analysis of trend following underperformance in the same decade.

### Exhibit 4. Mind the Gap – Why Diversifiers May Be Underrepresented in the Mid-2020s

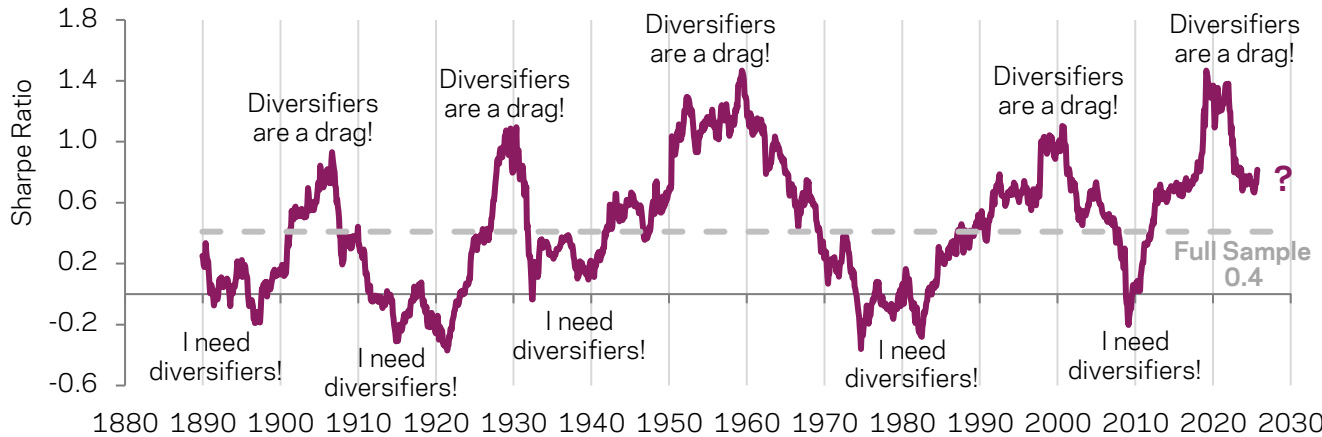
Past 10-Year Return vs. Reasonable Next 10-Year Expectations, as of Sep 30, 2025



Source: Bloomberg, Horizon Actuarial and AQR. Past 10-year returns are based on proxy indices - see appendix for details. Private equity 10-year sample is lagged by 6 months due to data availability. Private equity, hedge fund and trend proxies are net of fees, other asset classes are gross. Institutional consensus CMAs are from the Horizon Actuarial survey dated August 2025. AQR CMAs are as of September 30, 2025, and are based on the methodology described in AQR (2025). Past performance is not a reliable indicator of future performance.

### Exhibit 5. “Rearview Mirror Investors” Are Doomed to Miss the Benefits of Diversification

Rolling 10-Year Sharpe Ratio of U.S. 60/40 Portfolio, Jan 1, 1880 – Sep 30, 2025



Source: Bloomberg, Global Financial Data and AQR. 60/40 Portfolio is 60% U.S. Large Cap Equities/40% U.S. 10-year Treasuries, rebalanced monthly, gross of fees from Global Financial Data (GFD). Cash is U.S. 3-month T-Bills from GFD. Past performance is not a reliable indicator of future performance.

## Ways to Encourage Patient Investing

The road to more patient investing (and to resisting the rearview-mirror mindset) starts before the original allocation decision. Here are four broad avenues to consider.<sup>8</sup>

**Education:** Stakeholders should understand the strategic case for a new allocation, and recent performance should not be the decisive factor. They should also have reasonable expectations for

the range of possible outcomes over different horizons: what would constitute a “normal” bad month or bad year for the strategy?

**Smarter performance reviews:** Once invested, performance reviews can be structured to guard against “line-item thinking” and encourage a total portfolio mindset. Returns can be expressed as the contribution to the portfolio return, rather than on

<sup>8</sup> Also see chapter 9 in Ilmanen (2022) on investor impatience and remedies.

a standalone basis, and diversification statistics such as equity beta or correlations can be reported prominently. Investors' tendency to fixate on the short term can be tempered by focusing commentary on longer rolling periods, even if quarterly performance is reported too.

**Integrated investments:** Investors can “internalize” diversification by combining lowly correlated strategies in an investment that will appear as a single line-item. It's easier to be patient

with diversifying alternatives when they are combined with equity beta (consider the average of the two lines in Exhibit 2) or combined with each other in a multi-strategy investment.

**Gradualism:** Allocating to less conventional diversifying strategies often requires a period of education and due diligence. Once the allocation decision is made, a phased funding approach can act as a “regret minimizer” and increase patience in the case of an early bad draw for the strategy.

## And Finally... How to Embrace Active Risk Without Big Directional Bets

Market timing is hard. Can investors embrace diversifying sources of return without implicitly betting *against* the equity market and the drivers of the mid-2020s rally, namely the tremendous potential of artificial intelligence, and the competitive advantages of the U.S. economy in general and the “Magnificent Seven” giants in particular? The answer is yes. Here are three ways to harness diversifiers without adopting an aggressively contrarian position:

1. In active equity portfolios, favor broad alpha harvesting approaches that avoid large bets for or against particular sectors or the “AI trade”.<sup>9</sup>
2. Allocate to diversifying alternatives as overlays, rather than substitutes for equity exposure. Portable alpha or “return stacking” strategies are one increasingly popular method

(but watch out for the implementation details<sup>10</sup>).

3. Consider dynamic directional strategies like trend following, that can go both long and short. These can provide valuable diversification in a range of different “bad outcomes” (including inflation shocks and recessions) without “fighting” a rising market.<sup>11</sup>

Just as the “rearview mirror mindset” has probably pushed U.S. equity market valuations too high in the mid-2020s, it has probably pushed expectations for (and allocations to) diversifying alternatives too low. While equity markets remain in an exuberant mood, investors may have a golden opportunity to make corrective strategic re-allocations at tactically attractive prices.

<sup>9</sup> See Brixton et al. (2025) for a comparison of discretionary stockpicker and quantitative approaches to active equity investing.

<sup>10</sup> See Cao and Hecht (2025) for further discussion.

<sup>11</sup> Trend following has tended to be less effective in short-lived episodes of volatility like April 2025, and more effective in prolonged episodes like the Global Financial Crisis of 2008 and the inflation shock of 2022. It is the prolonged events that cause lasting damage to investment performance. See McQuinn et al. (2021).

# Appendix: Illiquid Alternatives and the Rearview Mirror

We focus on real estate and private equity in this Appendix discussion.

Among illiquid assets, residential housing is the largest market and has the longest price histories (but is not very investable). There is plenty of anecdotal evidence of extrapolative expectations in house prices, for example in the run-up to the Global Financial Crisis (GFC). Academic research using survey data provides support and nuance. Kuchler-Piazzesi-Strobel (2023) summarizes that house buyers hold under-extrapolative expectations over the short term (causing momentum patterns) and over-extrapolative expectations over the long term (causing multi-year mean reversion). Bro-Eriksen (2025) add that the main driver of rising house prices is households' more optimistic cash flow expectations rather than their lower required returns. These results echo those for equity markets discussed in earlier papers in this series.

Among the more investable private asset markets, private equity (PE) and especially U.S. buyouts have the largest size and longest data histories. The rearview mirror mindset seems alive though focused on long-run evidence which might not be relevant in the 2020s. A large part of PE funds' past success reflects cheap target valuations, limited competition, richening asset price trend, and cheap leverage - conditions we have not seen in recent years.

On the one hand, PE investors could be at least as extrapolative as public equity investors, given

limited data on forward-looking (yield-based) prospective returns and widely disseminated data on past realized returns. On the other hand, the imposed long horizon could give PE investors a contrarian bent. Data quality has justly been questioned; for example, PE firms are good at marketing their since-inception IRRs (internal rates of return) and other misleading numbers, and one published study asks how half of PE funds can be in the "top quartile".<sup>12</sup>

While we argue that in public assets, many investors' memories only reflect the post-GFC experience, for PE the rearview mirror seems to extend further back. During the 39 years from 1986 to 2025, the Cambridge Associates PE index outperformed the Russell 3000 broad equity index by 3% p.a., but nearly all of this outperformance came from years 2000-2008. Before and after this nine-year PE purple patch, the two series had nearly same average return. Broader empirical evidence indicates that both the realized and prospective return edge of private over public equity has narrowed since the 2000s decade, perhaps reflecting increasing inflows into the space.<sup>13</sup>

The strongest evidence of "rearview-mirror behavior" comes from asset class allocations. Over the past 20 years, institutional investors have dramatically increased the portfolio weights of private assets including PE. This does not only reflect the perceived past outperformance; other sources of inspiration include the Yale Model,

---

<sup>12</sup> See Harris-Jenkinson-Stucke (2012).

<sup>13</sup> See Ilmanen (2022) chapter 5. Both private vs. public realized outperformance and valuation gap were larger when the PE industry was much smaller. Empirical verdicts on private equity's outperformance over public equity since the GFC differ, depending on the data sources, metrics, and periods used. For example, Ludovic Phalippou, Richard Ennis, and Dan Rasmussen have presented critical evidence, while Greg Brown, Tim Jenkinson, and Steve Kaplan have presented more positive evidence.

good marketing stories, and the comfort of artificially smooth returns.<sup>14</sup>

Anecdotally, many investors “buy” the stories of 15-20% expected returns in PE, but we have no serious survey data. On capital market assumptions (CMAs), Horizon Actuaries surveys each year about 40 providers and reports their consensus views. The next-decade compound return expectations for PE over 2014-2025 are 9.7%-9.5%-9.6%-9.4%-8.9%-9.0%-9.2%-9.0%-

9.1%-9.5%-9.2%-9.2%. The series has a narrow range (0.8%) compared to more volatile bond yields and return expectations. It may also hint at a slight contrarian mindset (PE expected returns are a bit higher in the early years and in early 2023 when valuations were somewhat lower), but the main characteristic is stable confidence (which may have been warranted in the early years, perhaps less so recently). Each year, PE has had a 2-3% higher expected return than the next-highest asset classes. That’s a lot to live up to.

## Appendix: Data and Methodology

### Asset Class Proxies for Exhibit 4

Asset Class	Proxy Indices (Oct 1, 2015 - Sep 30, 2025)
U.S. Large Cap Equities	S&P 500 Index TR
Private Equity	Cambridge Associates U.S. Private Equity Index
U.S. Small Cap Equities	Russell 2000 Index TR
Non-U.S. Developed Equities	MSCI EAFE Index USD TR
Emerging Market Equities	MSCI Emerging Markets Index USD
U.S. High Yield Bonds	Bloomberg US High Yield Index
Commodities	Bloomberg Commodities Index
Diversifying Hedge Funds	50% HFR Equity Market Neutral Index, 50% HFR Macro Index
Trend	SG Trend Index
Cash	ICE U.S. 3-Month U.S. T-Bill Index
U.S. IG Bonds	Bloomberg U.S. Aggregate Index

### AQR CMA Methodology for Exhibit 4

**Public Equity:** Expected real return is average of (1) inverse of CAPE ratio (adjusted for earnings growth during 10-year CAPE window) multiplied by 0.5 payout assumption, plus 1.8% assumed real earnings-per-share growth, and (2) dividend yield plus 10-year smoothed net buyback yield plus estimated aggregate payout growth (average of smoothed 30-year earnings growth and forecast GDP growth). A survey-based estimate of long-term expected inflation is added to give expected nominal return. **Bonds:** Expected return is current spread haircut by 50%, plus duration-matched Treasury yield, plus Treasury and spread rolldown, plus convexity return minus variance drag. **Private Equity:** Unlevered real return is earnings yield (assumed to be half of EBITDA-to-EV) multiplied by 0.5 payout ratio, plus 3% assumed real growth. Levered real return is unlevered return plus the product of estimated leverage and the difference between unlevered return and the cost of debt, plus multiple expansion, minus estimated fees. A survey-based estimate of long-term expected inflation is added to give expected nominal return. **Diversifying Hedge Funds:** Assumed to deliver a combination of equity beta and alternative risk premia at the industry level. **Cash:** Average of three inputs: current cash rate, current 10-year bond yield and survey-based estimate of the next decade’s average short-term interest rate.

<sup>14</sup> Begeau et al. (2025) document both the rise in pension funds’ alternative asset weights and a rise in consultants’ private-equity alpha expectations over two decades when objective expectations seemed to go the other way. Also see Ilmanen (2022) chapter 3.

# References

- Asness, C., A. Frazzini, and L. Pedersen, 2019, “Quality Minus Junk,” *Review of Accounting Studies* 24.
- Babu, A., A. Levine, Y. H. Ooi, S. Schroeder, and E. Stamelos, 2020, “You Can’t Always Trend When You Want,” *Journal of Portfolio Management* 46(4).
- Begenau, J., P. Liang, and E. Siriwardane, 2025, “The Rise of Alternatives,” SSRN paper.
- Benartzi, S., and R. Thaler, 1995, “Myopic Loss Aversion and the Equity Premium Puzzle,” *Quarterly Journal of Economics* 110(1).
- Blitz, D., 2020, “Factor Performance 2010–2019: A Lost Decade?” *Journal of Index Investing* 11(2)
- Brixton, A., C. Fattouche, and T. Maloney, 2025, “A New Paradigm in Active Equity,” white paper.
- Bro, J., and J. Eriksen, 2025, “Subjective Expectations and House Prices,” *Journal of Banking & Finance* 172.
- Cao, J, and P. Hecht, 2025, “Portable Alpha: Why Now?” white paper.
- Frazzini, A., and L. Pedersen, 2014, “Betting Against Beta,” *Journal of Financial Economics* 111(1).
- Harris, R., T. Jenkinson, and R. Stucke, 2012, “Are Too Many Private Equity Funds Top Quartile?” *Journal of Applied Corporate Finance* 24(4).
- Horizon Actuarial, 2025, *Survey of Capital Market Assumptions, 2025 Edition*.
- Ilmanen, A., R. Israel, R. Lee, T. Moskowitz, and A. Thapar, 2021, “How Do Factor Premia Vary Over Time? A Century of Evidence,” *Journal of Investment Management* 19(4).
- Ilmanen, A., 2022, *Investing Amid Low Expected Returns*, Wiley.
- Kahneman, D., and A. Tversky, 1971, “Belief in the Law of Small Numbers,” *Psychological Bulletin* 76(2).
- Kahneman, D., and A. Tversky, 1979, “Prospect Theory: An Analysis of Decision under Risk,” *Econometrica* 47(2).
- Kuchler, T., M. Piazzesi, and J. Stroebel, 2023, “Housing Market Expectations,” chapter 6 in the *Handbook of Economic Expectations*, Elsevier.
- McQuinn, N., A. Thapar, and D. Villalon, 2021, “Portfolio Protection? It’s a Long (Term) Story,” *Journal of Portfolio Management* 47(3).
- Moskowitz, T., Y. H. Ooi, and L. Pedersen, 2012, “Time Series Momentum,” *Journal of Financial Economics* 104(2).

# Disclosures

This document has been provided to you solely for information purposes and does not constitute an offer or solicitation of an offer or any advice or recommendation to purchase any securities or other financial instruments and may not be construed as such. The factual information set forth herein has been obtained or derived from sources believed by the author and AQR Capital Management, LLC ("AQR"), to be reliable, but it is not necessarily all-inclusive and is not guaranteed as to its accuracy and is not to be regarded as a representation or warranty, express or implied, as to the information's accuracy or completeness, nor should the attached information serve as the basis of any investment decision. This document is not to be reproduced or redistributed without the written consent of AQR. The information set forth herein has been provided to you as secondary information and should not be the primary source for any investment or allocation decision.

Past performance is not a reliable indicator of future performance.

This document is not intended to, and does not relate specifically to any investment strategy or product that AQR offers. It is being provided merely to provide a framework to assist in the implementation of an investor's own analysis and an investor's own view on the topic discussed herein. This presentation is not research and should not be treated as research. This presentation does not represent valuation judgments with respect to any financial instrument, issuer, security, or sector that may be described or referenced herein and does not represent a formal or official view of AQR.

The views expressed reflect the current views as of the date hereof, and neither the author nor AQR undertakes to advise you of any changes in the views expressed herein. It should not be assumed that the author or AQR will make investment recommendations in the future that are consistent with the views expressed herein, or use any or all of the techniques or methods of analysis described herein in managing client accounts. AQR and its affiliates may have positions (long or short) or engage in securities transactions that are not consistent with the information and views expressed in this article.

The information contained herein is only as current as of the date indicated and may be superseded by subsequent market events or for other reasons. Charts and graphs provided herein are for illustrative purposes only. The information in this presentation has been developed internally and/or obtained from sources believed to be reliable; however, neither AQR nor the author guarantees the accuracy, adequacy, or completeness of such information. Nothing contained herein constitutes investment, legal, tax, or other advice, nor is it to be relied on in making an investment or other decision.

There can be no assurance that an investment strategy will be successful. Historic market trends are not reliable indicators of actual future market behavior or future performance of any particular investment, which may differ materially, and should not be relied upon as such. Target allocations contained herein are subject to change. There is no assurance that the target allocations will be achieved, and actual allocations may be significantly different from those shown here. This presentation should not be viewed as a current or past recommendation or a solicitation of an offer to buy or sell any securities or to adopt any investment strategy.

The information in this presentation might contain projections or other forward-looking statements regarding future events, targets, forecasts, or expectations regarding the strategies described herein and is only current as of the date indicated. There is no assurance that such events or targets will be achieved and might be significantly different from that shown here. The information in this presentation, including statements concerning financial market trends, is based on current market conditions, which will fluctuate and may be superseded by subsequent market events or for other reasons. Performance of all cited indices is calculated on a total return basis with dividends reinvested.

The investment strategy and themes discussed herein may be unsuitable for investors depending on their specific investment objectives and financial situation. Please note that changes in the rate of exchange of a currency might affect the value, price, or income of an investment adversely. Neither AQR nor the author assumes any duty to, nor undertakes to update forward-looking statements. No representation or warranty, express or implied, is made or given by or on behalf of AQR, the author, or any other person as to the accuracy and completeness or fairness of the information contained in this document, and no responsibility or liability is accepted for any such information. By accepting this presentation in its entirety, the recipient acknowledges its understanding and acceptance of the foregoing statement. Diversification does not eliminate the risk of experiencing investment losses. Gross performance results do not reflect the deduction of investment advisory fees and other expenses, which would reduce an investor's actual return.

"Expected" or "Target" returns or characteristics refer to expectations based on the application of mathematical principles to portfolio attributes and/or historical data, and do not represent a guarantee. Changes in the assumptions may have a material impact on the information presented.

Broad-based securities indices are unmanaged and are not subject to fees and expenses typically associated with managed accounts or investment funds. Investments cannot be made directly in an index.

**The S&P 500 Index** is the Standard & Poor's composite index of 500 stocks, a widely recognized, unmanaged index of common stock prices.

**The MSCI World Index** is a free float-adjusted market capitalization weighted index that is designed to measure the equity market performance of developed markets.

**The Bloomberg Global Aggregate Index** is a market-weighted index of global government, government-related agencies, corporate and securitized fixed-income investments.

**The HFRI Equity Hedge: Equity Market Neutral Index** measures the aggregate performance of Investment Managers who employ Equity Market Neutral strategies, which typically maintain characteristic net equity market exposure no greater than 10% long or short.

**The HFRI Macro (Total) Index** measures the aggregate performance of Investment Managers which trade a broad range of strategies in which the investment process is predicated on movements in underlying economic variables and the impact these have on equity, fixed income, hard currency and commodity markets.

**The SG Trend Index** is designed to track the largest 10 (by AUM) CTAs and be representative of the managed futures trend-following space.

There is a risk of substantial loss associated with trading commodities, futures, options, derivatives, and other financial instruments. Before trading, investors should carefully consider their financial position and risk tolerance to determine whether the proposed trading style is appropriate. Investors should realize that when trading futures, commodities, options, derivatives, and other financial instruments, one could lose the full balance of their account. It is also possible to lose more than the initial deposit when trading derivatives or using leverage. All funds committed to such a trading strategy should be purely risk capital.

## Regional Disclosures

**Hong Kong:** This presentation may not be copied, reproduced, republished, posted, transmitted, disclosed, distributed or disseminated, in whole or in part, in any way without the prior written consent of AQR Capital Management (Asia) Limited (together with its affiliates, "AQR") or as required by applicable law. This presentation and the information contained herein are for educational and informational purposes only and do not constitute and should not be construed as an offering of advisory services or as an invitation, inducement or offer to sell or solicitation of an offer to buy any securities, related financial instruments or financial products in any jurisdiction. Investments described herein will involve significant risk factors which will be set out in the offering documents for such investments and are not described in this presentation. The information in this presentation is general only and you should refer to the final private information memorandum for complete information. To the extent of any conflict between this presentation and the private information memorandum, the private information memorandum shall prevail. The contents of this presentation have not been reviewed by any regulatory authority in Hong Kong. You are advised to exercise caution and if you are in any doubt about any of the contents of this presentation, you should obtain independent professional advice.

AQR Capital Management (Asia) Limited is licensed by the Securities and Futures Commission ("SFC") in the Hong Kong Special Administrative Region of the People's Republic of China ("Hong Kong") pursuant to the Securities and Futures Ordinance (Cap 571) (CE no: BHD676). AQR Capital Management (Asia) Limited Unit 2023, 20/F, One IFC, 1 Harbour View Street, Central Hong Kong, Hong Kong. Licensed and regulated by the Securities and Futures Commission of Hong Kong (CE no: BHD676).

**China:** This document does not constitute a public offer of any fund which AQR Capital Management, LLC ("AQR") manages, whether by sale or subscription, in the People's Republic of China (the "PRC"). Any fund that this document may relate to is not being offered or sold directly or indirectly in the PRC to or for the benefit of, legal or natural persons of the PRC.

Further, no legal or natural persons of the PRC may directly or indirectly purchase any shares/units of any AQR managed fund without obtaining all prior PRC's governmental approvals that are required, whether statutorily or otherwise. Persons who come into possession of this document are required by the issuer and its representatives to observe these restrictions.

**Singapore:** This document does not constitute an offer of any fund which AQR Capital Management, LLC ("AQR") manages. Any fund that this document may relate to and any fund related prospectus that this document may relate to has not been registered as a prospectus with the Monetary Authority of Singapore. Accordingly, this document and any other document or material in connection with the offer or sale, or invitation for subscription or purchase, of shares may not be circulated or distributed, nor may the shares be offered or sold, or be made the subject of an invitation for subscription or purchase, whether directly or indirectly, to persons in Singapore other than (i) to an institutional investor pursuant to Section 304 of the Securities and Futures Act, Chapter 289 of Singapore (the "SFA") or (ii) otherwise pursuant to, and in accordance with the conditions of, any other applicable provision of the SFA.

**Korea:** Neither AQR Capital Management (Asia) Limited or AQR Capital Management, LLC (collectively "AQR") is making any representation with respect to the eligibility of any recipients of this document to acquire any interest in a related AQR fund under the laws of Korea, including but without limitation the Foreign Exchange Transaction Act and Regulations thereunder. Any related AQR fund has not been registered under the Financial Investment Services and Capital Markets Act of Korea, and any related fund may not be offered, sold or delivered, or offered or sold to any person for re-offering or resale, directly or indirectly, in Korea or to any resident of Korea except pursuant to applicable laws and regulations of Korea.

**Japan:** This document does not constitute an offer of any fund which AQR Capital Management, LLC ("AQR") manages. Any fund that this document may relate to has not been and will not be registered pursuant to Article 4, Paragraph 1 of the Financial Instruments and Exchange Law of Japan (Law no. 25 of 1948, as amended) and, accordingly, none of the fund shares nor any interest therein may be offered or sold, directly or indirectly, in Japan or to, or for the benefit, of any Japanese person or to others for re-offering or resale, directly or indirectly, in Japan or to any Japanese person except under circumstances which will result in compliance with all applicable laws, regulations and guidelines promulgated by the relevant Japanese governmental and regulatory authorities and in effect at the relevant time. For this purpose, a "Japanese person" means any person resident in Japan, including any corporation or other entity organised under the laws of Japan.

**Australia:** AQR Capital Management, LLC, is exempt from the requirement to hold an Australian Financial Services License under the Corporations Act 2001, pursuant to ASIC Class Order 03/1100 as continued by ASIC Legislative Instrument 2016/396 (as extended by amendment). AQR is regulated by the Securities and Exchange Commission ("SEC") under United States of America laws

and those laws may differ from Australian laws.

**Canada:** This material is being provided to you by AQR Capital Management, LLC, which provides investment advisory and management services in reliance on exemptions from adviser registration requirements to Canadian residents who qualify as “permitted clients” under applicable Canadian securities laws. No securities commission or similar authority in Canada has reviewed this presentation or has in any way passed upon the merits of any securities referenced in this presentation and any representation to the contrary is an offence.

**Information for clients in the Middle East:** AQR Capital Management (Europe) LLP (DIFC Representative Office) is regulated by the Dubai Financial Services Authority of the Dubai International Financial Centre as a Representative Office (firm reference number: F007651). Its principal place of business is Gate Village 10, Level 3, Unit 4, DIFC, Dubai, UAE. This marketing communication is distributed on behalf of AQR Capital Management, LLC.

**Information for clients in the United Kingdom:** This product is based overseas and is not subject to UK sustainable investment labelling and disclosure requirements. The information set forth herein has been prepared and issued by AQR Capital Management (Europe) LLP, a UK limited liability partnership with its office at 15 Bedford Street, Covent Garden, London, WC2E 9HE, which is authorised and regulated by the UK Financial Conduct Authority (“FCA”).

**Information for clients in the EEA:** AQR in the European Economic Area is AQR Capital Management (Germany) GmbH, a German limited liability company (Gesellschaft mit beschränkter Haftung; “GmbH”), with registered offices at Maximilianstrasse 13, 80539 Munich, authorized and regulated by the German Federal Financial Supervisory Authority (Bundesanstalt für Finanzdienstleistungsaufsicht, „BaFin“), with offices at Marie-Curie-Str. 24-28, 60439, Frankfurt am Main und Graurheindorfer Str. 108, 53117 Bonn, to provide the services of investment advice (Anlageberatung) and investment broking (Anlagevermittlung) pursuant to the German Securities Institutions Act (Wertpapierinstitutsgesetz; “WpIG”). The Complaint Handling Procedure for clients and prospective clients of AQR in the European Economic Area can be found here: <https://ucits.aqr.com/Legal-and-Regulatory>

**This is a marketing communication in the European Economic Area (“EEA”) and approved as a Financial Promotion in the United Kingdom (“UK”). It is only intended for Professional Clients.**

Request ID: 399079



[www.aqr.com](http://www.aqr.com)