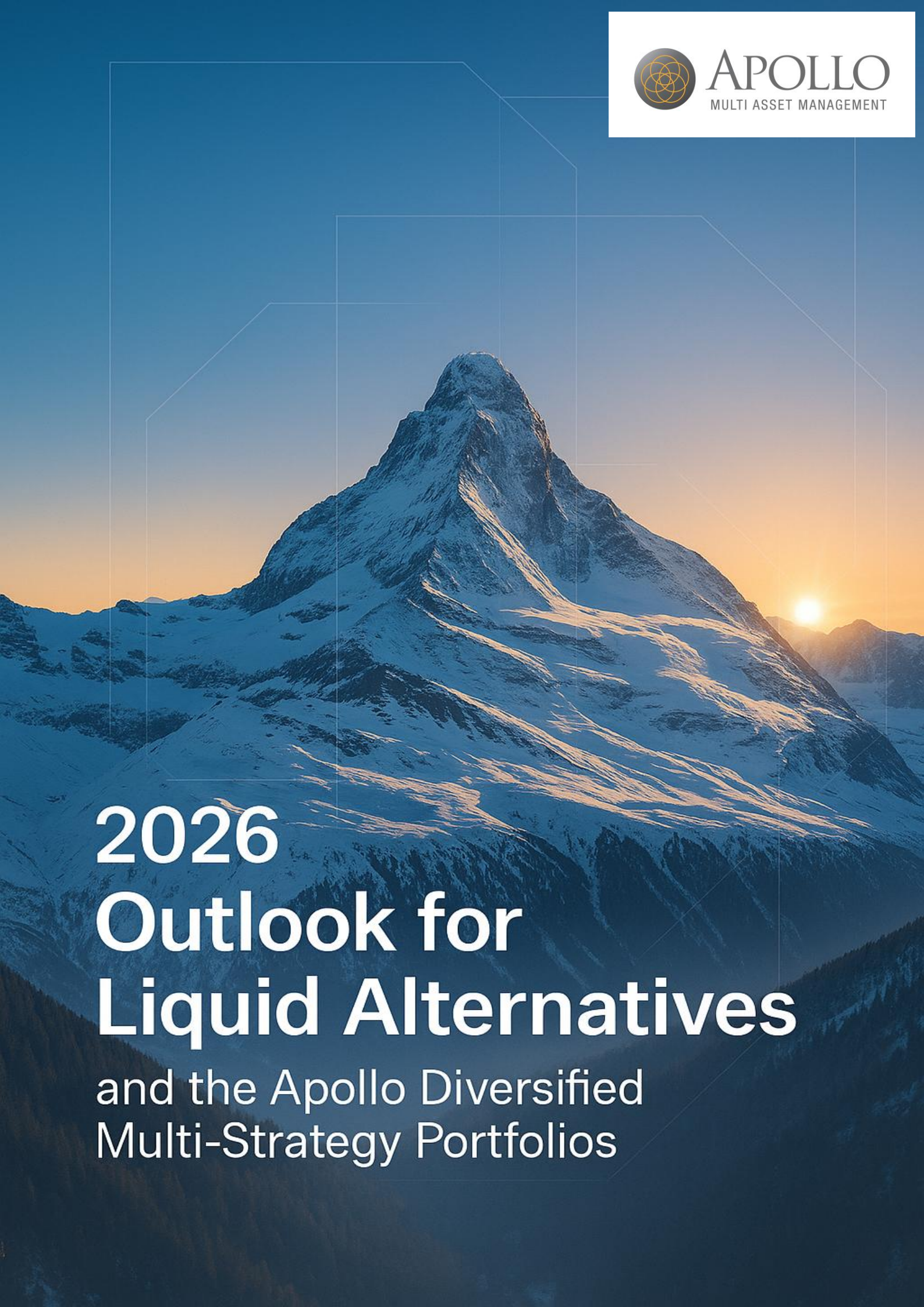

APOLLO
MULTI ASSET MANAGEMENT
2026
Outlook for
Liquid Alternatives
and the Apollo Diversified
Multi-Strategy Portfolios

# Apollo Multi Asset Management

## 2026 Outlook for Liquid Alternatives and the Apollo Diversified Multi-Strategy Portfolios

### Executive Summary

As we enter 2026, global markets stand at an important inflection point. Traditional diversification is weakening, equity concentration is extreme, inflation remains uneven across regions, and monetary policy is becoming harder to predict. The environment calls for greater resilience, broader sources of return, and risk management that goes beyond equity beta and duration.

Across the major outlooks — from J.P. Morgan, Wellington, UBS, Cambridge Associates, Goldman Sachs and others, one theme is consistent:

**A diversified blend of hedge funds, liquid alternatives and absolute return strategies is increasingly essential to portfolio construction.**

This aligns directly with Apollo's long-standing investment philosophy: low correlation, multi-strategy, active manager selection, and disciplined risk management. Our Apollo Diversified Multi-Strategy portfolios are specifically designed for this environment—daily-liquid, unconstrained, and built to capture uncorrelated alpha across macro, long/short equity, market-neutral, event-driven, credit/rates, and diversifying strategies.

Steve Brann

Chief Investment Officer

# The 2026 Macro Backdrop: A World Where Diversification Matters Again

Across the research, several macro forces shape the landscape for 2026:

## ❖ Slower Growth, but Not Recessionary

Global GDP is expected to remain **below trend**, with consensus forecasts around **2.9%** for 2026. Growth is uneven: moderating in the US, fragile in Europe, stable in Japan, and mixed across China and EM.

## ❖ Inflation Divergence & Policy Uncertainty

Inflation is settling but **not returning to the post-GFC era**. Wellington highlights that structural inflation drivers such as demographics, underinvestment in commodities and fiscal largesse are likely to keep stock-bond correlations positive.

This matters:

***Positive correlations between equities and bonds mean the 60/40 no longer diversifies reliably.***

## ❖ Market Concentration at Extreme Levels

Several reports highlight unprecedented concentration:

- The *ten largest US companies account for 22.2% of global equities* (Cambridge Associates).
- Nine S&P 500 companies exceed **$1 trillion** in market cap (Goldman Sachs).

***Concentration = fragility. This strengthens the case for alternatives and low-beta absolute return.***

## ❖ Ongoing Volatility: Ideal Conditions for Alternatives

Whether from:

- rate-cut uncertainty
- credit events
- geopolitical fragmentation
- the AI-capex cycle
- inflation asymmetry

***All major outlooks suggest "persistent volatility"—a backdrop in which macro, relative value, long/short and event-driven managers historically excel.***

# The Outlook for Hedge Funds & Liquid Alternatives in 2026

## ❖ Hedge Funds Are Now Seen as a Structural Portfolio Component

Wellington's research calls hedge funds the **"missing ingredient"** in diversified portfolios, arguing they:

- replace failing bond diversification
- reduce volatility
- offer non-beta return sources
- benefit from dispersion and higher volatility.

## ❖ Multi-Strategy Momentum Accelerates

According to S&P Global / With Intelligence:

- Hedge fund assets are on track to reach **$5 trillion by 2027**, accelerating faster than forecast.
- Allocators such as pensions, endowments and insurers are *increasing* non-directional sleeves.
- Event-driven, macro, and long/short strategies are seeing the strongest inflows into 2026.

***This institutional behaviour directly validates Apollo's multi-strategy approach.***

## ❖ Favourable Conditions for Alpha

UBS highlights that all major hedge fund strategies delivered positive returns in 2025, including:

- long/short,
- merger arbitrage,
- macro,
- multi-strategy.

Similar forward-looking commentary appears in Goldman Sachs:

***"dispersion and active selection will drive outcomes in 2026, especially as AI winners and losers diverge."***

## ❖ "Lean Into Hedge Funds"

Cambridge Associates includes hedge funds among their 15 key recommendations for 2026, noting:

- stretched valuations in equities and credit,
- higher concentration risk,
- need for low-correlated strategies.

This is precisely the case for Apollo's approach.

# Alternatives vs Other Asset Classes: Brief Overview & Why Hedge Funds Win in 2026

While some research highlights potential opportunities in private markets, these asset classes generally suffer from:

- Illiquidity
- valuation uncertainty
- slow distribution cycles
- limited accessibility for many investors.

## ❖ Private Equity & Private Credit

Both remain important for institutions, but:

- deal activity is uneven,
- returns are moderating,
- liquidity is constrained,
- spreads are tightening (UBS).

## ❖ Real Assets & Infrastructure

Useful long-term inflation hedges, but:

- difficult to access daily liquidity,
- valuation risks remain,
- deal pacing is cyclical.

## ❖ Why Liquid Alternatives & Absolute Return Stand Out in 2026

Across all reports, the clear standout benefits are:

- Daily liquidity
- Low correlation to equities and bonds
- Ability to exploit dispersion and volatility
- More consistent return profile
- Risk control in uncertain macro regimes
- Access to highly specialised skill sets otherwise unavailable to retail investors

***This is precisely what Apollo delivers.***

# Why 2026 Is a Breakout Year for Apollo's Multi-Strategy Approach

Here is how the research environment maps directly onto Apollo's philosophy:

## ❖ Positive Stock–Bond Correlation = Perfect Conditions for Absolute Return

Wellington shows that rising inflation leads to positive correlations between equities and bonds, removing the traditional 60/40 protection.

***Apollo portfolios were specifically engineered for such an environment.***

## ❖ *Equity Concentration Risk Reinforces the Need for Diversifiers*

Both Cambridge Associates and Goldman Sachs emphasise that concentration risk is one of the biggest threats to portfolios in 2026.

Apollo's strategy avoids concentration by design:

- diversified across 5 buckets
- diversified across dozens of managers
- diversified across styles and risk premia.

## ❖ Dispersion Benefiting Hedge Funds Is the Core of Apollo's Opportunity Set

Event-driven, long/short, market-neutral and macro strategies thrive when:

- volatility is elevated
- the macro regime is shifting
- fundamentals matter more than beta
- alpha dispersion is wide.

These are the exact characteristics across the JPM, Wellington and Goldman Sachs outlooks.

## ❖ Institutional Allocators Increasing Exposure = Validation of Apollo's Model

The shift toward multi-strategy, non-directional, risk-mitigating allocations by global institutions is a strong endorsement of what Apollo has been doing for 15+ years.

***Apollo is essentially providing an institutional-grade solution in a daily-liquid UCITS framework.***

# Apollo's 2026 Positioning: Key Themes We Expect to Drive Returns

## ❖ Volatility & Dispersion

Favourable for:

- long/short equity
- market-neutral
- event-driven.

## ❖ *Macro Inflection Points*

Ideal for:

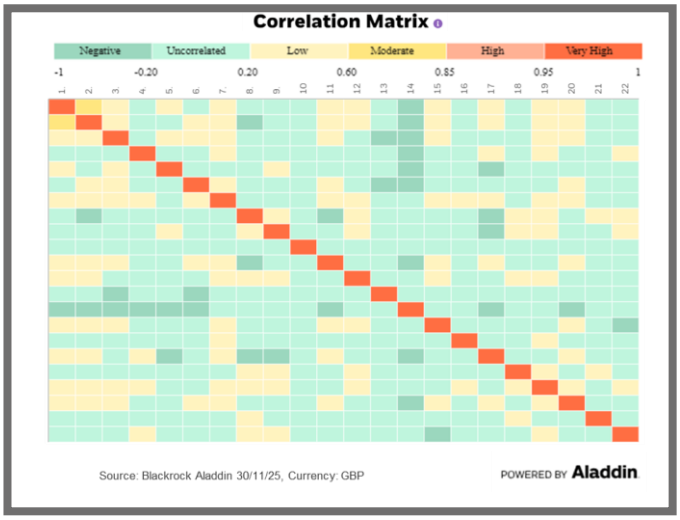
- discretionary macro
- relative value rates
- FX opportunities.

## ❖ M&A & Corporate Actions

UBS expects M&A activity to increase, supporting event-driven managers.

## ❖ Low Correlation & Drawdown Control

All major outlooks highlight the importance of diversification. Apollo portfolios demonstrated very low correlation across our selected managers




## ❖ Active Management Matters More Than Ever

With index concentration high and dispersion rising, the value of skilled manager selection increases sharply.

***Apollo's forward-looking, qualitative due-diligence-driven approach is well aligned with this environment.***

## Summary: Why Apollo Is Positioned to Lead in 2026

Across all research sources, the case is overwhelmingly clear:

| 2026 Challenge | Industry Insight | Apollo Advantage |
|---|---|---|
| Fragile diversification | Stock–bond correlations positive (Wellington) | *Multi-strategy, low correlation* |
| Equity concentration | Top 10 stocks dominate global equities (CA) | *Uncorrelated alpha, diversification* |
| Volatility & uncertainty | Macro, L/S, event strategies well-positioned (S&P, UBS) | *Access to elite managers in each strategy* |
| Need for active management | Indices too concentrated (Goldman) | *Experienced, qualitative manager selection* |
| Demand for liquidity | Private markets constrained (UBS) | *UCITS daily dealing* |
| Institutional shift to alternatives | $5tn HF industry by 2027 (S&P Global) | *Apollo brings this institutional model to all* |

***2026 is a year where liquidity, diversification, low correlation, and active risk management become essential—and Apollo's multi-strategy approach is purpose-built for this environment.***

# APOLLO MULTI ASSET MANAGEMENT

**Absolute Vision: A Smarter, More Resilient Way to Invest**

At Apollo Multi Asset Management, we believe in Absolute Vision—the ability to see beyond short-term market noise and invest with clarity, conviction, and discipline. The financial world is evolving, and traditional investment models are no longer fit for purpose. The once-reliable 60/40 portfolio—built on the assumption that bonds will always hedge equity risks—has failed to deliver real returns in an era of inflation, rising interest rates, and geopolitical uncertainty.

Apollo stands apart as a firm built for the future. We are not bound by benchmarks or outdated conventions. Instead, we take a forward-thinking, multi-asset approach alongside absolute return investing—targeting consistent, risk-adjusted performance throughout the full market cycle.

Founded during the 2008 financial crisis, Apollo has consistently demonstrated the ability to thrive in uncertainty—because we see what others don't.

**Expert minds, unconstrained thinking**

Apollo Multi Asset Management's expertise is built on decades of hands –on experience across investment management, proprietary trading, and navigating financial markets through multiple cycles.

**Steve Brann**
**Chief Investment Officer**
35 years experience

**Ian Willings CFA**
**Partner & Portfolio Manager**
23 years experience

**Joanne Baynham CFA**
**Global Investment Strategist**
25 years experience

**Emily Thomas Adderson**
**Assistant Portfolio Manager**
20 years experience

**For professional advisers only**

Please remember that the value of your investment may fall as well as rise and is not guaranteed. You may not get back your initial investment. Past performance is not an indicator of future performance. Nothing in this document should be construed as investment advice.

If you require investment advice you should contact an authorised financial adviser.

Apollo Multi Asset Management is authorised and regulated by the Financial Conduct Authority (FCA Number: 487458).

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