



The Alternative Investor

Performance
News
Trends

Regulatory updates

Lessons
from 2025
& signals
for 2026.

This edition brings together perspectives from across private markets to explore how the alternative investment landscape is being reshaped as we move into 2026. **Jack Inglis, CEO of AIMA**, reflects on 2025 as a turning point for hedge funds, marked by strong performance and a more constructive regulatory tone that is laying the foundations for a pragmatic, risk-focused policy agenda across global markets, private credit and digital assets. **Daniel Trentacosta of MUFG Investor Services** examines how the rise of semi-liquid fund structures and a broader investor base is elevating operational excellence into a core competitive advantage, driven by automation and institutional-grade infrastructure. **DIFC's Salmaan Jaffery** charts the DIFC's rapid emergence as a top-five global hedge fund hub, underpinned by regulatory strength, talent, innovation and access to capital. In digital assets, **Vin Molino of Crypto Insights Group** argues that while crypto speculation cooled in 2025, it accelerated real-world adoption, positioning 2026 as a year of durable economic utility and institutional-grade alpha. **Jonida Vesiu of CSC** explores the long-term democratisation of private markets across the US, EU and UK; while **Marex's Amy Cheung** looks at global allocator thinking; and **H-Squared's Max Heppleston** explains why volatility and allocator scrutiny will favour hedge funds that genuinely hedge. In other sections, we hear from **Prosek's Mark Kollar** on the growing role of insurance balance sheets as a vital source of long-duration capital, and **CAIA's Georgina Tzanetos** on the need for discipline and transparency in an increasingly crowded alternatives universe. In our Money Maze Podcast interview we feature **ARK Invest's Cathie Wood in conversation with Simon Brewer**.



Equity hedge funds end 2025 with a flourish

December's broad mix of shifting political power, policy recalibration and late-cycle market behaviour continued to favour hedge funds. While geopolitics dominated ([see full market review](#)), performance across strategies was impressive, with the HFRI Fund Weighted Composite Index up 1.6% in December, taking full-year gains to 12.6%.

Although much attention has focused on the resurgence of discretionary macro, equity strategies delivered the strongest performance. The HFRI Equity Hedge (Total) Index gained 1.8% in December, lifting year-to-date returns to 17.3%. Energy and Basic Materials led monthly performance, up 5.2%, followed by Fundamental Value at 2.4%. Over the full year, Healthcare was the standout sector, returning 33.8%.

Event-Driven strategies advanced 1.5% during the month. Activist managers were particularly strong, with the HFRI Activist Index up 5.5% as managers benefited from M&A and increased private equity interest. Credit Arbitrage also performed well, up 1.9%.

Macro strategies extended their positive momentum, with the HFRI Macro (Total) Index up 1.9% in December. Commodity-focused managers led the gains, rising 4.3% amid heightened volatility and continued strength in precious metals. Discretionary macro posted a more modest 1.0% monthly return but finished the year up 17.3%, the strongest result within the macro complex. Systematic strategies recovered somewhat, rising 1.5% in December, although the full-year return remained slightly negative at -0.7%.

Relative Value strategies gained 0.5% for the month, with all sub-sectors positive except volatility, as the HFRI Volatility Index declined 0.7%.

From a regional perspective, Emerging Markets MENA led performances, rising 3.2%. In contrast, the HFRI Emerging Markets India Index fell 2.3%. Developed markets were broadly positive, with Japan up 2.5%, North America up 1.2%, and Western and Pan-European strategies gaining 1.3%.

>\$33tn

Global alternative asset AUM (incl. hedge funds, PE, real assets, etc)

Source: JPMorgan Research

\$5tn

Size of hedge fund industry as of Q3 2025

Source: Hedge Fund Research

TPG raises \$6.2bn

TPG secured approximately \$6.2 billion for its latest private credit vehicle, TPG Credit Solutions Fund III, underscoring continued institutional appetite for large-scale lending strategies. Bloomberg reports the fund exceeded its original \$4.5 billion target as investors leaned into private credit opportunities. The fund sits within TPG's expanding credit platform, strengthened by the integration of Angelo Gordon, reflecting the firm's ambition to scale flexible, capital-solutions investing alongside the established private equity franchise.

Dragoneer bets on durable growth

Dragoneer Investment Group raised \$4.3 billion for its seventh growth-stage fund. The San Francisco manager specialises in long-duration growth investments in leading software, fintech, internet platforms and consumer-technology companies with 'durable revenue models'. The firm has built a reputation for backing scaled winners rather than early-stage bets, with past investments including Airbnb, Uber, Spotify and Snowflake. Founded in 2012 by Marc Stad, today Dragoneer's AUM stands at \$20 billion.

Deerpath closes 7th fund

Deerpath Capital closed its seventh flagship private credit fund, Deerpath Fund VII, surpassing the \$2 billion equity target with \$2.2 billion in investor commitments and anticipated total investable capital of ~\$3.5 billion when leveraged CLO capacity is included. Based in Fort Lauderdale, the firm focuses on senior secured loans to private equity-backed companies in the US lower mid-market, with targeted enterprise values of \$100m-\$250m across business services, healthcare and IT sectors.

Eiffel raises more than €1bn

Eiffel Investment Group raised more than €1 billion for Eiffel Energy Transition. Headquartered in Paris, Eiffel finances energy transition across Europe in renewable energy, energy efficiency, sustainable infrastructure and low-carbon technologies. EET targets a mix of private debt and equity opportunities, providing long-term capital to mid-sized developers and operators involved in solar, wind, storage and related transition assets. Today, Eiffel manages ~€7 billion in assets across private debt, private equity and listed strategies.

UPCOMING EVENTS

26 January 2026
SuperReturn Saudi Arabia

27 January 2026
With Intelligence Hedge Fund COO Summit

29 January 2026
AIMA China Live 2026

2 February 2026
Women's Venture Capital Summit

2 February 2026
Pension Bridge Private Credit

Click [here](#) to see all the listings

UPDATES (cont.)

From credit to alternatives giant

Better known as one of the big beasts in private credit, Ares Management is now openly assessing how to expand its private equity footprint, potentially through a sizeable acquisition. Such a move, reported in the Financial Times, reflects a recognition that scale in buyouts increasingly matters as competition intensifies across alternatives. Rather than signalling a departure from credit, the strategy underscores Ares's long-standing advantage: the ability to invest across the capital structure. Its private equity activity is closely informed by its credit expertise, enabling the firm to structure more "bespoke solutions." For investors, the message is clear - Ares's reputation rests on private credit leadership, but its ambition - along with other behemoths in the space - is to become a more rounded, multi-asset alternatives platform.

MML closes Keystone I

MML Capital Partners announced the final close of MML Keystone I and related co-investment vehicles at €935 million. Keystone targets a hybrid private equity and infrastructure strategy focused on high-growth asset-backed businesses providing essential services tied to long-term secular themes, including energy transition, digitalisation, healthcare access and the circular economy. The Fund has already made six investments, including Global Packaging Services Pvt Ltd, Premier Modular, Waste Vision, ekeg and Lowe Rental.

SeaTown's second close

Temasek backed SeaTown Holdings announced the second close for SeaTown Private Credit Fund III, taking commitments to approximately \$900 million. The fund focuses on private credit opportunities globally, targeting senior secured lending, structured credit, and bespoke financing solutions for middle-market and sponsor-backed companies. The raise underscores continued appetite for Asia-anchored but globally deployed private credit platforms, in particular those supported by a sovereign wealth seal of approval



Investing in frontier markets

Gemcorp Capital and Angola's sovereign wealth fund FSDEA announced the Pan-African Infrastructure Fund, targeting \$500 million to invest in energy, logistics, digital infrastructure and climate-linked assets across sub-Saharan Africa. Structured as a public-private partnership, the fund is looking to direct long-term institutional capital into projects critical to economic development and regional connectivity, while offering investors inflation-linked, contracted cash flows.

UPDATES (cont.)

Oakhill hits new highs

Oak Hill Advisors announced its Senior Private Lending platform (OLEND) now has \$17.7 billion in total available capital, including \$8.0 billion in equity commitments, following extensive fundraising across multiple vehicles. The platform focuses on senior secured private lending to large,

sponsor-backed companies, often stepping into financing gaps left by traditional banks. OHA's scale highlights the institutionalisation of private credit and the growing role of large managers in providing flexible capital solutions across leveraged finance markets.

Pathlight's \$1.9bn raise

Pathlight Capital announced commitments across Fund IV and its evergreen vehicle had hit approximately \$1.9 billion, reflecting strong investor demand for asset-based and special-situations lending strategies. The Boston-based firm specialises in providing liquidity to middle market North American growth companies and sponsors through structured, collateral-backed solutions, in particular, technology, healthcare and business services.

JPM on the money

J.P. Morgan Asset Management closed PEG Global Private Equity XII at \$1.4 billion. The fund invests globally across buyout and venture capital managers through primaries, secondaries and co-investments. The oversubscribed close reflects continued LP demand for diversified private-equity exposure, managed by large, institutionally scaled platforms, offering vintage diversification and risk-adjusted access to top-tier managers.



Scale continues to win over scarcity

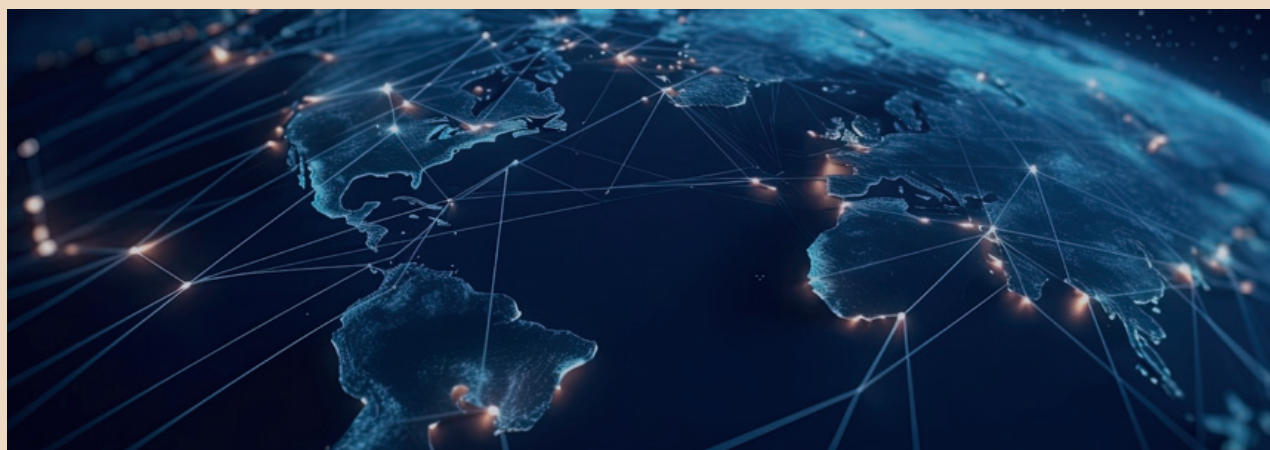
Last year's private equity fundraising remained subdued overall, but it was the largest managers who continued to command an outsized share of limited partner commitments, according to PitchBook data.

By year-end, industry tracking showed that the top 10 private equity funds had captured approximately 46% of all capital raised, marking the largest concentration in over a decade as LPs favoured scale and established

track records in a cautious market environment.

While overall global fundraising trailed prior years, flagship efforts from big-brand sponsors stood out. Blackstone continued its dominance with major closes across multiple strategies, and firms such as Thoma Bravo, KKR, Bain Capital, and Advent International each secured fund commitments exceeding \$10 billion, underlining their ongoing appeal to institutional investors.

PitchBook's Global Private Market Fundraising Report also noted muted aggregate totals, reflecting a broader fundraising slowdown, but emphasised that capital remains concentrated in the more experienced 'brand' managers capable of securing large pools of commitments even as smaller and first-time funds struggled to attract interest.



UPDATES (cont.)**Balance sheet capital as a competitive weapon**

Millennium Management continued to broaden its externally backed managers platform with investments in Fulcrum Asset Management and start-up Armar Capital.

According to Bloomberg, Fulcrum received \$2.3 billion, structured as a separately managed account, while

Armar was allocated \$850 million.

The investments reflect Millennium's ongoing strategy of deploying significant balance-sheet capital to both established and emerging managers, pairing funding with its institutional infrastructure, technology and risk management framework.

The moves highlight the scale advantage of large multi-manager platforms that can allocate capital rapidly and support new teams without compromising risk controls.

When politics matters, macro thrives

Discretionary macro finally showed what it is all about, after a multi-year lull, as managers turned broad policy shifts, interest rate moves, a weakening dollar, and volatile commodity markets into substantial gains. It certainly helps when the likes of President Trump make rapid, material policy shifts. While many systematic and equity-focused strategies struggled with crowded trades and tech-led narrowing markets, macro traders capitalised on real-world events. Up front was Bridgewater Associates' Pure Alpha II, up 34%, its best-ever yearly performance, and D.E. Shaw's Oculus and Composite funds up 28% and 19%, respectively. Smaller macro names also impressed: Discovery Capital's macro fund returned 36%, far above industry averages and the broader stock market.

AI: The crowded but profitable trade

Artificial intelligence was one of the best investments across private capital in 2025, with hedge funds and private equity firms capturing gains across AI hardware, software and infrastructure.

AI-exposed equities led the charge, as Nvidia rose ~40%, while a broader basket of semiconductor, power-infrastructure and data-centre names delivered high-teens to mid-20s returns, according to Bloomberg data. Funds with concentrated exposure

to chips, cloud computing and AI infrastructure benefited directly, while repeated swings around earnings and capex guidance created excellent trading conditions. Some of the biggest winners included Jane Street, Citadel and Point72, all reporting strong gains linked to AI-driven exposure in semiconductors, power infrastructure and AI-enabled software. In private markets, AI exposure commanded a clear premium. AI-focused buyouts

and growth deals priced well above legacy software multiples, while AI-native businesses delivered revenue growth exceeding 30% year-on-year, according to PitchBook.

There were though questions about AI bubble risk, with Ray Dalio warning the rally in AI stocks may be entering bubble territory on over extended valuations.

UPDATES (cont.)

Activism hits a new high

The agitators were out in force last year as shareholder activism accelerated sharply, with 255 global campaigns surpassing the previous record and marking the third consecutive year of rising activity, according to Barclays' annual shareholder activism review.

The US remained at the centre of activities, accounting for roughly 140 campaigns, up more than 20% year on year.

At the same time, activity in Asia-Pacific, particularly Japan, also increased meaningfully as governance reform gathered pace.

At the forefront were, unsurprisingly, Elliott Management and Starboard Value, both of which pursued high-profile engagements across technology, industrials and consumer sectors.

Interestingly, activism in 2025 was not only more frequent but also more effective.

The number of board seats secured by activists rose by an estimated 15–20% compared with 2024, while corporate engagement rates improved as companies proved more willing to negotiate strategic reviews, asset sales, or governance changes rather than fight prolonged proxy battles.

CEO turnover linked to activist pressure also increased, underscoring the growing influence of activist investors. In a year when broad market direction was often uncertain, shareholder activism stood out as one of the most idiosyncratic and resilient sources of hedge fund returns.



DIFC hits a century

The Dubai International Financial Centre (DIFC) cemented its position as a top-five global hub for hedge fund managers, as it surpassed the 100 registered hedge funds milestone. This underscores the pace of expansion, with the number of hedge fund managers more than doubling from 50 at the start of 2024. This figure now includes 81 firms managing more than \$1 billion in assets. Recent arrivals including North Rock Capital Management, LLC Capital and Oak Hill Advisors, L.P., helped push the Centre beyond the 100-manager mark, joining big names including Balyasny Asset Management, Brevan Howard and Millennium.



What's in store...

This year looks much like 2025 for private capital: cautious and selective, with a bit more volatility. Capital raising will hinge less on breadth and more on conviction, with allocators doubling down on those they truly believe in.

Define your edge

In a market shaped by uncertainty, it is visibility, credibility and differentiation that determines who attracts capital and who fades into the background. Strategic positioning is no longer a 'nice to have,' it is essential.

- ✓ **Tell your Story**
- ✓ **Position don't Promote**
- ✓ **Humanise your Firm**
- ✓ **Multi-channel Consistency**
- ✓ **Communicate Momentum**

Money Maze Podcast

*Inspiring interviews with leading figures
from the world of business and finance.*

Investing at the Frontier of Technological Disruption

Adapted from a Money Maze Podcast interview conducted by Simon Brewer with Cathie Wood, Founder, Chief Executive Officer & Chief Investment Officer, ARK Invest

When Simon Brewer sat down with Cathie Wood for a broad conversation on technological disruption, the moment felt emblematic of the era she so vividly describes, one in which the pace of change is accelerating beyond anything seen since the breakthroughs of the late 19th and early 20th centuries. Wood argues that “we have never seen this amount of technologically enabled disruption in history,” drawing parallels with the invention of electricity, the internal combustion engine and the telephone. It is a view that captures both the scale of the transformation underway and the conviction that has defined her career as one of the most distinctive voices in global asset management.

It is a bold proposition, but Wood has long been comfortable at the frontier. Throughout her career, she has shown a willingness to embrace emerging technologies early, withstand periods of intense market scepticism, and construct an investment philosophy untethered from traditional benchmarks.

Her world view was shaped early. The daughter of an Irish immigrant and Air Force-trained radar systems engineer, she grew up moving between England,

Ireland and the United States, experiences that demanded adaptability and cultivated curiosity. At the University of Southern California, she studied under the economist Arthur Laffer, whose intellectual breadth awakened her passion for economics and introduced her to Capital Group, where she began her career. Years later, when she founded ARK, she gave Laffer 1% of the company in gratitude.

Across roles at Capital, Jennison Associates and later AllianceBernstein, Wood developed an approach that combined bottom-up innovation research with top-down macro reasoning. During the tech bubble's final years, she warned that too much capital was chasing immature technologies and dramatically cut her tech exposure, a fact often overlooked by those who later cast her as a permanent technology evangelist. By 2014, she sensed an inflection point. Innovations seeded during the internet era had matured, and she believed a benchmark-driven industry was structurally incapable of recognising it. ARK was created to operate outside those constraints.

At the centre of ARK's philosophy sits the idea of exponential, and increasingly “super-exponential,”



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Continued:

growth. Traditional valuation frameworks assume that high-growth companies inevitably slow toward GDP-like rates. Wood instead draws on Wright's Law, which holds that for every cumulative doubling in units produced, costs fall predictably. This dynamic has taken genome sequencing from a multi-billion-dollar, decade-long scientific undertaking to a process costing a few hundred dollars and a few hours. Industrial robots, once locked behind cages, have become far more intelligent and affordable through similar compounding.

Reflecting this thinking, ARK's research team is structured not by sector but by technology. Tesla, for example, was never analysed as an automaker but as a convergence point for robotics, energy storage and artificial intelligence. That interdisciplinary lens helped ARK recognise early the strategic significance of Nvidia's GPUs and Tesla's autonomous ambitions; long before the wider market appreciated their centrality to the AI wave.

From this approach emerged ARK's five innovation platforms: AI, robotics, energy storage, public blockchains and multi-omics sequencing. Each contains technologies with independent learning curves and together they reinforce one another. Wood believes that this convergence will drive "real GDP growth globally... from 3% where it's been for the last 125 years to 7% to 8%, powered by productivity," a shift comparable to the transition from pre-industrial stagnation to the explosive economic expansion of the 20th century.

Healthcare, in her view, represents the most profound transformation. Multi-omics sequencing, spanning DNA, RNA, protein and metabolomics, combined with AI and CRISPR gene editing, could reduce single drug development costs "from \$2.4 billion to \$600 million" and cut timelines "from 13 years to 5 to 8 years." Liquid biopsies are already diagnosing cancers far earlier, and gene-editing therapies have delivered functional cures for diseases once deemed lifelong.

Energy is next in line. Echoing Elon Musk, Wood envisions a world ultimately powered by the sun, with battery storage acting as the backbone of global electricity systems. Today, the world is only partially efficient in its use of electric power; with storage technology scaling, much of the wasted energy can be captured, shifting grids from fossil-dependent to truly renewable.

Yet Wood does not dismiss risk. ARK evaluates each company across six dimensions: people, moat, execution, product leadership, valuation and thesis risk, with unit growth dynamics the decisive variable. Covid exposed structural vulnerabilities worldwide as supply chains proved far more fragile than expected, and ARK concentrated too early, amplifying the subsequent drawdown. If confronted with a similar setup again, Wood says ARK would tilt temporarily toward cash-rich innovators without abandoning its thematic convictions.

Pressed her on whether AI might make much of the investment industry redundant, Wood's response was direct: benchmark-driven, rules-based strategies are inherently automatable. But innovation investing, projecting technologies five, ten or twenty years into the future, still requires human judgment, imagination and synthesis. AI accelerates ARK's research, she says, "we're using it, cutting our research times in half."

Her stance on China has also evolved. After withdrawing following a series of regulatory changes, Wood now sees signs of a policy pivot. Beijing's shift toward New Productive Forces and rapid progress of Chinese open-source AI models, and how creative [they are] with their algorithms," suggest an increased commitment to technological leadership. Companies are being encouraged to move up the value chain into robotics, AI and autonomous vehicles; developments that have drawn ARK back into selective Chinese exposure.

For young people navigating this technological disruption, Wood's advice is consistent: move to the right side of change. Learn AI, which is in its "first innings," experiment with emerging tools, pursue entrepreneurship and engage directly with the technologies reshaping the economy. The opportunities, she believes, will multiply across every dimension of global growth.

[Click to listen to the full interview](#)

About ARK Invest

ARK's thematic investment strategies span market capitalizations, sectors, and geographies to focus on companies that we expect to be the leaders, enablers, and beneficiaries of disruptive innovation. ARK's strategies aim to deliver long-term growth with low correlation to traditional investment strategies and are offered in a variety of vehicles.



Insurance Carriers to Carry Out Its Role as Strong LPs in 2026

The hunt for new sources of capital (think HNW, retail channels, and co-investments) dominated the alternative market zeitgeist in 2020 and no doubt will continue as we move into the New Year. Fund raising is not getting any easier.

One structurally important source of capital, which falls under the category of big and boring and thus does not make the headlines so often, are US life and annuity accounts.

Insurance balance sheets are becoming more vital to private markets because – very simply – they supply large, long-duration capital, whether it is for private or structured credit, infrastructure debt/equity and even at times old-fashioned buyouts/growth funds.

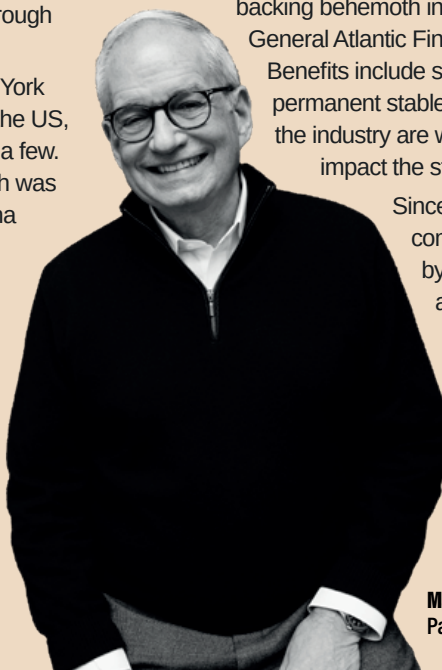
Attraction to these markets can be a little different from other LPs, with preferences and themes more focused on yield enhancement (versus, say what the traditional credit investment returns), diversification and liability matching through longer-term private assets.

The names are familiar: MetLife, New York Life, Prudential Financial and outside the US, AXA and Legal and General, to name a few. But one of the biggest on the list, which was a surprise and unknown to me, is China Life Insurance Company. According to the PEI “Global Investor 150” report in July, China Life’s PE exposure, which emphasizes domestic growth and international strategies, totaled approximately \$63.2 billion, or 7 percent of its overall commitments (just behind CalPERS).

With all that as background, it is no surprise that the numbers are growing. In fact, according to Clearwater Analytics, a comprehensive technology platform for investment management, said in



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Mark Kollar
Partner, Prosek Partners

its November report that alt investments from insurance companies “have fundamentally transformed from a fringe strategy to a portfolio cornerstone,” where one-third, or approximately \$2.7 trillion, of US insurance industry assets, are invested in alternatives.

The largest share of alternatives allocation is in private credit and privately placed bonds and mortgage loans, mostly

because these investments offer broader yield relative to the public markets. The shift clearly has an impact on portfolio management for the insurance industry, but pressures also exist on technology infrastructure because legacy systems can be outdated to manage the growth in alt assets, Clearwater notes. Processing time can take as much as five times longer.

A Word on PE Ownership

Other trends are building, and lines are blurring between asset

managers and insurance carriers now that PE firms are backing behemoth insurance companies such as Athene, General Atlantic Financial Ltd., Truist and the list goes on.

Benefits include strong and steady fee income to the GP, permanent stable capital, and higher valuations, but all in the industry are watchful of any regulatory winds that can impact the strategies.

Since the financial crisis, PE firms have completed over \$900 billion in transactions by acquiring insurance liabilities, according to experts and research from McKinsey & Co. That gives GPs some 13% share of the US insurance market—up from 1% in 2012. The combination seems inevitable but keeps regulators a bit on edge as new parties enter the global insurance network. For now, those who see the benefits will rule.



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The Dance Floor is Packed: Alternative Investments in 2025

Alternative investments have officially hit capacity. What was once an exclusive club for institutional investors has become a global block party with private credit, private equity, tokenization, and retailization all crowding the floor. Preliminary CAIA data estimates private markets have surged to nearly \$26.2 trillion in AUM in 2025, and the momentum shows no signs of slowing. But with growth comes complexity – and risk.

Private Credit: From Darling to Dominant

Private credit has grown nearly tenfold over the past decade as a mainstream financing source. In the first half of 2025 alone, managers raised \$124 billion, setting the stage for another record-breaking year. Direct lending remains the backbone, but opportunistic and specialty finance strategies are gaining traction as investors chase yield and diversification. The competition is fierce, and underwriting standards are loosening. Covenant-lite structures and payment-in-kind (PIK) facilities are proliferating while jumbo loans – those exceeding \$1 billion – signal rising risk appetite. Fitch estimates private credit defaults to 5.7% in early 2025, up from near zero in 2022. The benign environment of low rates and low defaults is gone; survival now hinges on disciplined underwriting.

Private Equity: Dry Powder Meets Liquidity Crunch

Private equity faces its own crowding dilemma. Dry powder sits at around \$1.68 trillion, creating urgency to deploy capital even as exit routes remain constrained. Pricing mismatches persist, slowing deal activity and forcing GPs to lean on continuation vehicles and secondaries to manage liquidity. LP frustration is mounting as distributions lag. Nearly

“....an exclusive club for institutional investors has become a global block party with private credit, private equity, tokenization, and retailization all crowding the floor.

30% of PE-backed companies have been held for seven years or longer, and median hold periods stretched to 3.4 years in 2024. Liquidity pressure is fueling a boom in secondaries: Jefferies reports \$103 billion in global secondary volume in H1 2025, up 51% year-over-year, with the market on pace for a record-breaking \$176 billion.

New Guests, New Rules: Tokenization and Retailization

Tokenization has surpassed its initial hype and firmly entered institutional portfolios. Bain & Company estimates it could unlock \$400 billion in annual revenue for the alternatives ecosystem. Real-world tokenized assets grew from \$10 billion in 2024 to \$24 billion in 2025, driven by private credit and tokenized Treasuries. Major players like Franklin Templeton and BlackRock are piloting on-chain funds, while regulators codify retail access. But tokenization doesn't erase illiquidity or complexity

but rather repackage ownership. Governance, transparency, and investor education remain critical.

The Bottom Line: Discipline Over FOMO

Crowding brings opportunity – but also risk. Looser underwriting, opaque strategies, and liquidity bottlenecks mean allocators can't afford to chase returns blindly. Tokenization and retailization promise efficiency yet demand stronger oversight. In short, the music is still playing, but success in 2026 and beyond will hinge on discipline, transparency, and proactive risk management. As Vonnegut once quipped, “Dance first, think later” – but in private markets, that mindset has run its course.

Georgina Tzanetos
Director, Content, CAIA



GUEST ARTICLES

Entering a new phase of opportunity

Jack Inglis, CEO, AIMA

As we enter a new year that has already begun with heightened geopolitical and macro uncertainty, hedge funds remain an important tool for investors seeking diversification and active risk management. This dynamic was evident in 2025, when hedge funds delivered strong performance, supported by the opportunities that market volatility can create for active managers.

At the same time, the policy environment is shifting. Following several years of friction, 2025 brought more constructive engagement from regulators in major markets. AIMA helped translate that change into tangible outcomes for the global alternative investment industry, through legal, regulatory, and policy engagement spanning market structure and reporting, digital assets, and private credit. Against this backdrop, we reflect on recent global regulatory developments and consider the outlook into 2026.

The story so far

While 2024 was marked by combative issues with the US SEC, 2025 brought new leadership and a more collaborative and constructive engagement with industry. AIMA achieved important legal and regulatory outcomes with tangible global benefits for the alternative investment industry. The SEC withdrew its appeal of AIMA's landmark court victory vacating the Dealer Rule, while a separate judgement in our favour required the SEC to strengthen its economic analysis of its short selling and securities lending reforms. In both cases, AIMA requested, and was granted, extended compliance timelines and greater regulatory clarity for market participants.

Leadership changes at the SEC and CFTC have also created opportunities for more consistent guidance across key industry themes, pointing to a more practical, outcomes focused regulatory approach in the year ahead.

Digital assets came in from the cold

Digital assets were another central focus of this renewed engagement. Under SEC Chairman Paul Atkins, the Commission prioritised advancing the administration's capital-markets agenda, with emphasis on this fast-growing industry. Our research informed policy discussions in Washington on banking access for digital asset fund managers, and we engaged directly with the SEC's Crypto Task Force to advocate for a clear, principles-based regulatory framework. Our annual *Crypto Hedge Fund Report* shows that a more constructive global

regulatory environment, particularly in the US, is encouraging hedge funds and institutional investors to expand their exposure to a broader range of digital assets. The challenge in 2026 will be ensuring this more constructive regulatory tone is applied consistently across jurisdictions.

Private credit weathered the storm

Private credit was arguably the defining narrative for the alternative investments industry in 2025.

This broad and varied asset class continued to grow amidst heightened regulatory and media scrutiny searching for hidden risks. A persistent challenge has been the limited availability of industry data to fully assess levels of risk, and AIMA's private credit affiliate, the Alternative Credit Council (ACC), continues to play a leading role in addressing this gap.

The ACC's *Financing the Economy* report continues to provide one of the most detailed analyses of how private credit supports businesses globally. It shows that global private credit AUM now exceeds US\$3.5 trillion, with deployment accelerating across key strategies. Reflecting the sector's growth, leading ACC member firms have agreed to participate voluntarily in the Bank of England's 2026 Private Markets System-Wide Exploratory Scenario (SWES)



While 2024 was marked by combative issues with the US SEC, 2025 brought new leadership and a more collaborative and constructive engagement with industry.

GUEST ARTICLES (cont.)

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This year will be shaped by a renewed focus on systemic risk reporting as regulators in the US, UK and EU review their respective frameworks. AIMA is advocating for a “less but better” approach to data collection which we expect to be a central policy discussion.

Jack Inglis, AIMA

exercise, to which AIMA contributed to the design phase and will continue to support the Bank, and other authorities work on this in 2026 to achieve better understanding on the potential for systemic risk.

The Middle East’s ascension became clear

Rapid asset growth has defined the Middle East’s evolution as a significant financial centre, with more than 100 hedge funds now operating in the region. Through its UAE Managers Group, AIMA has provided member feedback on DIFC and ADGM consultations to streamline prudential regimes. That work has not only shaped local outcomes but has also provided a credible reference point in discussions with UK and EU regulators on how to reduce unnecessary complexity within existing frameworks.

APAC on the rebound

That same combination of market growth, shifting regulation, and competition to attract capital played out even more visibly across Asia Pacific. Momentum across the region was underpinned by a strong year for regional capital markets. Hong Kong re-emerged as a vibrant hub with market activity and listings recovering sharply; China continued to drive outbound investment

into alternative assets, Singapore strengthened its role as a centre for investor engagement and Australia advanced as a focal point for private credit growth, albeit with heightened concerns from the regulator ASIC. Meanwhile, Japan saw deeper participation across public and private markets.

Looking ahead

This year will be shaped by a renewed focus on systemic risk reporting as regulators in the US, UK and EU review their respective frameworks. AIMA is advocating for a “less but better” approach to data collection which we expect to be a central policy discussion. In the US, we hope to see further meaningful progress across a range of industry issues, including Form PF, FSOC designation, Dealer definition, Treasury Clearing as well as the digital asset agenda. These developments will sit alongside our continued work on AIFMD implementation and SFDR reform in the EU, and changes to the UK market structure.

Throughout, AIMA will remain closely engaged to support effective implementation, market integrity and financial stability.

Jack Inglis, CEO, AIMA



GUEST ARTICLES (cont.)

Competing for LP Commitments: The Importance of Operational Precision in 2026 and Beyond

Daniel Trentacosta, Global Head of Private Markets & Change, MUFG Investor Services

While deal making and historical returns remain the top performance metrics, leading managers are increasingly prioritizing operational excellence, and for good reason. Operational missteps can trigger a range of consequences including regulatory fines and damaged investor relationships. Operational precision will undoubtedly play a role in securing Limited Partner (LP) allocations throughout the year, and General Partners (GP) should take heed of strategic drivers that may impact their approach.

Growth of Complex Fund Structures

Managers are increasingly turning to semi-liquid or evergreen funds to meet the evolving needs of LPs participating in private markets while looking to maintain periodic liquidity. Although these funds provide greater flexibility, semi-liquid structures inherently raise operational considerations and create new layers of complexity for managers.

With evergreen funds, cash and liquidity management needs are heightened due to increased inflows and outflows with no fixed maturity date. Redemptions,

NAVs and investment performance calculations become more complicated and matching liquidity between investors and investments becomes challenging when compounded by slow pay provisions or lock-in periods.

Unsurprisingly, managers are turning to experienced providers to tackle these complexities. For example, our advanced fee calculation tool runs waterfall, carried interest modeling, and performance fees per investor in the fund. Our integrated automated payments and settlements platform provides solutions for slow pay and full redemption, both important GP tools given the increased liquidity opportunities with evergreens.

Increasingly Complicated Investor Needs

As complex fund structures entice new entrants into private markets, GPs require targeted yet highly flexible operations to serve long-standing institutional LPs and incoming high-net-worth retail investors. Operational demands and baseline requirements, including fee calculations and allocations, are becoming more complicated due to these varied participants. For example, while institutional investors are used to NAVs



With evergreen funds, cash and liquidity management needs are heightened due to increased inflows and outflows with no fixed maturity date.

Daniel Trentacosta, MUFG Investor Services

GUEST ARTICLES (cont.)

and capital calls, retail investors may be accustomed to real time valuations and upfront funding as seen in public markets.

Adding operational complexity is the need for timely, standardized and reconciled reporting to provide investor transparency. For LPs, regulatory requirements for disclosure obligations, such as beneficial ownership reporting, continue to increase. Fee transparency and fees paid to managers are also of growing interest when determining capital commitments. LPs continue to demand manager alignment with the Institutional Limited Partners Association (ILPA) guidelines in addition to clarity on capital calls, distributions, carried interest, and allocation details with calculations they can verify. Consistently meeting these obligations and regulatory requirements, at scale and as required, is nearly impossible without specialized infrastructure and jurisdictional expertise.

Necessitating an Automated Bespoke Approach

To meet an increasingly high bar, GPs are looking to safely deploy institutional grade capabilities to support their private market operations. Leading managers understand that partnering with trusted specialists who custom-fit processes and automate front- to back-office activity, all within a

highly controlled environment, saves time and creates efficiency. Notably, both private and public market tools have been revamped to support semi-liquid funds. Our teams have developed flexible, automated solutions for calculations, collaboration tools, and other operational requirements for complex structures that are custom fit for each investment vehicle.

With thousands of funds vying for LP commitments, the private market ecosystem demands operational excellence. Managers must move quickly to implement the support required to transform today's operational complexity into a competitive advantage.

Daniel Trentacosta, Global Head of Private Markets & Change, MUFG Investor Services

Daniel Trentacosta is the Global Head of Private Markets & Change for MUFG Investor Services, responsible for overseeing the Private Markets Lines of Business, including strategic platform execution, revenue generation and market positioning, as well as the Global Change program.

Daniel assumed his current role in 2020, after serving as Global Head of Business Process Outsourcing, Global Head of Project Management and Executive Director, Business Development.



GUEST ARTICLES (cont.)

Crypto's Utility Moment Has Arrived, Driving Future Value

Vin Molino, Chief Operating Officer, Crypto Insights Group

As we begin a new year, it would not be a far stretch to assume many who looked to the crypto markets in 2025 were speculating their digital assets of choice would ride the presumption of volatility in an ever-upward price movement, due to any number of positive factors, including: certain tokens being considered inflation or macro hedges, a perceived favourable regulatory environment, the growth of ETPs and new crypto-originated investment products, and other logical investment hypotheses.

Unfortunately, as 2025 drew to a close, the price of a majority of common crypto holdings dropped heading into Q4 2025 and then flattened to close out the year, demonstrating crypto was not immune to market cycles, just as every other asset class experiences.

But in 2025, something else was occurring in crypto that set up the industry for success in 2026 and beyond, where, ironically, the mass speculation and flow of capital created a primer for the engine needed to drive the value and innovation of digital assets.

In the payments and money transmitting space, major financial companies, such as global payment systems and banks, increased their adoption and use of

stablecoins in ways that would have been unthinkable just a year prior. Examples announced were Visa, Mastercard and Stripe using stablecoins for transaction settlements; JP Morgan, Goldman Sachs and Bank of New York either issuing stablecoins or tokenizing money market funds; and highly used stablecoin networks, such as Tether and Circle, investing their considerable financial holdings into government debt (typically U.S. Treasuries) in such amounts that they are now competing with central banks and other global institutions with respect to sovereign debt purchases.

With a high degree of certitude, it is very likely such news and trends will continue to increase the convergence of crypto and everyday money utility with very established players, setting up 2026 to be a year of economic value derived from digital assets.

Moving to other areas of global finance, combined with natively unique crypto infrastructure use cases, further innovation has taken root in utilizing the core capabilities of blockchains and related software buildouts with respect to asset management.

The emergence of DeFi vaults have made their presence known in a number of ways familiar and new.



...2025 may not have resulted in the calendar goals of those with short-term outlooks, but it was their capital that planted the seeds for the financial utility happening in crypto right now...

Vin Molino, Crypto Insights Group

GUEST ARTICLES (cont.)

Vin Molino, Crypto Insights Group

Using the technology of smart contracts and pricing oracles, asset managers, referred to as curators, can create and offer trading strategies that can generate attractive yields similar to investing in a fund (ETF, hedge fund or other managed pools), but with the additional benefits of 24/7 liquidity, automated control over operations (pre-set through the aforementioned smart contracts), and the ability to create significant efficiencies in pool/fund creation, which should likely drive down the operating expense of common fund structures. Names such as Morpho, Midas, Gauntlet and Steakhouse Financial may not be common now, but when they partner with the likes of Société Générale (as announced in recent months), it's worth paying attention to.

Another area that shows signs of driving crypto's future value in the months ahead includes the growth, and maturation, of the liquid investment space. For the emergent years of crypto investment pools (circa 2017 - 2022), most access to digital assets were through venture-backed vehicles that would provide distributions and returns after locking up capital for years. However, with the growth of the liquid crypto field in recent years, the differentiated and risk-adjusted returns offered here contrasted a muted close for passive investing



in 2025. Such distinction indicates the maturation of investment managers and sophisticated strategies which are in an ideal position to implement successful investment outcomes for larger pools of institutional capital allocation.

The above also demonstrates capital is driving crypto's means of delivering alpha relative to common liquid market benchmarks, while also enhancing market depth beyond personal trading.

In addition, as everyday securities, such as equities and "real assets" become tokenized, it will be those participants already familiar with how to achieve crypto-alpha, who will best be suited to trade and hedge on behalf of institutional portfolios looking for alternative, and efficient, ways of achieving their investment objectives.

Digital asset speculation in 2025 may not have resulted in the calendar goals of those with short-term outlooks, but it was their capital that planted the seeds for the financial utility happening in crypto right now, setting the economic value of both an industry, and asset class, over the months and years to come.

Vin Molino, Chief Operating Officer, Crypto Insights Group

GUEST ARTICLES (cont.)

DIFC's rise as a top-five global hedge fund hub comes into sharp focus

Salmaan Jaffery, Chief Business Development Officer at DIFC Authority

As we look back on 2025, one of the most defining developments in the UAE has been the extraordinary expansion of Dubai International Financial Centre (DIFC) as the preferred destination for the world's hedge fund community. Towards the end of 2025, DIFC surpassed a major milestone - more than 100 hedge fund managers are now registered in the Centre, firmly cementing its movement towards a top 5 global hub for the industry.

This step-change in growth reflects more than market momentum; it demonstrates a deeper structural shift in how global managers view both Dubai and the wider Middle East. Hedge funds are no longer operating here as peripheral satellites. Instead, they are building meaningful, strategically important presence to access capital, talent and global markets with agility and scale.

A breakout year for hedge fund expansion

The past year has seen remarkable acceleration. Since the start of 2024, the number of hedge fund managers in DIFC has more than doubled, rising from 50 to over 100, with 81 of them each managing more than USD 1bn in assets, representing one of the largest concentrations of billion-dollar hedge funds anywhere in the world.

Throughout 2025, the Centre welcomed an impressive roster of new arrivals including Baron Capital Management, BlueCrest Capital, Naya Capital, Nine Masts Capital, North Rock Capital, Pearl Diver Capital, Select Equity Group, Strategic Investment Group, Silver Point Capital, Squarepoint Capital and Welwing Capital Group. They

join long-standing global powerhouses such as BlackRock, Millennium, Brevan Howard, Balyasny, Blue Owl, Dymon Asia, ExodusPoint, Hudson Bay, QRT and Verition. A particularly notable milestone was the arrival of Oak Hill Advisors, with USD 108bn in assets under management, alongside AIP and Varenne, pushing DIFC past the symbolic 100-manager threshold and further reinforcing its global status.

Why global hedge funds continue to choose DIFC

Hedge funds continue to scale in DIFC because the Centre offers a compelling combination of talent, efficiency, global connectivity and access to capital. Managers value Dubai's unrivalled pool of local and international talent, which has deepened alongside the city's growing appeal for financial professionals seeking both opportunity and quality of life. Managers also take comfort from DIFC's internationally respected legal and regulatory framework, grounded in English common law, which provides clarity and confidence for sophisticated cross-border activity. Crucially, DIFC's location allows managers to run Asian, European and North American operations centrally, relying on their ability to trade those markets in a business day - a critical advantage few other global financial centres can provide. Lastly, DIFC provides direct access to deep global and regional capital pools, including ultra-high-net-worth individuals, family offices and sovereign wealth funds, and is supported by a mature ecosystem of banks, advisors and service providers, resulting in an operating environment uniquely suited to modern alternative investment strategies.



GUEST ARTICLES (cont.)**Innovation as a catalyst for growth**

DIFC's proactive approach to innovation has also played a defining role in its rise. The DIFC Funds Centre, a first-of-its-kind co-working model for asset managers, enables firms to establish quickly, operate cost-effectively and scale efficiently. The Centre brings together global heavyweights, mid-sized players, emerging spinouts and ambitious start-ups in one collaborative environment, creating both diversity and dynamism. Importantly, more than 85 per cent of DIFC-based hedge funds are now licensed to raise and manage private and sovereign capital directly from the Centre, underscoring the maturity of the regulatory framework and the depth of investor appetite.

Alternatives continue their move to the mainstream

The global reallocation towards alternatives also continues to support DIFC's growth. The Centre's Future of Alternative Investments report highlights accelerating flows into hedge funds, private credit and other alternative strategies, driven by technological advances, regulatory evolution and greater investor sophistication. High-net-worth individuals and family offices have doubled their allocation to alternatives since 2008, reaching around 15 per cent, and this shift is reflected in the expansion of DIFC's wealth and asset-management

community, which today comprises more than 470 firms and over 1,250 family-related business entities. Dubai's position as the world's leading destination for wealth migration, with nearly 9,800 millionaires estimated to have relocated to the UAE by the end of 2025, further strengthens this growth trajectory.

Looking ahead: A strong outlook for 2026

As we enter 2026, the outlook for hedge fund activity in DIFC is exceptionally strong. All indicators point to continued momentum: allocations to alternatives are increasing, regional wealth is deepening, and demand for sophisticated investment solutions is expanding. DIFC's unique blend of world-class talent, operational efficiency, global market connectivity, and direct access to deep pools of capital positions the Centre as the natural choice for hedge funds seeking global reach from a single, strategically located base.

DIFC's ascent towards becoming a top-five global hedge fund hub is a milestone that marks both achievement and opportunity. As global investors recalibrate their portfolios and managers seek new engines of growth, DIFC stands ready to shape the next chapter of alternative investment performance and innovation.

Salmaan Jaffery, Chief Business Development Officer at DIFC Authority

GUEST ARTICLES (cont.)

Democratisation of Private Markets: A decade in the making

Jonida Vesiu, Director, Fund Solutions, CSC

Democratisation of Private Markets—A decade in the making

The past decade has laid the groundwork for a structural transformation in private markets. What was once the exclusive domain of institutional allocators and ultra-high-net-worth investors is steadily opening to a broader investor base. Regulatory reform, product innovation, and shifting investor preferences have converged to reshape how private market exposure is structured, distributed, and governed. This evolution marks not a cyclical fluctuation but a fundamental rebalancing of global capital flows.

Across the US, EU, and UK, regulators and market participants are actively expanding the pathways through which retail investors can access private market opportunities. Each region is moving at a different pace, but the direction is unmistakable.

US: Innovation as the Catalyst

The United States has progressed through a combination of regulatory reforms and product innovation. Regulatory developments, most notably the 2020 SEC's¹ expansion of the accredited investor definition, shifted eligibility from a purely wealth-based criterion to a more nuanced knowledge-based assessment of financial sophistication. This shift reflects a broader philosophical move toward capability-based access.

Simultaneously, the proliferation of SEC registered semi-liquid structures such as interval funds, tender-offer funds, and non-publicly traded business development companies (BDCs) and Real Estate Investment Trusts (REITs) created regulated pathways for retail investors to gain exposure to private equity, private credit, and real assets. These vehicles now represent one of the fastest-growing segments of the US alternatives landscape enabling semi-liquid vehicles to surpass \$300 billion² in AUM by 2024 and positioning them for exponential growth in the years ahead.

Regulation A+³ and crowdfunding⁴ frameworks further broadened participation in early-stage investing, enabling non-accredited investors to engage in private offerings under defined limits and disclosure requirements. The SEC reports that more than \$10 billion⁵ has been raised through these channels since their introduction.

EU and the UK: Architecture before Access

In contrast to the US, European and UK regulators have prioritised structural integrity rather than opening traditional private funds to retail investors. Their approach has centred on purpose-built frameworks

¹ SEC.gov | SEC Modernizes the Accredited Investor Definition

² Semi-liquid funds | Deloitte Insights

³ SEC.gov | SEC Adopts Rules to Facilitate Smaller Companies' Access to Capital

⁴ SEC.gov | SEC Adopts Rules to Permit Crowdfunding

⁵ SEC.gov | SEC Publishes Data on Regulation A, Crowdfunding Offerings, and Private Fund Beneficial Ownership Concentration



... democratised private markets and semi-liquid structures has created new operational demands, making liquidity management and investment sourcing strategic priorities...

Jonida Vesiu, CSC

GUEST ARTICLES (cont.)

designed to balance broader access with robust governance, suitability assessments, and investor protection.

The **European Long-Term Investment Fund (ELTIF)** regime, introduced in 2015⁶ and significantly enhanced through ELTIF 2.0⁷, became the EU's flagship mechanism for retail access to private markets. The revised framework lowered barriers to entry while strengthening suitability and disclosure requirements, enabling cross-border distribution of private equity, private debt, infrastructure, and real asset strategies.

The UK's **Long-Term Asset Fund (LTAF)** emerged as a purpose-built structure designed to accommodate illiquid assets within a regulated environment. Initially targeted at defined contribution pension schemes, LTAFs⁸ have since expanded to certain retail investors under enhanced suitability and advice requirements.

Reforms to the UK's financial promotion regime⁹ further tightened marketing standards for high-risk investments, reflecting a broader emphasis on investor protection.

Together, ELTIFs and LTAFs reached more than \$30 billion in AUM by 2024¹⁰, with significant growth expected as adoption accelerates.

Democratisation and a renowned focus on semi-liquids—new operational realities

Semi-liquid structures clearly sit at the centre of the developments, enabling the inclusion of retail capital across the three regions. Deloitte estimates these will continue the growth momentum and reach \$4.1 trillion¹¹ in AUM by 2030 and retail investors will likely contribute more than 40% of this total AUM.

The rise of semi-liquid structures introduces operational complexities that differ markedly from traditional closed-end private funds. Liquidity management and effective investment sourcing

become strategic capabilities, as managers must balance unpredictable cash inflows and outflows with long-duration assets, avoiding cash drags and maintaining strategy alignment. Valuation practices must evolve to support more frequent pricing events, often in the absence of observable market data, increasing reliance in sophisticated valuation models, independent oversight, and robust governance frameworks. Administrative demands increase significantly as retail investors require more frequent communication, enhanced disclosures, and seamless digital experiences. These pressures are compounded by regulatory fragmentation, with managers navigating divergent rules across jurisdictions and cost

pressures. Technology—particularly digital onboarding, automated reporting, and AI-enabled valuation tools—will be essential to achieving scalability and operational resilience.

2026 and beyond

As private markets continue to democratise, the next decade will test the industry's ability to scale responsibly. The opportunity is substantial—potentially trillions in new capital and a more diversified investor base. Yet the operational, regulatory, and governance demands are equally significant. Success will depend on the industry's capacity to balance access with protection, innovation with discipline, and growth with operational excellence.

The democratisation of private markets is no longer an emerging trend; it is a defining structural shift that will reshape the global investment landscape for years to come.

Jonida Vesiu, Director, Fund Solutions, CSC

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⁶ Regulation - 2015/760 - EN - ELTIF Regulation - EUR-Lex
⁷ European Long-Term Investment Funds Regulation - Finance

⁸ FCA widens retail and pensions access to Long-Term Asset Funds | FCA

⁹ FCA to strengthen financial promotion rules to protect consumers | FCA

¹⁰ Semi-liquid funds | Deloitte Insights

¹¹ Semi-liquid funds | Deloitte Insights

GUEST ARTICLES (cont.)

Portfolio construction in an age of uncertainty: how global allocators are adapting

Amy Cheung, Asia Capital Introduction, Marex

Moderating the iConnections Global Alts Asia session on global allocator trends at the end of last year offered a timely window into how investment teams are navigating one of the most unpredictable market environments in years. Those conversations, combined with ongoing dialogue across Marex's 15-person global capital introduction team based in Europe, the US, Asia and the Middle East, point to a striking degree of alignment in how allocators are thinking about portfolio construction.

While investment teams operate within different local, regulatory and market contexts, the forces shaping their decisions are increasingly global.

Liquid alternatives and uncorrelated strategies are back in focus

The renewed focus on liquid alternatives and uncorrelated strategies reflects a shift in the market environment. For a long period, equity-heavy portfolios were supported by low interest rates, abundant liquidity and largely one-directional markets – conditions that limited the opportunity set for many diversifying strategies.

That backdrop has now changed. Markets are displaying greater dispersion, clearer interest-rate differentials, and more genuine two-way behaviour. These conditions are far more conducive to strategies such as macro, trend-following, multi-strategy,

alternative risk premia and equity market-neutral approaches.

These strategies are able to deliver differentiated outcomes, particularly during periods when traditional equity and credit markets struggle. Their appeal is straightforward: they offer the potential for return streams with low or no correlation to equities, credit or broader growth cycles. In an environment where balanced portfolios require more than directional equity exposure, the case for liquid alternatives has strengthened.

Long-horizon themes: climate transition, sustainability and AI

Another consistent theme is the growing importance of structural investment drivers that extend beyond short-term macro cycles. Allocators are increasingly aligning capital with areas such as energy transition, decarbonisation and sustainability, alongside the technologies enabling these changes. Many also point to the rising influence of AI and national resilience as long-term investment drivers.

These themes are not being viewed as trends but as multi-decade transformations reshaping economies, industries and capital flows. Portfolio construction is increasingly focused on building exposures that are less reactive to near-term market noise and more closely linked to the forces expected to define growth over the long-term.



... conditions are far more conducive to strategies such as macro, trend-following, multi-strategy, alternative risk premia and equity market-neutral approaches.

Amy Cheung, Marex

GUEST ARTICLES (cont.)**Regional perspectives shaping allocation decisions**

While strategic priorities are broadly shared, it is important to understand the nuanced, regional dynamics that are influencing allocators.

Europe – European investors continue to favour specialist expertise, particularly within equity separately managed accounts (SMAs), where sector and regional specialists remain in demand. Within SMAs, market-neutral strategies remain the dominant theme. In addition, investors are often factor-aware, given the utilisation of leverage in SMA structures. Interest spans opportunities from energy transition related cyclicals and industrials managers to regional specialists focused on Europe, emerging markets and Korea.

In this region, macro and commodity strategies are also gaining traction both as alpha sources and portfolio diversifiers, with some investors seeking macro exposure as a hedge against potential shifts in the strong equity beta environment. Commodity strategies remain attractive for their orthogonal return profile, and we are also seeing allocators prioritising specialist managers who combine deep domain expertise with robust risk management.

The US - The dominant themes in the US are diversification and a renewed search for alpha. Those objectives are showing up in allocator activity across a number of areas such as commodities, where investors are looking to diversify portfolios and hedge macro and inflation risks, and non-US/European exposure, reflecting efforts to reduce US concentration and broaden geographic diversification. Healthcare stands out as a particularly fertile area for idiosyncratic, bottom-up alpha. Allocators are also showing greater openness to backing newer or smaller managers in pursuit of more differentiated returns. This mindset is extending to small-cap strategies, where dispersion and market inefficiencies are perceived to be higher, as well as to long-only strategies, which are increasingly used to complement hedge fund allocations when conviction is strong and after-fee outcomes are compelling, with tax efficiency an important consideration. At the same time, we will see the continued expansion in the use of SMAs, driven by demand for greater transparency, customisation, and capital efficiency.

Asia - Asia remains a compelling long-term growth story,

supported by rising middle-income populations, economic expansion and growing demand across infrastructure, consumption and technology. However, public market performance has not always reflected this structural potential. Policy shifts, currency pressures and periodic disconnects between economic growth and market returns have led to uneven outcomes. As a result, interest in Asia remains strong but increasingly selective, with investors favouring long-term approaches such as private markets, partnerships and bottom-up strategies that align more closely with underlying fundamentals.

Diversifying away from the US looks to be a trend that is set to continue. Asian investors are looking for alpha opportunities elsewhere, and are allocating to non USD share classes, namely JPY and EUR. Asian investors also find China investible again, with validations having been depressed for a long time. Uncorrelated strategies are also often mentioned including commodities, market neutral/multi strats.

Middle East - Middle East investors are entering 2026 with increased appetite for liquid alternatives, with hedge funds continuing to gain traction. Given the prevailing market environment, allocators are favouring longer-vol hedge fund strategies including global macro. Multi-strat demand is expected to persist, led by family offices that are newer to the asset class. Event-driven strategies are also gaining traction as tariff volatility eases and capital markets activity picks up. Similar to other regions, equity focus has shifted away from the US, with particular interest in China, Japan, Korea, and European markets amid reforms and more attractive valuations.

Priorities for 2026

The direction of travel is clear: greater emphasis on diversification, more robust risk management, deeper alignment with long-term structural themes, and a more deliberate approach to sourcing returns that behave differently from the traditional equity-rate cycle. For those of us working closely with allocators across regions, it is important to understand how capital is likely to be positioned in 2026 and how global portfolios are being reshaped for a very different world.

**Amy Cheung, Asia Capital
Introduction, Marex**



GUEST ARTICLES (cont.)

Selective Capital, Higher Standards: The New Hedge Fund Reality

Max Heppleston, Managing Partner, H-Squared

2026 is shaping up to be a strong year for hedge funds as investors continue to reassess allocations in a more volatile and uncertain market. Persistent geopolitical risk, uneven economic growth and higher for longer interest rates have reinforced the role of hedge funds as risk-mitigating, uncorrelated return generators, rather than equity substitutes. Firms are looking for IR professionals who can articulate downside protection & portfolio construction, and speak fluently with investors of varying sophistication about risk-adjusted returns, correlation, and resilience. Storytelling, with technical credibility.

Allocations are reflecting this shift, inflows in 2025 were some of the strongest since 2017, with hedge fund AUM now looking to reach \$5 trillion by the end of 2027. Institutions are continuing to build out hedge fund exposure through multi-year allocation programmes, while family offices and private wealth investors are becoming increasingly selective and sophisticated in how they deploy capital. Capital raisers who can navigate long cycles and consultants will be in demand; at the same time, growing family office and private

wealth demand will create a bifurcation in firms as they need to have specialists for institutions and wealth rather than trying to have one person cover it all.

This sophistication is partially being driven by factors elsewhere in the space, the lack of distributions from private equity has made fundraising more challenging across the board, making investors more discerning about deploying new capital. As liquidity expectations are pushed further out, allocators are gravitating toward strategies that can generate returns without relying on exits or rising markets. Many hedge funds, especially those with low net exposure and clear downside protection, are filling that gap, and they are looking for capital raisers who can win share, not just raise capital in a rising tide, proof of raising in difficult markets has been something our clients have been asking for more and more.

Multi-family offices are a notable example. These investors are no longer passive allocators but sophisticated capital partners with institutional level diligence. Many are now showing a preference for smaller, capacity constrained funds with strong, consistent returns, rather than large,



2026 may not drive more IR hires, but it will drive better paid, more selective hiring, prioritising talent with product knowledge, allocator trust, and technical fluency.

Max Heppleston, H-Squared

GUEST ARTICLES (cont.)

asset-gathering platforms, benefiting emerging and boutique hedge funds that can clearly articulate their edge and strategy.

Investor expectations are higher than ever, the familiar criticism that some hedge funds are “up when markets are up and down when markets are down” remains front of mind, and rightly so. In a world of cheap beta, allocators are unwilling to pay hedge fund 2/20 fees unless a strategy delivers genuine alpha, and capital preservation in drawdowns. Managers that fail to differentiate are finding fundraising increasingly difficult, regardless of brand or legacy, and tolerance for disguised long only exposure is diminishing rapidly.

These dynamics are having a direct impact on the hiring market, especially in investor relations and fundraising functions. In a tougher capital raising environment, firms are investing in experienced IR professionals who can navigate longer fundraising cycles, manage increasingly long diligence processes and engage a more fragmented investor base. There is growing demand for IR talent with deep relationships across family offices, RIAs and institutional investors, as well as the ability to clearly communicate strategy, risk, and performance through different markets. 2026 may not drive more IR

hires, but it will drive better paid, more selective hiring, prioritising talent with product knowledge, allocator trust, and technical fluency. Firms are going to need to move fast to secure them, we have seen firms lose fantastic candidates due to long drawnout processes, the ones who can move fast will secure the best talent.

Multi-manager platforms and large hedge funds also continue to allocate externally to smaller teams via SMAs, providing an alternative route to capital for strong, proven PMs, helping to stabilise new launch activity and creating opportunities for investment talent, especially for managers with niche strategies and/or sector focus.

For what I think 2026 will bring, the outlook for hedge funds seems positive. As fundraising becomes more competitive and investors more selective, firms that combine differentiated alpha generation with strong communication and infrastructure should be well positioned. In a market where liquidity, true alpha, downside protection and clarity matter more than ever, hedge funds that truly hedge are once again earning their place in portfolios.

Max Heppleston, Managing Partner, H-Squared



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We have never seen this amount of technologically enabled disruption in history. You have to go back to the late 1800s, early 1900s. Internal combustion engine, telephone, electricity to see a true technology revolution. If we're right, then there are going to be huge winners. But there are also going to be big losers. And they are in those are in the traditional world order.

Cathie Wood, Founder & CEO, ARK Invest



REGULATIONPresented by  **RQC GROUP****UK**

Updating the client categorisation regime

Introduction

The FCA has published Consultation Paper [CP25/36](#) which proposes certain changes to the client categorisation processes.

The consultation [sets out](#) the FCA's proposal to remove certain restrictions and allow firms to make well founded assessments of whether a client meets the threshold of a professional client.

The FCA has observed poor practice in how certain firms categorise retail clients as elective professionals, including relying on a client's self-certification, offering incentives to "opt-up", and inadequate qualitative assessments.

Overall, the FCA's proposals seek to strike the appropriate balance between allowing flexibility for firms to meet the needs of investors with deep expertise and/or substantial resources, and strengthening safeguards to make sure the process is robust and serves clients' best interests.

Summary of proposed changes

a) Removal of quantitative criteria and introduction of "investible assets" category

A firm may treat a natural person client as an elective professional client if either:

- The client has net investible assets (defined as a portfolio of designated investments or cash) in excess of £10 million [*this is a new category*]; or
- The firm has undertaken a qualitative assessment of the expertise, experience and knowledge of the client, and is satisfied on reasonable grounds that the client is capable of making their own investment decisions, and of understanding the risks in relation to the transactions the firm may undertake with the client and the products and services the firm may offer to the client [*this is a re-iteration of the existing framework, but with the quantitative assessment removed and the qualitative assessment re-framed*].

b) Amending the qualitative assessment

Additional requirements regarding the qualitative assessment are to be introduced.

Firms must request, obtain and take into account sufficient information from and about the client in relation to the following "relevant factors": Occupational experience; client's own account investment history; financial resilience; knowledge, understanding and ability to assess risk; and the client's objectives for requesting to opt out of retail client protections.



REGULATION (cont.)Presented by  **RQC GROUP**

A firm may not rely solely on representations from the client, nor on any representation or information from the client that is manifestly inaccurate, deficient or out of date.

c) Informed consent and communication with clients prior to categorisation

As proposed, the client must request categorisation as an elective professional and the firm must obtain the client's informed consent by signature to opting out of retail protections.

Firms should also be able to demonstrate that their process for obtaining informed consent is effective in enabling clients to understand the protections they forfeit.

Prior to opting up, retail protections are afforded to the client, even where the firm does not have permission to provide services to retail clients.

d) Ongoing review

Firms have an obligation to reassess a client's categorisation as elective professional if they become aware, or should reasonably expect, that a client may no longer meet the threshold of a professional client.

e) *Per se* professional categorisation

The *per se* professional categorisations are simplified, for example, the list of different types of "regulated entities" is removed and replaced with wording to clarify that any

entity authorised or regulated in the UK or a third country to operate in the financial markets can be treated as a *per se* professional client; special purpose vehicles ("SPVs") controlled by authorised firms can be considered as *per se* professional; and the distinction between MiFID and non-MiFID is removed with respect to size thresholds.

f) Policy, procedures and record keeping

Firms are subject to an explicit requirement to maintain records to support the client categorisation, including records which explain the basis for the categorisation and how the categorisation assessment of elective professional client, in particular, was undertaken.

g) Transitional arrangements

Firms will be required to review the categorisation of all existing elective professional clients against the new rules, within one year of their coming into force.

h) Next steps

The deadline for feedback is **2 February 2026**. The FCA will consider this and plans to publish a policy statement subject to finalising the rules.

FCA confirms final guidance to tackle serious non-financial misconduct in financial services

On [12 December 2025](#), the FCA published its final guidance, [PS25/23](#), on [tackling non-financial misconduct](#) ("NFM") in financial services.

Back in September 2023, the FCA published initial proposals in [CP23/20](#) for a new regulatory framework on diversity and inclusion ("D&I") in the financial sector – including proposals on NFM. However, on 12 March 2025, the regulator rowed back somewhat, announcing that it had [no plans](#) to progress the D&I proposals but would prioritise tackling NFM.

At the heart of this development: Serious misconduct, including bullying and harassment – violating an individual's dignity, or creating an intimidating, hostile, degrading, humiliating or offensive environment for them – and violence between staff, is of regulatory concern.

The FCA's July 2025 rule changes in [CP25/18](#) set clearer standards for how financial service firms should address NFM. This more closely aligned the rules for banks and non-banks, intentionally driving consistency across the sector, clarifying when NFM breaches FCA rules, and giving firms the confidence to act against serious misconduct – from 1 September 2026 onwards. At this point, the regulator

consulted on whether firms required additional guidance – 95% of 79 respondents did.

The result is the [final guidance](#) contained in PS25/23. It covers how firms can apply FCA rules on minimum behavioural standards for financial services employees, and the criteria for assessing fitness and propriety ("F&P").

The guidance is designed to support firms to make fair, consistent decisions and take decisive action when standards are breached - promoting "*healthy and inclusive workplace cultures and deepening trust in financial services*".

The new guidance will come into force on 1 September 2026, simultaneously with the new rule at [COCON1.1.7FR](#).

The guidance will not apply retrospectively, NFM prior to 1 September 2026 being handled per current Handbook provisions.



Provisional licences: “learner plates” on the road to FCA authorisation in 2026

HM Treasury’s 2025 [policy update](#) proposes a new “learner plates” route to market for unauthorised, early-stage financial services firms—particularly those with innovative business models that require time to develop people, systems, and controls. [The objective](#) is to foster innovation and competition without compromising regulatory standards by permitting eligible firms to undertake limited regulated activities for a time-limited period while progressing toward full FCA authorisation.

The proposal recognises that some start-ups may not immediately meet all FCA threshold conditions, even where a credible plan exists to do so within a reasonable timeframe. Under this regime, the FCA would assess whether firms can satisfy threshold conditions for the provisional period, based on a proportionate information set focused on readiness at that stage, with more comprehensive evidence required as firms advance to full authorisation.

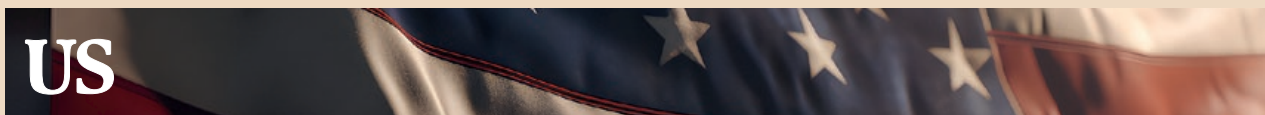
The regime is intended for unauthorised firms seeking Part 4A permissions for activities already within the FCA perimeter. It will not apply to firms seeking variations of

permission, activities newly brought into regulation, or dual-regulated firms (where the PRA’s mobilisation regime remains relevant). HM Treasury also notes that business models where consumer harm may only become apparent after the provisional period—such as pensions advice—are unlikely to be suitable.

Provisional licences would last up to 18 months. Firms would operate under strict constraints on the scale and nature of business and be subject to enhanced monitoring. They must also demonstrate credible wind-down plans should full authorisation not be achieved within the timeframe.

Key areas to monitor in 2026 include:

- Activities and sectors deemed suitable for the regime
- Governance and control expectations during the provisional period
- Supervisory approach and monitoring arrangements
- Sequencing of primary legislation and FCA consultation required for implementation.



Securities and Exchange Commission issues additional observations on Advisers Act Marketing Rule compliance

The SEC’s [Division of Examinations](#) on 16 December 2025 released a [Risk Alert](#) highlighting observations regarding continued deficiencies in investment advisers’ compliance with the Advisers Act Marketing Rule, particularly around testimonials, endorsements, and third-party ratings.

Key takeaways

- Disclosure requirements: Advisers were observed failing to provide clear, prominent disclosures when using testimonials or endorsements, leaving investors without essential context.

REGULATION (cont.)Presented by  **RQC GROUP**

- Oversight and compliance practices: Written policies alone are insufficient; firms must demonstrate effective supervisory and compliance controls in practice.
- Third-party ratings: Advisers must conduct due diligence to ensure ratings are unbiased and disclose material facts about methodology and limitations.
- Execution gaps: The SEC continues to observe breakdowns between documented policies and their actual implementation, underscoring the need for stronger training and monitoring.
- Regulatory expectations: The Division encourages advisers to review their practices, update procedures, and implement modifications to supervisory and compliance programs.

Practical implications

Firms should reassess their marketing materials and compliance frameworks to ensure alignment with the

Marketing Rule. This includes:

- Conducting comprehensive reviews of disclosures in advertisements.
- Strengthening oversight mechanisms to verify compliance in day-to-day operations.
- Documenting due diligence on third-party ratings and ensuring transparency with investors.
- Providing ongoing training to staff responsible for marketing and compliance functions.

Bottom line

The SEC's latest [Risk Alert](#) signals that enforcement focus on marketing practices remains strong.

Advisers should treat these observations as a roadmap for immediate compliance enhancements to avoid regulatory scrutiny.



CFTC grants interim relief for private fund managers: No-Action Letter on CPO/CTA registration

On December 19, 2025, the US Commodity Futures Trading Commission's ("CFTC") Market Participants Division ("MPD") issued a significant [No-Action Letter](#) in response to a request from the Managed Funds Association ("MFA"). This letter provides interim relief for certain private fund managers—specifically, those managing funds offered solely to Qualified Eligible Persons ("QEPs")—from the requirement to register as Commodity Pool Operators ("CPOs") or Commodity Trading Advisors ("CTAs").

Background

The QEP Exemption, originally adopted in 2003, allowed private fund managers to avoid duplicative regulation if their funds were offered exclusively to sophisticated investors. This exemption was rescinded in 2012, increasing regulatory burdens for institutional managers. The MFA has long advocated for its reinstatement, arguing that QEPs possess the expertise to assess investment risks without prescriptive oversight.

REGULATION (cont.)Presented by **Key provisions**

- The no-action relief applies to managers registered with the SEC as investment advisers, offering interests solely via private placements to QEPs.
- Eligible managers may withdraw from CPO/CTA registration, provided they meet specific conditions, including SEC registration and compliance with certain CFTC filing requirements.
- The relief is temporary, pending formal CFTC rulemaking on reinstating the QEP Exemption.

Rationale and impact

The MPD agreed that duplicative regulation imposes

unnecessary costs and complexity, with little added investor protection for sophisticated clients. The letter also confirms that managers relying on this relief are not subject to mandatory redemption offers, which could disrupt fund operations and investor agreements.

Looking ahead

This no-action position is a major step toward regulatory harmonization and efficiency for private fund managers. It is expected to lower costs, promote market liquidity, and foster innovation while the CFTC considers permanent rule changes.



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