

Trend Following Alternatives Allocation Update

Q1 2026

In a Nutshell

Energy crisis alpha

Summary

Trend Followers started 2026 as they left 2025, leading equities and bonds. The early strength in risk assets and precious metals reversed abruptly as Middle East conflict triggered a sharp energy price spike. Traditional correlations failed; stocks and bonds fell in unison, leaving only energies and the dollar as safe havens.

A Trend Follower's nirvana is an investor's worst nightmare: a sustained inflationary crisis. We invest in Trend for its track record of producing genuinely diversified returns. By capturing the positive momentum in commodities, whilst also avoiding the sharp declines in traditional assets, the strategy acted as a shock absorber in a quarter when traditional asset classes declined together.

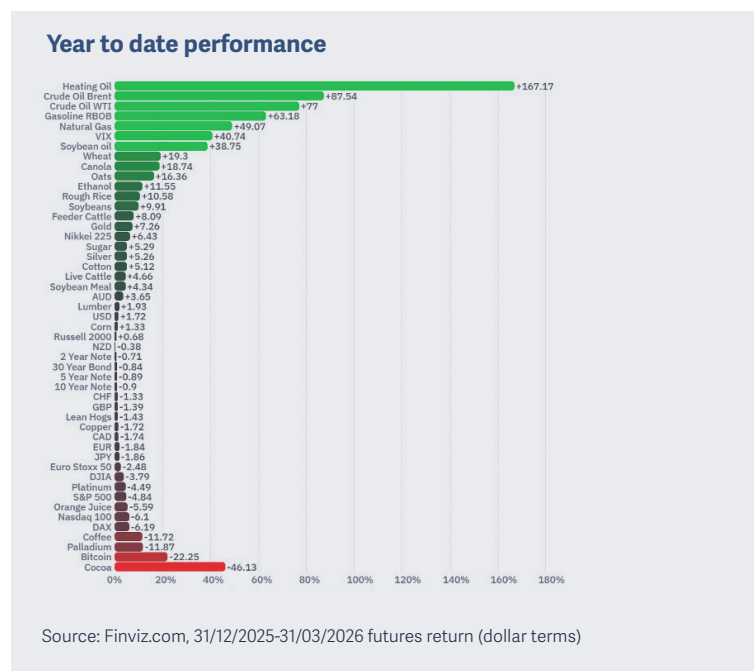
Markets in Q1

Global equities climbed steadily through January and February before selling off sharply following the outbreak of war between Iran and the US in March. Consequently, the MSCI World index (-3.6% in Q1) and the Bloomberg Global Aggregate Bond Index (-1.1%) both ended Q1 in negative territory.

Rather than acting as a traditional haven during March's risk-off moves, bonds offered no protection; yields rose alongside spiking energy prices and inflation expectations.

Unsurprisingly, the most significant market moves occurred in commodities. Oil, trending higher since the start of the year, soared in March to finish Q1 up over +75%. Heating Oil rallied +167%.

Elsewhere, the dollar abruptly ended its multi-year downtrend late in January, finishing +1.6% higher and catching many investors off guard. A look at futures returns in Q1 highlights this rapid regime shift: 2026 performance was led by 2025's laggards.



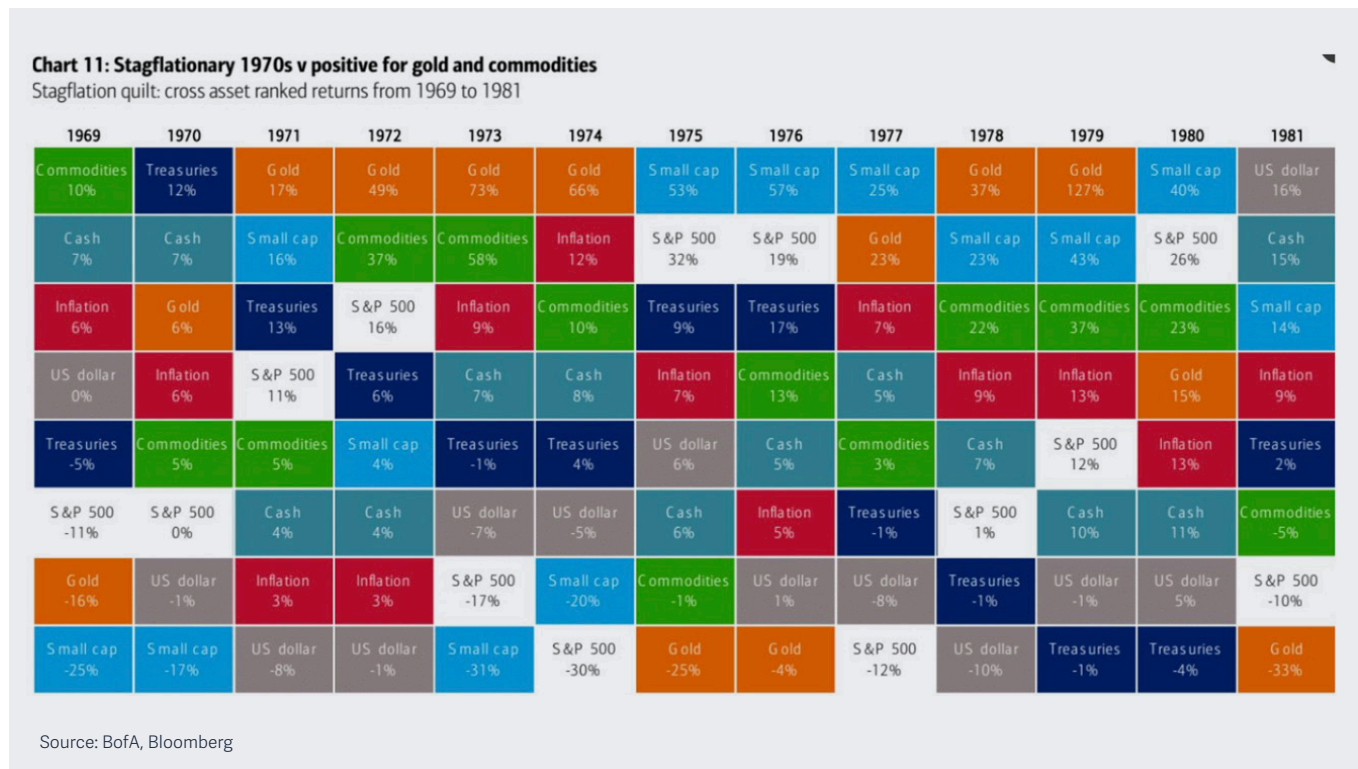
Q1 2026 futures returns were led by 2025's laggards: energies and grains.

Laggards were led by US equities, metals and softs (cocoa, orange juice, coffee)

The nascent US-Iran crisis has already proven to be a painful reminder of the systemic risks an oil shock poses to traditional asset classes. Few investors have first-hand experience of the 1970s oil embargo, which similarly centred on the Strait of Hormuz.

As illustrated in the ‘Stagflation Quilt’ chart below, the 1970s saw very few assets outside of gold and commodities post positive real returns. The 1973 oil embargo triggered a -44.4% drawdown for the S&P 500 between January 1973 and October 1974.

Crucially, bonds provided no insurance, suffering real-term losses as inflation surged and remained uncontained for the rest of the decade.



The 1970s were a very happy hunting ground for Trend Followers. The strategy’s flexibility to invest in commodities whilst also shorting equities and bonds would have proved invaluable.

As detailed in the tables below, Winton’s Trend model is estimated to have generated a +50.1% net return through the 73/74 oil crisis. This was achieved through long positions in commodities (+23.7%) and profitable shorts in equities (+12.2%) and bonds (+14.2%). As the tables highlight, Trend comes into its own during sustained equity crises, as it did most recently in 2020 and 2022.

| Crisis | Peak | Trough | Length (days) | S&P 500 return | Fast trend hypothetical net return | Slow trend hypothetical net return |
|-------------------------|-------------|-------------|---------------|----------------|------------------------------------|------------------------------------|
| Global Financial Crisis | 9 Oct 2007 | 9 Mar 2009 | 370 | -55.7% | 25.8% | 20.7% |
| Dotcom Bubble Burst | 24 Mar 2000 | 9 Oct 2002 | 664 | -47.9% | 37.0% | 47.9% |
| Nixon Shock/Oil Crisis | 11 Jan 1973 | 3 Oct 1974 | 451 | -44.4% | 63.0% | 49.1% |
| Covid-19 Pandemic | 19 Feb 2020 | 23 Mar 2020 | 24 | -33.8% | 13.4% | -2.7% |
| Black Monday | 25 Aug 1987 | 4 Dec 1987 | 74 | -33.1% | 0.4% | -5.5% |
| Return of Inflation | 3 Jan 2022 | 12 Oct 2022 | 203 | -24.8% | 15.1% | 20.8% |
| Volcker Rate Hikes | 28 Nov 1980 | 12 Aug 1982 | 445 | -21.9% | 46.8% | 50.2% |
| Growth Worries | 20 Sep 2018 | 24 Dec 2018 | 68 | -19.5% | 2.8% | -8.2% |
| First Gulf War | 16 Jul 1990 | 11 Oct 1990 | 64 | -19.4% | 17.6% | 14.4% |
| Russian Debt Crisis | 17 Jul 1998 | 31 Aug 1998 | 32 | -19.0% | 9.3% | 6.4% |

| Crisis | Peak | Trough | Length (days) | Equity Indices | Fixed Income | Currencies | Commodities |
|-------------------------|-------------|-------------|---------------|----------------|--------------|------------|-------------|
| Global Financial Crisis | 9 Oct 2007 | 9 Mar 2009 | 370 | 7.6% | 5.3% | 2.1% | 8.9% |
| Dotcom Bubble Burst | 24 Mar 2000 | 9 Oct 2002 | 664 | 15.1% | 17.3% | 4.6% | 13.5% |
| Nixon Shock/Oil Crisis | 11 Jan 1973 | 3 Oct 1974 | 451 | 12.2% | 14.2% | 0.0% | 23.7% |
| Covid-19 Pandemic | 19 Feb 2020 | 23 Mar 2020 | 24 | -7.1% | 2.9% | -1.1% | 2.7% |
| Black Monday | 25 Aug 1987 | 4 Dec 1987 | 74 | -9.5% | 1.2% | 1.6% | 0.6% |
| Return of Inflation | 3 Jan 2022 | 12 Oct 2022 | 203 | -1.6% | 13.2% | 7.7% | 5.1% |
| Volcker Rate Hikes | 28 Nov 1980 | 12 Aug 1982 | 445 | 5.6% | 0.0% | 12.3% | 18.7% |
| Growth Worries | 20 Sep 2018 | 24 Dec 2018 | 68 | -1.4% | -2.5% | -1.4% | -3.2% |
| First Gulf War | 16 Jul 1990 | 11 Oct 1990 | 64 | 3.4% | 2.9% | 4.3% | 4.5% |
| Russian Debt Crisis | 17 Jul 1998 | 31 Aug 1998 | 32 | -3.5% | 3.5% | 2.8% | 4.5% |

Source: Winton

Performance

Our Trend allocation posted a robust +4.1% gain in Q1, outperforming both the FTSE All World (by +7.2%) and the Bloomberg Global Aggregate Bond Index (by +5.3%).

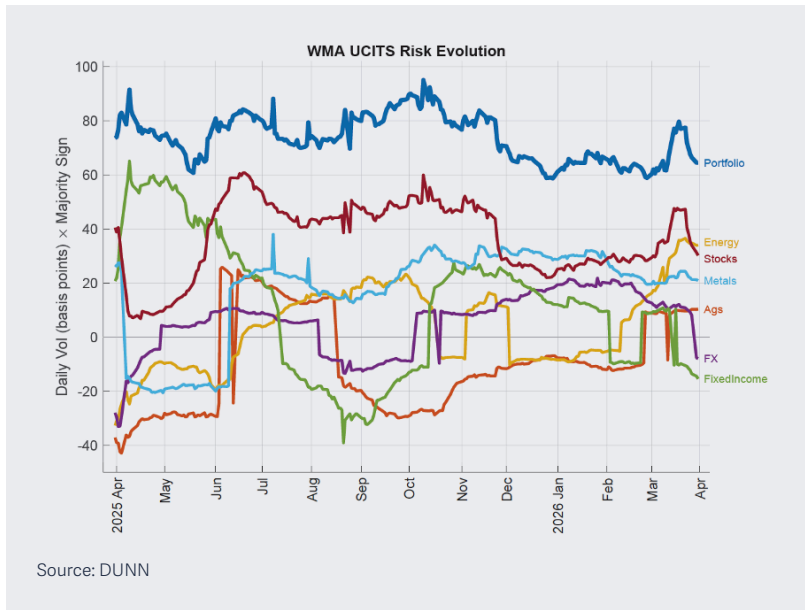
Commodities drove this outperformance. Long positions in precious metals and energies did the heavy lifting, supported by profitable idiosyncratic shorts. Long positions in Heating Oil (+167% in Q1) and shorts in Cocoa (which collapsed -46%) were the leading contributors for our managers.

The dynamic, risk-mitigating nature of Trend was on full display in Q1. Long positions in precious metals peaked in late 2025, and were systematically reduced since late 2025 as gold and silver volatility lifted to multi-decade highs in January.

This disciplined profit-taking protected gains from the worst of the massive drawdowns in gold (-27%) and silver (-50%) from their highs in Q1. At the same time, our Trend managers were steadily building exposure to energies, flipping long in February, ahead of energy prices surging in March.

At the end of Q1, Trend is long commodities and modestly long equities (with equity exposure significantly reduced from its late-2025 highs). Shorts are concentrated in bonds and foreign currencies (paired with a long position in the dollar).

If the recent geopolitical shocks are a prelude to a sustained inflationary crisis, Trend is positioned to perform well. Conversely, a de-escalation and reversal of recent trends will – obviously – be a headwind for Trend (but provide welcome relief for our broader holdings in equities and bonds).



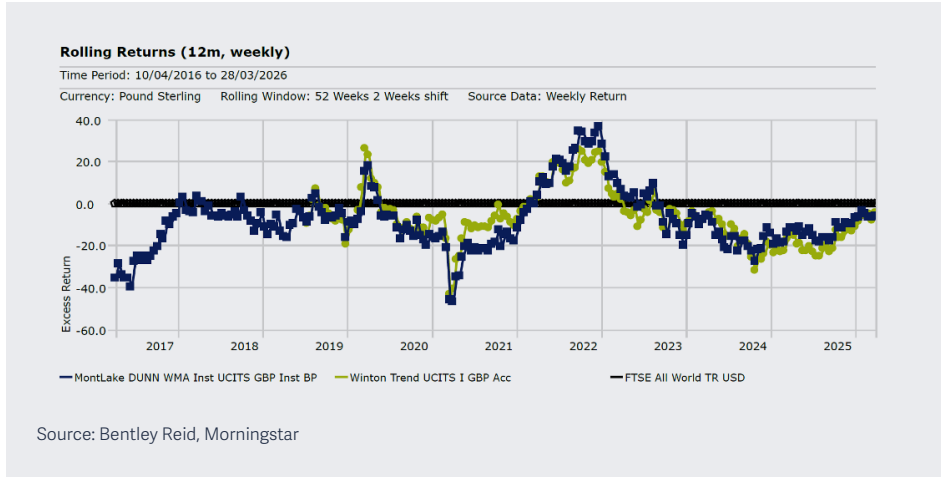
DUNN's Q1 asset class changes saw a net short in Energies flip long and increase to become the dominant portfolio risk.

Longs equities remain, while long positions in bonds and FX flipped to shorts

Since adding Trend to our Balanced portfolios in December 2023, the allocation has returned +20.9% (+8.7% annualised) to the end of Q1-26, comfortably outpacing cash and government bonds. While it has lagged equities during this timeframe, its low correlation to equities (+0.37) highlights the diversification benefits the strategy provides.

Valuation

We measure the attraction of Trend via 'rolling alpha' analysis of performance relative to equities, bonds and cash. Trend's 12-month rolling return versus the FTSE All World index remains far from extended (as it became in 2022, following excellent relative and absolute performance):



The outlook for Trend investors remains attractive despite its strong return since a low in Q2-25

Trend Followers prove most valuable during real equity market dislocations, when drawdowns occur over a period of months or more. When the next equity crisis occurs, the correlation of Trend to equities will shift negative and, hopefully, generate strong relative returns, as Trend did in 2022.

Positioning

We access the Trend theme via two best-in-class Trend Following managers, DUNN and Winton.

- **Expertise & Diversification:**

- DUNN is the world's oldest Trend Follower (founded 1974). \$1.6bn firm AUM, trading 67 markets (equities, bonds, FX, commodities). It is a slow timeframe model.
- Winton was founded by David Harding in 1997. \$17bn firm AUM, trading 154 markets (equities, bonds, FX, commodities). It is a medium timeframe model.

- **Fees:**

- DUNN: 0% and 20% performance fee (charged above a high water mark).
- Winton: 0.8% and 0% performance fee.

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