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Dispersion Alternatives Allocation Update

Q2 2026

In a Nutshell

Dispersion added 15% in a bumper quarter, helped by volatility in US technology names such as Intel and Micron

Summary

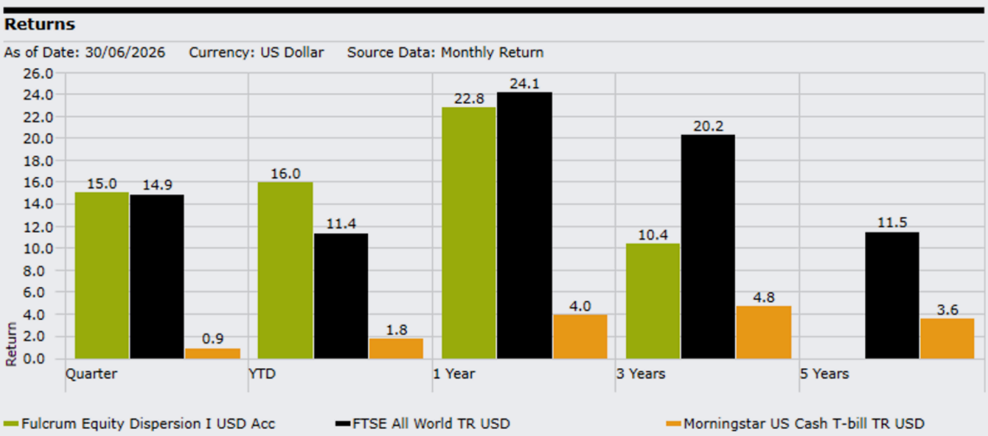
It was an excellent quarter for Fulcrum Equity Dispersion, up 15%. This was ahead of a 1% cash return, and it even narrowly outperformed the FTSE All World equity index, up 14.9% by comparison. The fund is up 23% over the past 12 months versus 4% for the cash index.

The fund benefits from the volatility of stocks, rather than the direction of the price move, although the two are linked. US semiconductor stocks rose sharply, up 88% in Q2, as they are seen as the 'picks and shovels' of the AI revolution. Whilst index volatility remained subdued, the fund benefitted from volatility in technology stocks such as Intel and Micron, up 216% and 242% respectively.

The SpaceX IPO was fast tracked into the Nasdaq index, but other providers took a more measured approach. S&P inclusion criteria means the stock will have to trade profitably for at least 12 months. The manager could decide to trade volatility in the stock later in the year, but helpfully it won't mean a sudden jump in index volatility in the interim.

Performance

The Fulcrum Equity Dispersion fund return gained 15% this quarter, versus 1% for the Morningstar US Cash T-bill index. This was an excellent quarter for the fund and it even narrowly outperformed the FTSE All World equity index, up 14.9% by comparison. The fund is up 23% over the past 12 months versus 4% for the cash index.



Source: Morningstar

An excellent quarter for the fund

Market Update

Equity markets shrugged off geopolitical uncertainty, whilst investors remain enthusiastic about the transformative technology of Artificial Intelligence (AI). The FTSE All World index gained almost 15% in USD terms.

The war in the Middle East continued with the Strait of Hormuz at a standstill. US and Iranian leaders signed a Memorandum of Understanding (MOU) at the Palace of Versailles, outlining a potential path toward ending the conflict. Whilst this is a non-binding agreement, it may be extended by mutual consent if no deal is reached within the initial 60-day period. Brent oil prices fell back toward $70 from their recent peak at $120.

The US stock market rose 16% with semiconductor stocks leading the charge; the US semiconductor index was up a remarkable 88%. Semiconductor stocks now account for 20% of the S&P 500 index. Sentiment was further boosted by the successful IPO of SpaceX. The stock went public in June at a price of $135 and rallied 27% into quarter end, valuing the company at over $2 trillion. Elon Musk became the world's first trillionaire. Over 4,000 SpaceX employees who own stock are now millionaires.

Source: Traded

Elon Musk became the first trillionaire

In terms of the SpaceX IPO, most index providers said there would be a delay before including the new stock in their index. Whilst Nasdaq said it would fast track inclusion, S&P took a more measured approach; S&P wait for the stock to be traded for at least 12 months and have four consecutive quarters of profitability. For the dispersion strategy, this is a good result. In the manager's own words:

"With respect to our dispersion strategy, this is an optimal result. On the index side, we won't experience significant basis risk from the sudden inclusion of these large and very volatile stocks. Liquidity in the options of these stocks is likely to pick up very quickly, so once our selection filter has a meaningful history of market data, inclusion of the names in the single stock universe should be possible around the 3 to 6 month point after the IPO."

As we reported last quarter, Intel stock surged driven by announcements of AI partnerships with Tesla and SpaceX's Terafab project. Analysts were quick to raise forecasts and price targets following the announcement in April.

Intel Stock Jumps Following Elon Musk Chip Deal. Why the Turnaround Is Gaining Steam.

By Al Root Follow

Updated April 07, 2026, 5:02 pm EDT / Original April 07, 2026, 1:49 pm EDT

Source: Barron's

Stocks remain sensitive to AI related news

In a remarkable quarter, Intel rose 216% whilst Micron gained 242%, putting the S&P 500 return of 15% well and truly in the shade. Meanwhile software providers remained under pressure: Accenture and Intuit fell 37% and 40% respectively.

Range 03/31/2026 - 06/30/2026 Period Daily

	Security	Currency	Price Change
1)	INTC US Equity	USD	216.41%
2)	MU US Equity	USD	241.67%
3)	SPX Index	USD	14.87%

Source: Bloomberg

A banner Q2 for heavyweights Intel and Micron

The fund benefits from the volatility of these stocks, rather than the direction of the price move, although the two are intrinsically linked. If technology stocks continue to act in a volatile manner (up or down), that should be helpful for equity dispersion strategies.

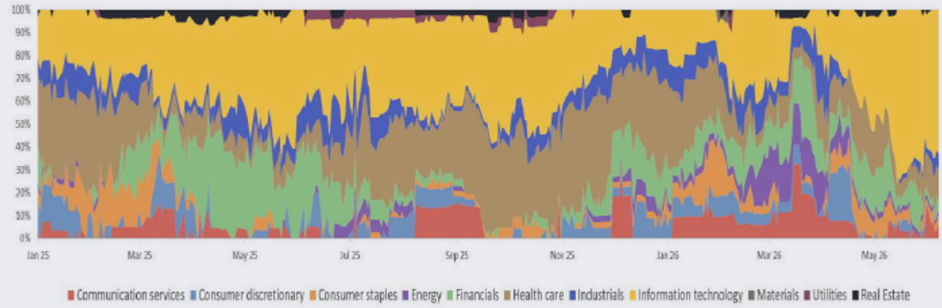
Asset Allocation

The fund's geographical risk allocation remains tilted towards the US. The fund has around 75% in US positions, with the 25% remainder in Europe. This broadly reflects the liquidity differential between the regions, rather than a strong bias to one region over the other.

Source: Fulcrum Asset Management LLP

The fund has a US bias due to greater liquidity

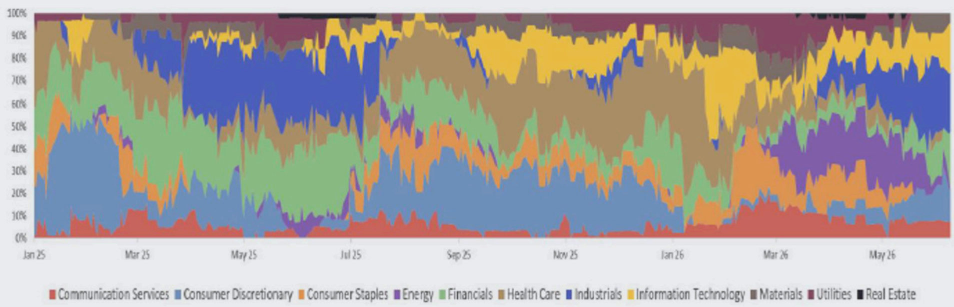
At a sector level, the fund increased its exposure to the US Technology sector (yellow shaded area in chart below).



Source: Fulcrum Asset Management LLP

Technology exposure increased

By contrast, the fund's European sector exposure is much more balanced. The fund manager reduced Energy exposure during the period.

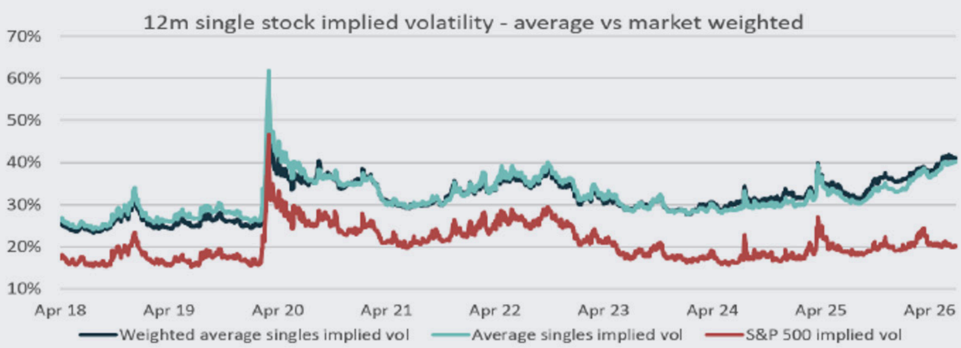


Source: Fulcrum Asset Management LLP

Europe exposure is more balanced

Valuation

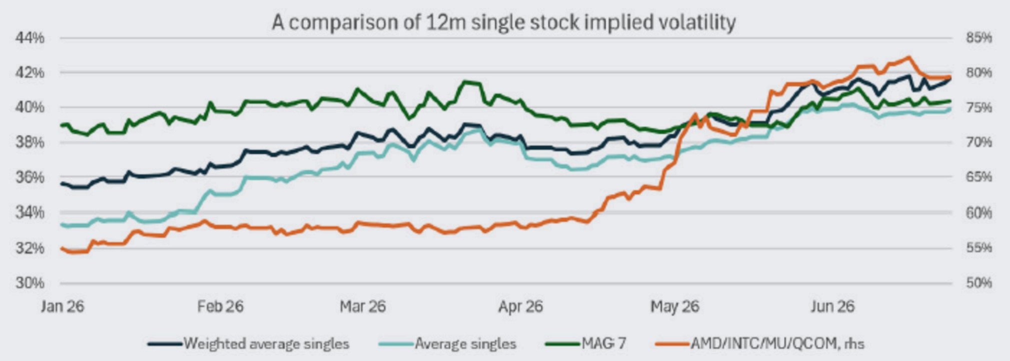
It is difficult to pick a single valuation metric for equity dispersion strategies. There are various measures of implied volatility and correlation, which all inform the opportunity set for this complex strategy.



Source: Fulcrum Asset Management LLP

Single stock implied volatility rose during Q2

Single stock volatility rose during Q2, whilst index volatility fell. In particular, Semiconductor stock volatility rose as shown in the chart below. The average of the implied volatility of AMD, Intel, Micron and Qualcomm moved from 60% to 80% during Q2. This was beneficial to the strategy.



Source: Fulcrum Asset Management LLP

Semiconductor volatility rose during the quarter

If markets remain range-bound or in a trend, with single stocks moving by a larger amount than expected, that should produce an uncorrelated return stream for investors.

Positioning

We hold the Fulcrum Equity Dispersion at a 2.5% target weight in balanced portfolios. Given the fund's low volatility and helpful diversification properties, we might consider increasing the allocation at some stage in future (preferably leaning into a weak patch of performance). The fund is over $500m in size, which includes some internal capital. The fund introduced a cash hurdle rate for its performance fee in the second half of last year, which should help reduce fees at the margin. The fund is also considering moving to daily dealing, rather than its current weekly cycle.

We monitor a number of other volatility related strategies, but do not plan on adding a second manager for the time being.

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