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Dispersion Alternatives Allocation Update

Q3 2026

In a Nutshell

Dispersion consolidated in Q3, rounding off an excellent 12 months (+18%) for the fund

Summary

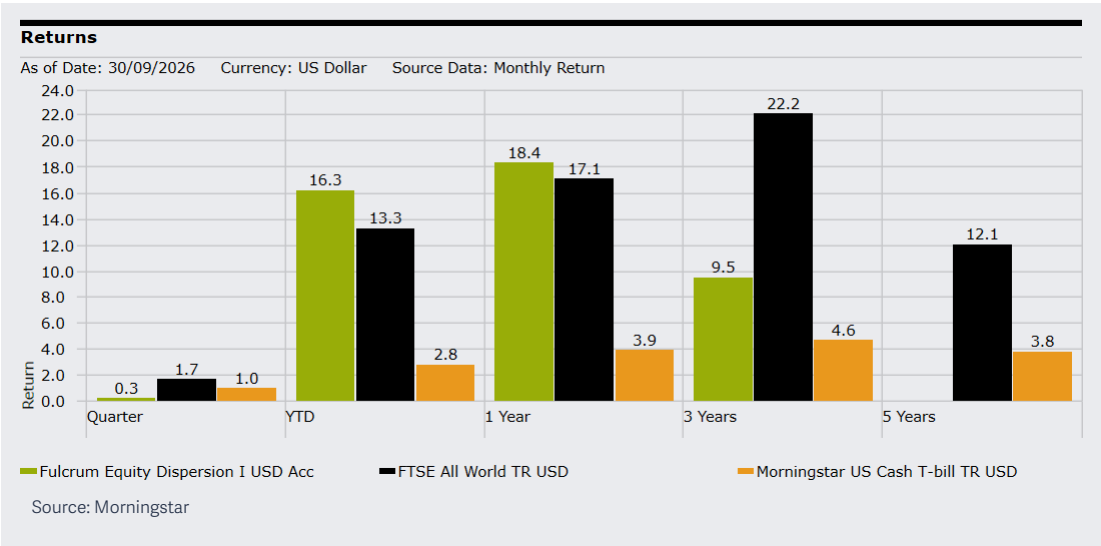
Fulcrum Equity Dispersion traded sideways in Q3 after it gained 15% the previous quarter. The fund is up 18% over the past 12 months, comfortably ahead of cash (4%) and even marginally ahead of the FTSE All World equity index (17%).

The fund benefits from the volatility of stocks, rather than the direction of the price move, although the two are linked. Single stock volatility declined this quarter, in part due the unwind of highly leveraged hedge fund Situational Awareness which had a concentrated bet on the AI theme. A decline in single stock volatility acts as a headwind for performance. However, broader index volatility remained subdued as the market still managed a positive return, despite some turbulence beneath the surface. Energy stocks rallied as the oil price spiked higher, whilst more interest rate sectors lagged.

The manager has refreshed the portfolio with some new positions. There is a clear focus in the US book on technology and healthcare stocks, whilst the European book is more balanced by sector. The fund looks well set as we head into a busy corporate earnings season.

Performance

The Fulcrum Equity Dispersion fund return gained 0.3% this quarter, after 15% in Q2. It has been strong 12 months for the fund: it is up 18%, comfortably ahead of the Morningstar US Cash T-bill index (4%) and even ahead of the FTSE All World equity index (17%), which is remarkable.



Source: Morningstar

The fund consolidated in Q3 but is up 18% over the past 12 months

Market Update

Most equity markets posted a positive return in Q3, despite alarming headlines related to AI safety. Fears were raised after researcher Jacob Coxon resigned from Anthropic warning about the danger posed by AI to human safety. Despite the alarm, the S&P 500 still managed a 2% gain which disguised a large rotation under the surface. Energy stocks performed well as oil prices spiked: European Brent prices rose 34% to $98 per barrel this quarter. Technology companies continued to perform strongly, whilst more interest rate sensitive sectors lagged due to higher inflation.

In late July, it was revealed that Citadel helped bail out a large US hedge fund called Situational Awareness which was focused on the AI theme. The fund, run by Leopold Aschenbrenner, was run with several turns of leverage. It got into trouble as its long and short positions came under pressure at the same time. Citadel stepped in to buy their liquid book at a discount to market prices, then subsequently unwound the positions at a profit. The momentum factor had one of its sharpest drawdowns on record.

Ken Griffin says Citadel unwound more than 80% of risk tied to Situational Awareness portfolio

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Source: CNBC

Elsewhere, Korean authorities cracked down on single stock leveraged ETFs after an exceptionally strong period of performance for the local market. Mega cap Korean stocks such as SK Hynix and Samsung have been popular stocks in the global AI trade.

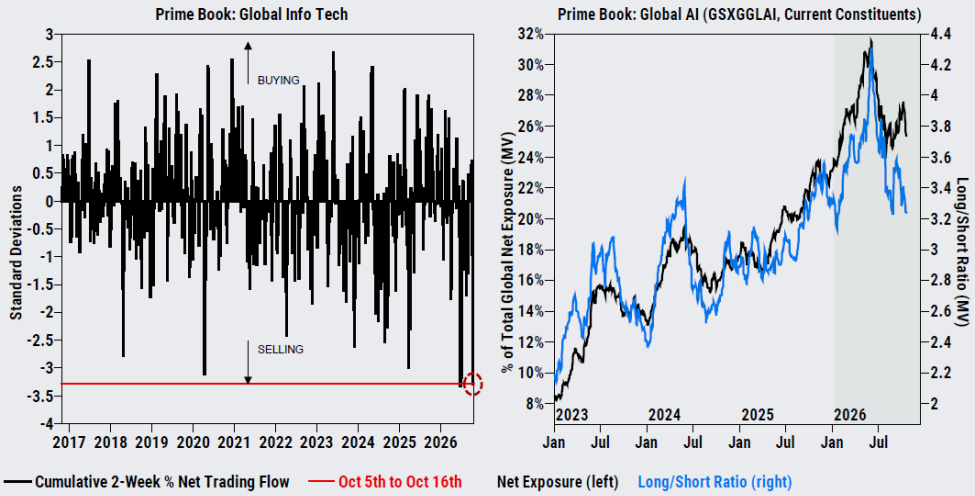
South Korea to cap investment in single-stock leveraged ETFs, ministry says

By **Reuters**

July 29, 2026 1:49 PM GMT+1 · Updated July 29, 2026

Source: Reuters

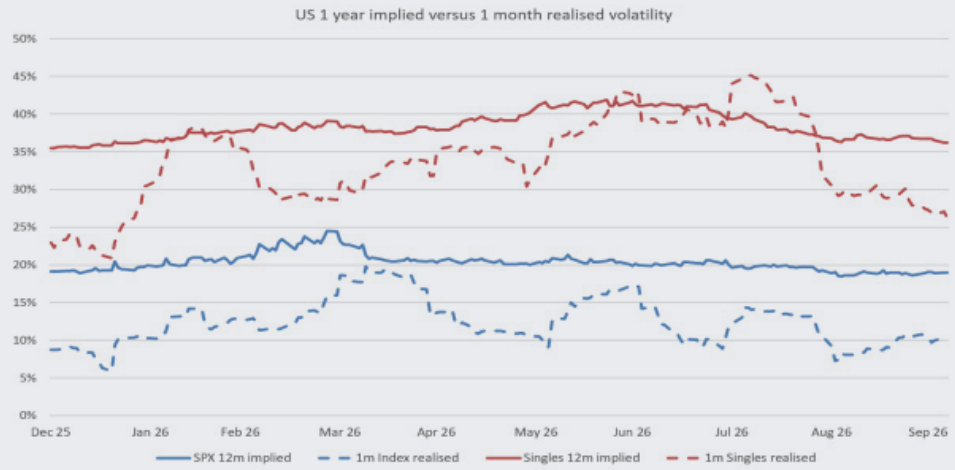
Hedge funds have sold the technology sector since July. The charts below show 2-week trading flows (left hand side) and net exposure to Global AI stocks (right).



Source: Goldman Sachs Prime Insights

Hedge funds have reduced positions in Tech and AI stocks in H2

After the unwind of leverage in July, single stock implied and realised volatility fell through Q3.



Source: Fulcrum Asset Management LLP

Stock volatility fell through Q3

The fund benefits from volatility of 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

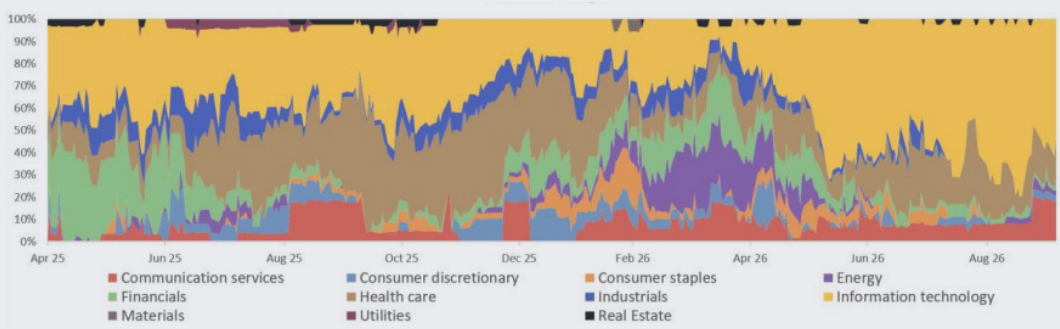
The fund's geographical risk allocation remains tilted towards the US. The fund has around 75% in US positions, with the 25% remainder in Europe. This broadly reflects the liquidity differential between the regions, rather than a strong bias to one region over the other.



Source: Fulcrum Asset Management LLP

The fund has a US bias due to greater liquidity

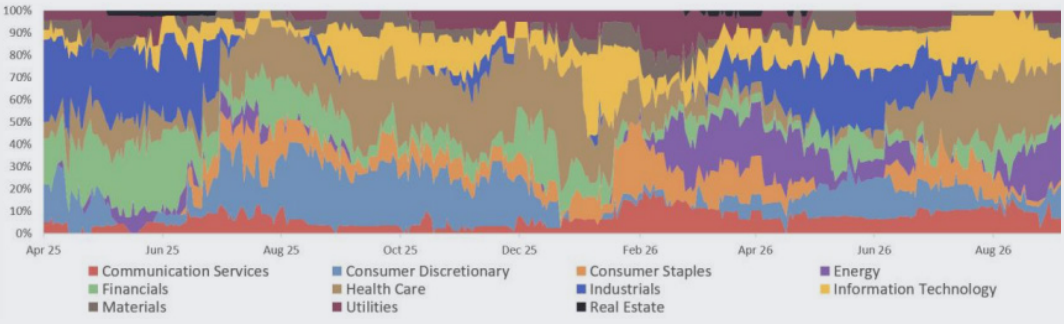
At a sector level, the fund has significant exposure to the US technology sector (yellow shaded area) in stocks such as Microsoft, Micron and AMD. Healthcare is also an important allocation.



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.

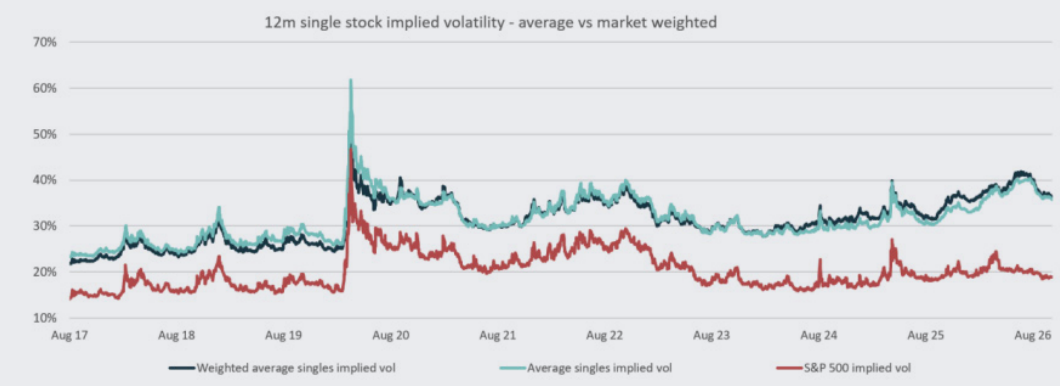


Source: Fulcrum Asset Management LLP

Europe exposure is more balanced

Valuation

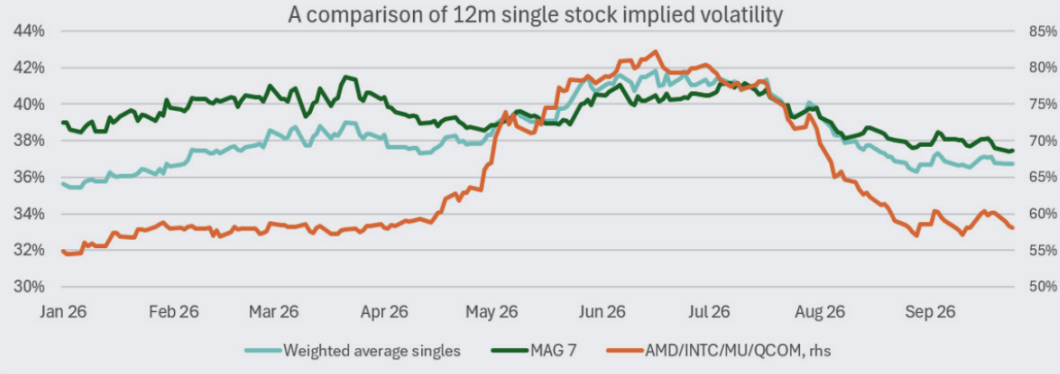
It is difficult to pick a single valuation metric for equity dispersion strategies. There are various measures of implied volatility and correlation, which all inform the opportunity set for this complex strategy.



Source: Fulcrum Asset Management LLP

Single stock implied volatility fell during Q2

The fund has been long stock volatility in high volatility technology names such as AMD, Intel, Micron and Qualcomm in addition to some smaller stocks such as KLA Corp (semiconductors). Implied volatility of these names fell quicker through Q3 than the broader market and even MAG7 stocks. This was a headwind to performance in the US part of the fund.



Source: Fulcrum Asset Management LLP

Implied volatility fell sharply in the leverage unwind

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 helped reduce fees at the margin. The fund is also considering moving to daily dealing, rather than its current weekly cycle, although this is not yet confirmed.

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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