

Session A3 – Liquid alternatives: The death of 60/40 and rebirth of hedge funds. Is this time truly different?

2025 Frontier Advisors Annual Conference

Chair



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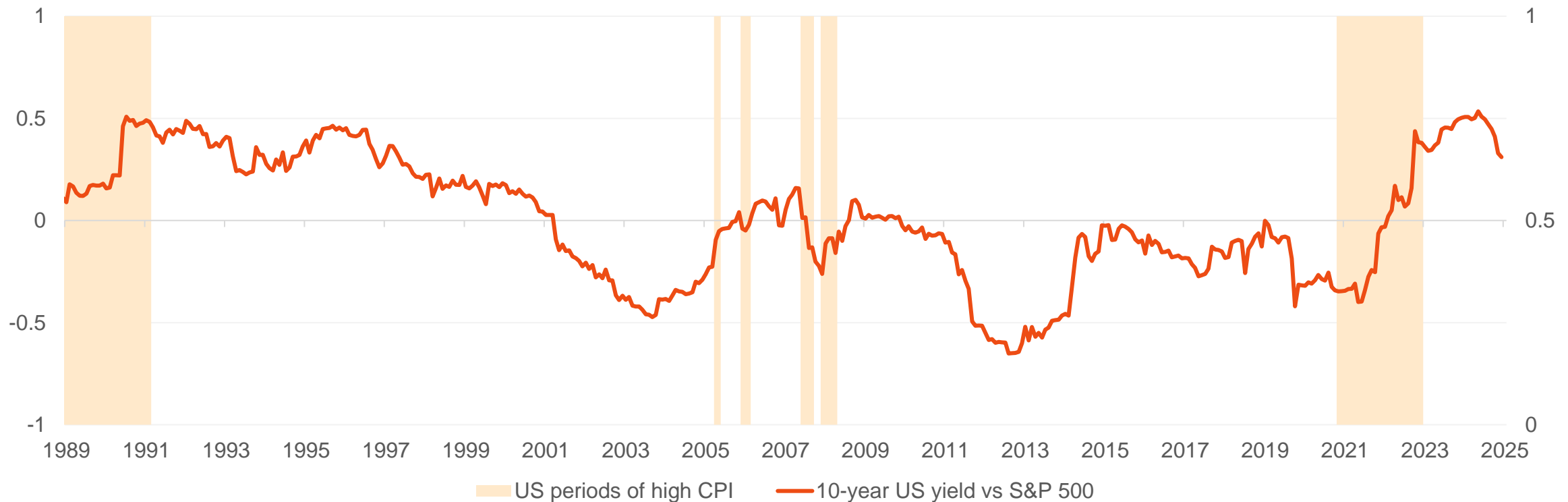
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Bonds are less effective diversifiers in today's environment

How can liquid alternatives be used as a replacement for bonds?

Rolling three-year correlation – Equity versus bonds

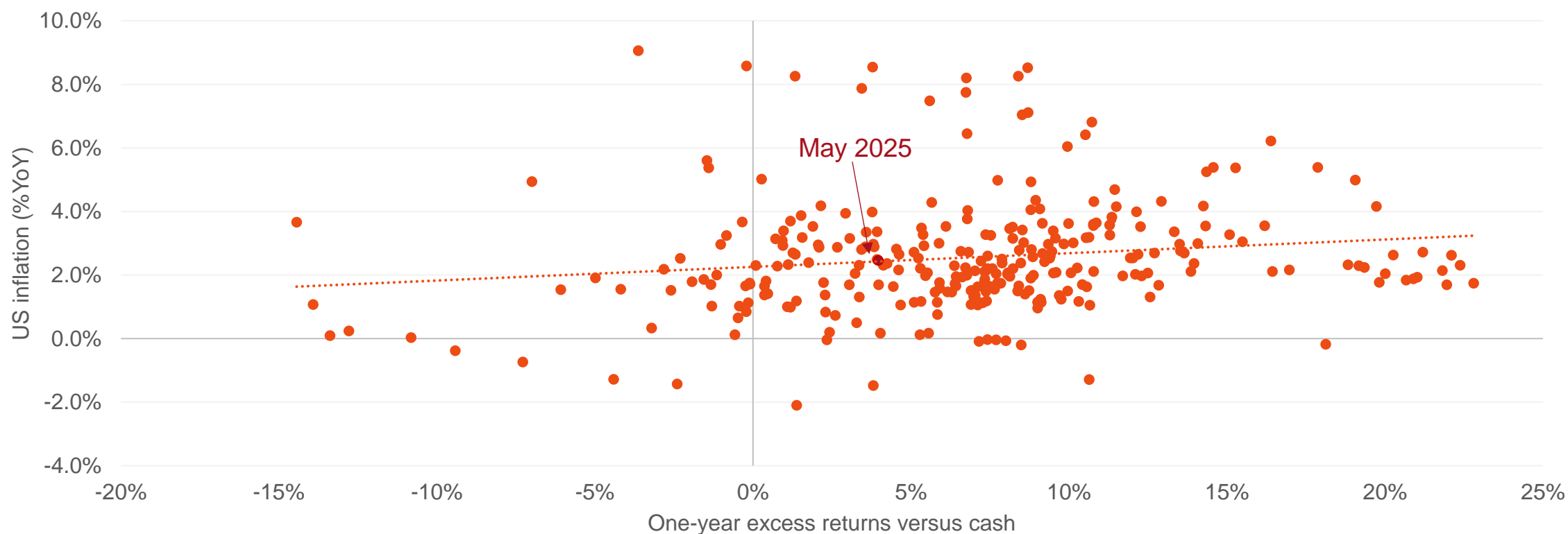


Source: Frontier Advisors, Datastream, US NY Fed. US bonds represented by change in US 10-year yields (therefore excluding carry). Periods where US CPI exceeds 4% p.a. are shaded.

Inflation is not as detrimental to alternatives performance as it is to equity

The diversifying properties of liquid alternatives are evident in inflationary environments

Liquid alternatives returns versus inflation

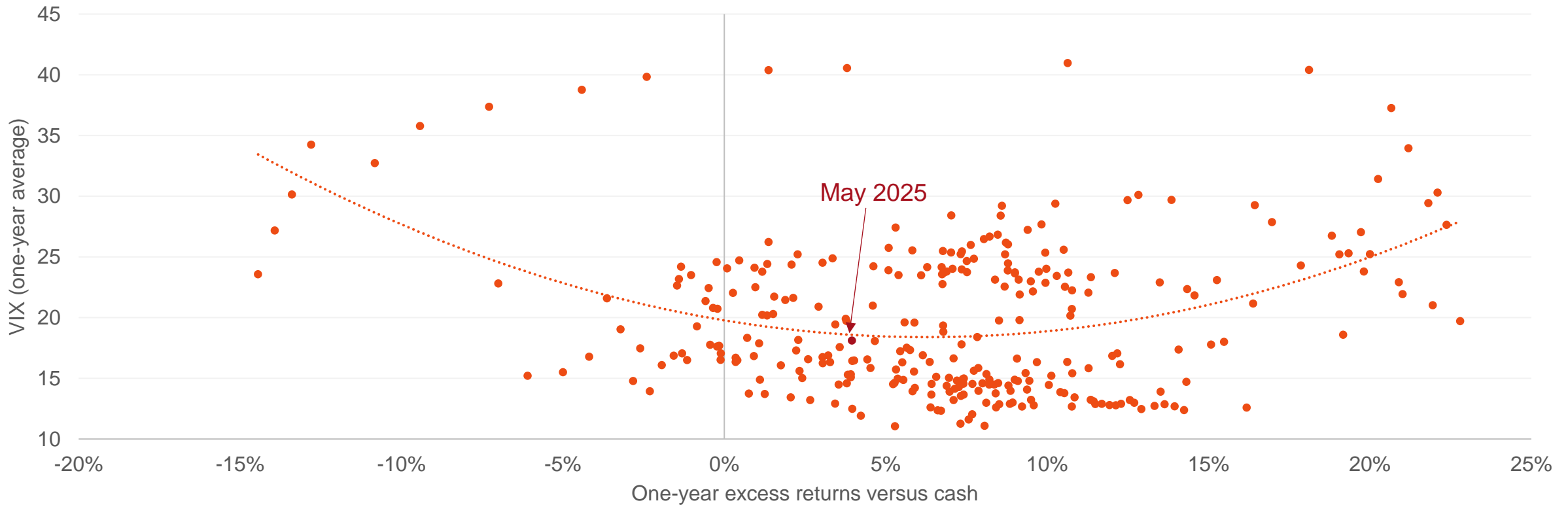


Source: Frontier Advisors, Datastream. Monthly data from 30 June 2000 to 31 May 2025. Alternatives returns are represented by the EurekaHedge Multi-Strategy Hedge Fund index.

Not all volatility is conducive to liquid alternatives outperformance

In a regime where volatility is structurally elevated, what does this mean for liquid alternatives?

Liquid alternatives returns versus VIX

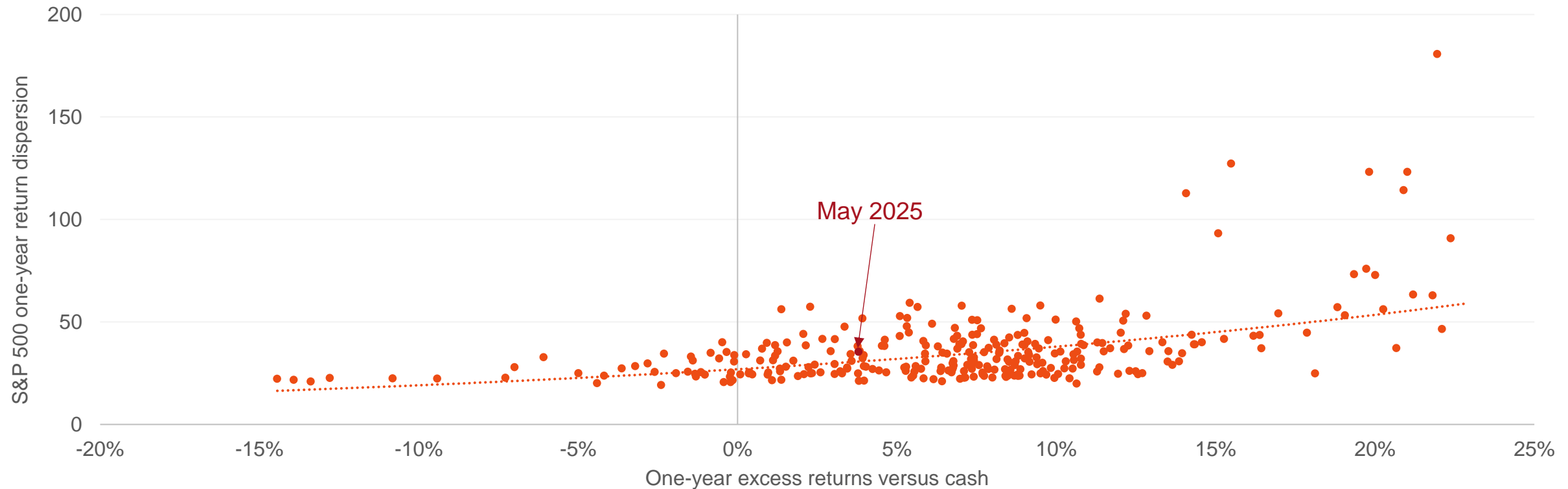


Source: Frontier Advisors, Datastream. Monthly data from 30 June 2000 to 31 May 2025. Alternatives returns are represented by the Eureka Hedge Multi-Strategy Hedge Fund index.

Dispersion is conducive to liquid alternatives outperformance (i.e. alpha)

In a regime where dispersion is structurally elevated, liquid alternatives are likely beneficiaries

Liquid alternatives returns versus stock dispersion



Source: Frontier Advisors, Datastream. Monthly data from 30 June 2000 to 31 May 2025. Alternatives returns are represented by the Eurekahedge Multi-Strategy Hedge Fund index.

Recent performance outcomes have been representative of the increased opportunity set

Where is our panel seeing opportunities?

Absolute returns of liquid alternative sectors – to 31 May 2025

Sector / strategy type	1 year	2 years	3 years	5 years
Multi-strategy	8.7%	9.7%	10.6%	10.0%
Global macro	8.6%	9.7%	5.9%	8.6%
CTA / Trend following	-14.5%	-4.3%	-3.1%	3.8%
Insurance-linked securities	14.5%	15.0%	11.8%	9.0%
Alternative risk premia	2.5%	8.4%	6.0%	5.1%
Merger arbitrage	6.0%	6.7%	4.8%	6.8%
Equity market neutral	10.6%	10.5%	8.0%	6.6%
Cash	4.8%	5.1%	4.4%	2.7%

Source: Frontier Advisors, Datastream, eVestment. Returns are net of fees.

The following indices have been used to represent each of the sectors: EurekaHedge Multi Strategy Index, BarclayHedge Global Macro Index, SG CTA Index, Swiss Re Cat Bond Total Return Index, SG Multi Alternative Risk Premia Index, BarclayHedge Merger Arbitrage Index, BarclayHedge Equity Market Neutral Index, and ICE BofAML US 3-Month Treasury Bill.

Frontier is more constructive on liquid alternatives going forward

Frontier's strategic liquid alternatives allocation is intended to balance diversification, defensiveness and performance.



- Persistent inflation
- Unstable equity-bond correlations
- Sustained higher interest rates
- Heightened geopolitical risks

... are all factors driving increased volatility and dispersion.

We believe this market regime favours liquid alternatives.



Liquid alternatives cannot afford diversification, defensiveness and performance simultaneously.

Frontier can help investors balance these characteristics and design a suitable liquid alternatives configuration.

Please reach out to your consultant to discuss further.

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