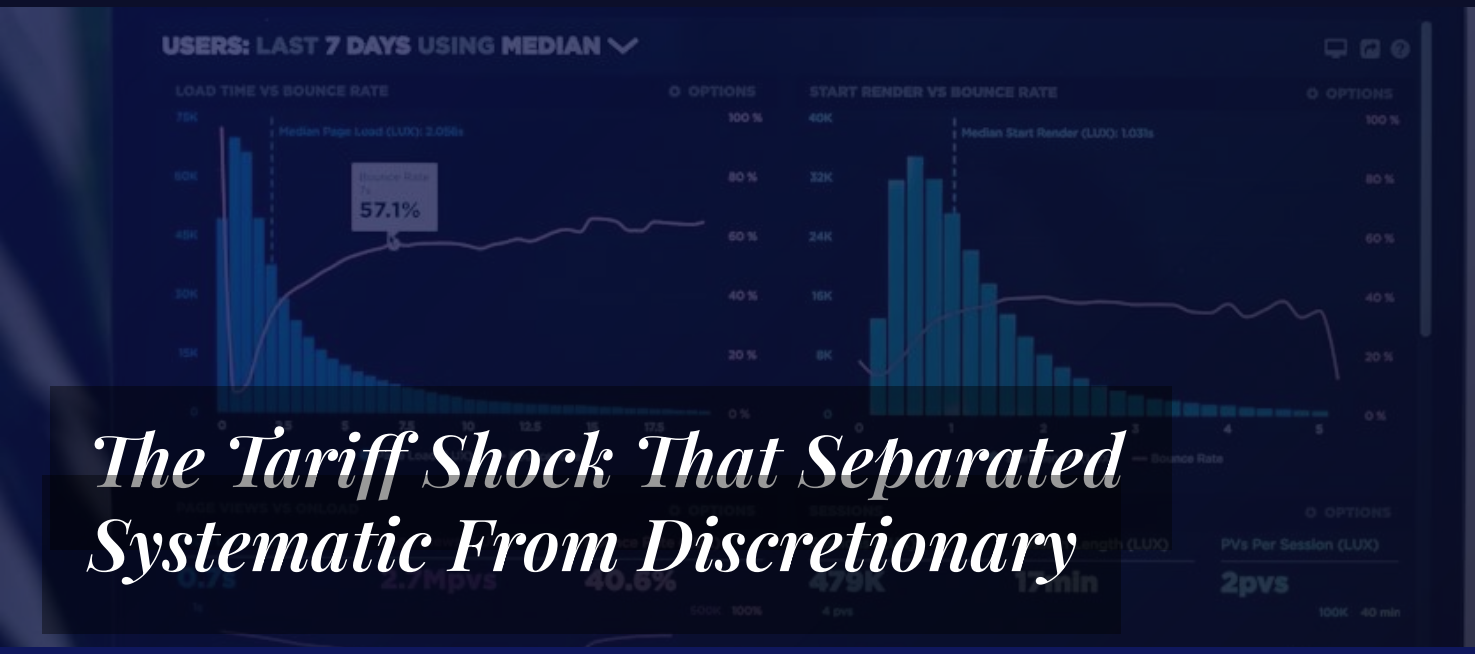
ALPHA WATCH TOWER

PARAGON Alpha

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The Tariff Shock That Separated Systematic From Discretionary

Quant Edition - How April's 145% tariff whipsaw, factor crowding unwind, and the rise of Allocation AI are reshaping systematic alpha

IN THIS SPECIAL UPDATE, READ ABOUT:

1 Quant Performance - Multi-Strat Scoreboard, CTA Standouts & The Crowding Tax

2 The Quant Landscape - Tariff Regime, Factor Rotation & Vol Compression

3 Transfer Window - The Quant Arms Race Across Platforms

4 **Feature - From Signal AI to Allocation AI: The Next Frontier**

5 Launches, Closures & Where The Capital Is Moving

QUANT PERFORMANCE



April belonged to the machines. While discretionary macro PMs scrambled to reprice the 145% tariff shock and its partial reversal, systematic strategies captured the volatility arc cleanly. CTAs posted their best month in over a year. The S&P 500 lost 12% in days before rebounding 9.5%, and the VIX spiked above 60 intraday before compressing sharply on the tariff pause. For quant managers with disciplined signal diversity and fast rebalancing, this was the environment they were designed for. For crowded books running similar factor exposures, it was a reckoning.

POINT72

~+4.5%

YTD Q1 leader across all multi-strats. 190 pods, $45.7B AUM. Adaptive capital allocation across equity dispersion and AI infrastructure themes.

EXODUSPOINT (APRIL)

+2.83%

Strongest single-month among major multi-strats. Captured the tariff whipsaw after a painful -4.5% March.

CTA / MANAGED FUTURES

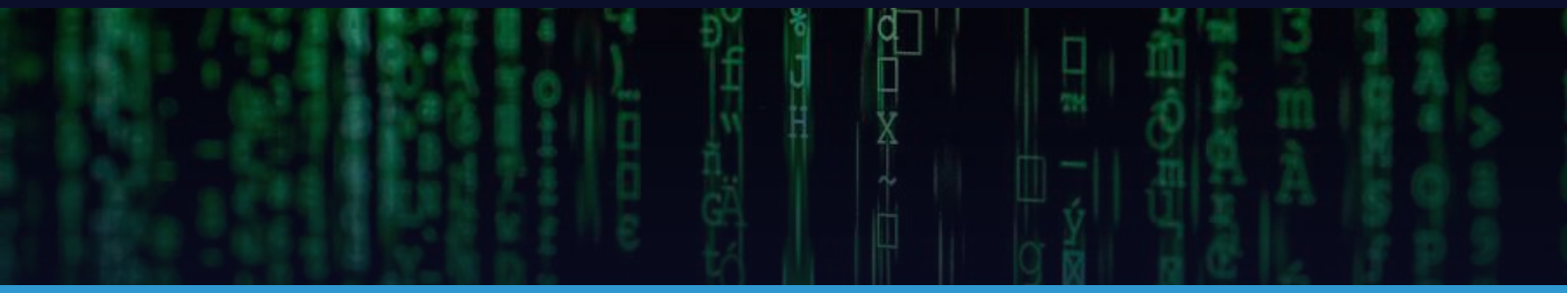
+8–10%

YTD. KMLM +8.5%, DBMF +10.5% (29% 1yr return). Dollar weakness, yield moves, and commodity trends all persistent and tradeable.

FUND / STRATEGY	APRIL	2026 YTD	READ
Point72	–	~+4.5%	Q1 multi-strat crown. Adaptive allocation is the edge.
Citadel Wellington	+1.3%	+0.5%	Flagship absorbed the shock. Architecture held.
Citadel Tactical Trading	+1.9%	–	Higher-vol vehicle outperformed the flagship in April.
Citadel Global Equities	+2.2%	–	Equity book strongest of the Citadel family.
Citadel Global FI	+1.2%	-5.5%	Recovering from -8.2% March. Still deep in the hole.
ExodusPoint	+2.83%	–	Best April. Tariff positioning worked. March losses partially recovered.
Schonfeld	+1.1%	+0.9%	Steady. New Systematic Alpha Fund now live with $300M+.
Millennium	–	~+3.2%	$84.2B, 330+ pods. Strong April rebound after March mini-drawdown. Paris commodities fund launching.
Balyasny	–	-3.8%	March -4.3% still weighing. Talent churn ongoing.
AQR Apex	–	–	2025: +19.6%. Signal mix now 50/50 price-trend + fundamental.
DBMF (Managed Futures ETF)	–	~+10.5%	~29% trailing 1yr. Dollar/rates/commodity trends all captured.
D.E. Shaw Oculus	–	–	2024 best-ever: +36.1%. $11.1B generated for investors.

! **Crowding tax:** US quant funds lost 2.8% in the first two weeks of January alone (UBS est.) - the worst stretch since October. Losses driven by crowded trade drawdowns, short high-beta exposure, and adverse idiosyncratic moves. Crowding is no longer a risk factor. It is the risk factor.

THE QUANT LANDSCAPE



Four Forces Reshaping Systematic Strategies Right Now

52.33
VIX PEAK CLOSE (8 APR)
INTRADAY HIGH 60.13 ON 7 APR

145%
US TARIFF ON SELECT
CHINESE IMPORTS

$428B
MULTI-STRAT AUM (2025)
+175% SINCE 2017

70%+
HEDGE FUNDS USING
ML IN TRADING PIPELINE

$10B+
ALT DATA SPEND
INDUSTRY-WIDE (2026 EST.)

64%
ALLOCATORS INCREASING
HEDGE FUND EXPOSURE

TARIFF REGIME CHANGE

The April 2 tariff announcement sent the S&P 500 down 12% in days, then a partial pause triggered a 9.5% relief rally. This binary, policy-driven vol is kryptonite for mean-reversion quants but alpha-generative for trend followers and tactical systematic macro. Sector IV in industrials, semis, and consumer discretionary remains elevated above the 75th percentile on 52-week lookback. **The regime has shifted from "grind" to "shock and reverse."**

FACTOR ROTATION & CROWDING

A significant cross-sectional leadership flip in Q1: lower-quality, heavily shorted names began outperforming while defensive quality/profitability faded. This caught systematic equity managers offsides. Resonanz Capital's structural warning: crowding changes the distribution of outcomes from **"volatility risk" to "tail risk."** Platforms are increasingly distinguishing between "good crowding" (liquidity, mapped exits) and "bad crowding" (leverage, consensus, illiquidity).

SYSTEMATIC VS DISCRETIONARY

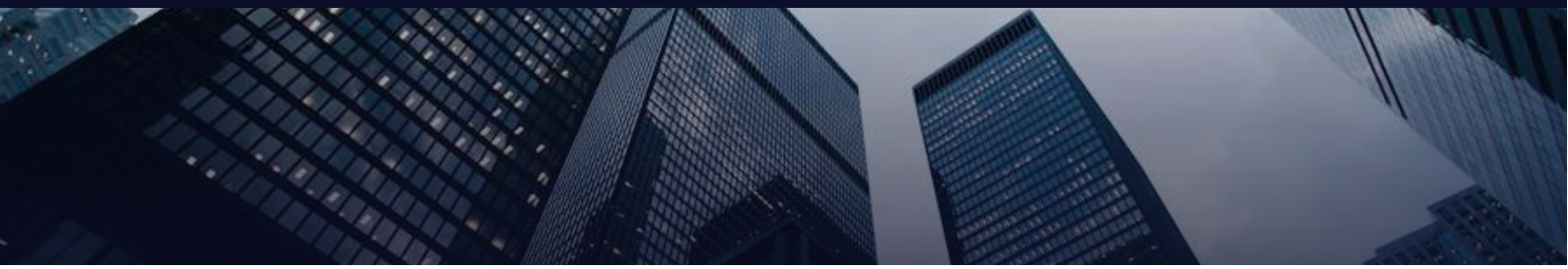
The gap widened in April. CTAs and systematic trend-followers captured dollar weakness, Treasury yield moves, and commodity arcs. AQR's signal evolution - now a **50/50 blend** of traditional price-trend and fundamental/macro indicators - has been a differentiator versus peers relying on longer-horizon (3-6 month) price-based signals. Signal diversification is the new moat. Pure price-trend is losing its edge.

REGULATORY TAILWIND

Form PF overhaul (proposed 24 April): Filing threshold raised from $150M to $1B AUM; large HF adviser threshold from $1.5B to $10B. ~30% fewer advisers required to file. Short-position reporting (Rule 13f-2) compliance date extended to January 2028 after Fifth Circuit remand. Less reporting burden for mid-size quants; short transparency delayed but still coming.

! **Capital allocation shift:** For the first time, institutional investors now rank quantitative hedge funds as their **top destination** for new capital, overtaking discretionary macro, L/S equity, and multi-manager platforms. 64% of allocators plan to increase HF exposure in 2026 - an estimated **$24B in net inflows**. Equity Market Neutral, Quant Multi-Strategy, and Global Macro are the most favoured strategies.

TRANSFER WINDOW



The five largest multi-strategy platforms - Millennium, Citadel, Point72, Balyasny, and ExodusPoint - added a combined 550 portfolio managers and analysts net in 2024-25, bringing their collective headcount to approximately 18,000 staff. But the character of hiring has shifted: competition is moving from pure idea discovery toward execution, discipline, and infrastructure resilience. This edition's transfer window tracks the quant-specific arms race.

▶ ▶ ▶ ▶ ▶ ▶ ▶ ▶ ▶ ▶

Anissa Dhouibi

Citi (Global Head of Equities Quant Analysis) → Millennium Management

The marquee quant hire of the window. Dhouibi departed Citi after her 2025 bonus payout, joining Millennium's systematic equity operation. A Global Head-level quant analytics leader moving buy-side signals the escalating war for quant talent at the senior-most level. Millennium now has 330+ pods and $84.2B under management.

Yash Agarwal

ExodusPoint (Global Equities PM, 4 yrs) → Balyasny Asset Management

Building a team across London and New York. A platform-to-platform move that underscores Balyasny's rebuilding effort after a difficult Q1 (-3.8% YTD). ExodusPoint's loss is meaningful - Agarwal was a four-year veteran of the equities book. Balyasny is betting on established PMs over fresh launches.

EXODUSPOINT

Rob Buckle

Former Balyasny Head of Core Quants; earlier Brevan Howard, Rokos, Eisler. Senior quant infrastructure lead. A CV that tracks the entire last decade of platform evolution.

BALYASNY

David Lohman

Healthcare PM, five years at Schonfeld. Part of Balyasny's broader rebuild after March losses. Sector-specialist PMs being recruited to diversify the alpha source mix.

SCHONFELD

Systematic Alpha Fund Team

New dedicated quant team for the $300M+ Systematic Alpha Fund (targeting $1B). Schonfeld is building a quant vertical from scratch alongside its established pod model.

ROKOS CAPITAL

Tarik Hsaini

Ex-Deutsche Bank (MD, 8+ yrs). Joined as Head of Quantitative Investing and Partner. Adding a systematic macro overlay to Rokos's discretionary book. Institutional buildout.

! **Talent war escalation:** OpenAI, Anthropic, and other AI labs are now the biggest competitor for quant talent, overtaking Big Tech. Many quants experiencing burnout from finance are transitioning to AI companies. Non-compete and notice periods have extended significantly across the buy side, materially impacting hiring timelines. The hottest profiles: hybrid research/engineering quants with production-level Python, C++, or Rust.

FEATURE

From Signal AI to Allocation AI: The Next Frontier in Systematic Investing

Leading quant firms are no longer just using AI to find trades. They are using it to decide how much capital each strategy, team, and risk bucket deserves – in real time.

For most of the last decade, AI adoption in hedge funds followed a predictable arc. Firms invested in machine learning to generate better trading signals – sentiment models, alternative data pipelines, pattern recognition engines. The question was always the same: **what to buy and sell.**

In 2026, the frontier has shifted. The most sophisticated quant platforms – Two Sigma chief among them – are moving from "Signal AI" to "Allocation AI." The question is no longer just what to trade, but **how to distribute capital** across strategies, teams, and risk budgets dynamically, in real time, based on regime detection and performance attribution that updates continuously.

The Scale of Adoption

The numbers are striking. Over 70% of global hedge funds now use machine-learning models somewhere in their trading pipeline. Around 18% rely on AI for more than half of their signal generation. 94% of fund managers surveyed by Exabel say AI spending will increase in 2026, with 18% predicting a substantial increase.

But the real edge is not in adoption rates. It is in **where** the AI sits in the stack. Funds using generative AI for sentiment analysis report 3–5% higher annualised returns, particularly in equity strategies. Those using alternative data and AI together reported 20% higher alpha generation in 2024.

> *The shift from Signal AI to Allocation AI represents the most important architectural change in systematic investing since the move from single-strategy to multi-strategy platforms.*
>
> INDUSTRY ANALYSIS – HEDGECO, APRIL 2026

What Allocation AI Means in Practice

In a traditional multi-strategy fund, capital allocation is a quarterly or monthly exercise. Risk committees review performance, drawdown limits, and conviction levels, then adjust pod-level capital. It is slow, political, and backward-looking.

Allocation AI replaces this with a continuous optimisation loop. The system ingests live P&L, factor exposures, regime indicators, correlation shifts, and liquidity metrics, then rebalances capital across pods or strategies at a frequency that human committees cannot match.

Point72's "adaptive capital allocation" – cited as a key driver of its Q1 2026 outperformance – is an early implementation of this approach. The firm rapidly reallocates between its 190 pods based on conviction signals, rather than waiting for monthly reviews.

The Alternative Data Arms Race

Industry spending on alternative data is expected to surpass $10 billion in 2026. The largest platforms – Citadel, Millennium, Point72, Balyasny – have built dedicated data science teams numbering in the hundreds. The vendor ecosystem now includes granular credit card panels, satellite imagery, NLP-derived indices from filings and transcripts, geospatial data, patent filings, and even podcast transcripts.

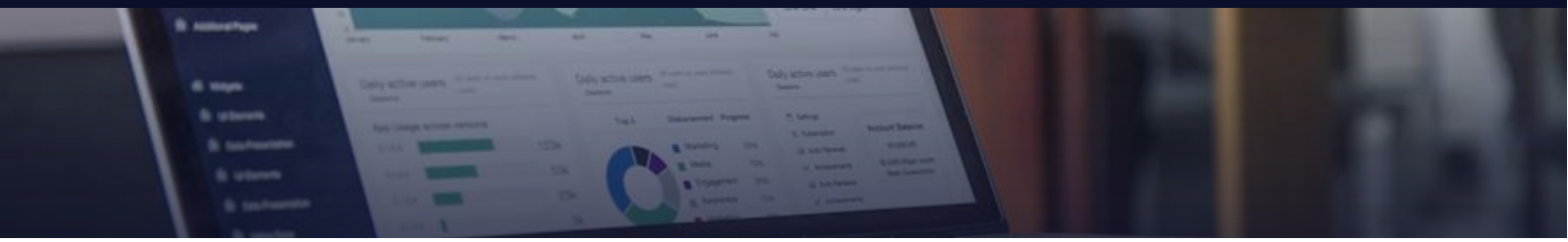
Large language models have dramatically expanded the volume of unstructured data that can be processed. But the competitive advantage is shifting from data acquisition to data integration – the ability to weave disparate signals into a coherent allocation framework rather than simply stacking more alpha sources.

What This Means for Talent

The talent implication is profound. The most sought-after quants in 2026 are not pure researchers or pure engineers. They are **hybrid candidates** who span research, development, and infrastructure – capable of designing an alpha signal, building the production pipeline, and integrating it into the allocation engine. Entry-level comp at top funds sits at $200K–$300K total, with senior systematic PMs exceeding GBP 200K base in London before performance-linked upside.

The existential threat is real: AI labs are now the primary competitor for this talent pool, offering comparable compensation with less burnout risk. The firms that win the next cycle will be those that make the quant role more intellectually rewarding, not just better compensated.

LAUNCHES, CLOSURES & CAPITAL FLOWS



Q1 2026 delivered the highest number of new hedge fund launches since 2022, with particular strength in quantitative equities, discretionary macro, and niche relative value. The multi-strategy model continues to consolidate its dominance, but the fee conversation is getting louder. Investors kept just 41 cents of every dollar earned in multi-strat funds in 2023, down from 54 cents in 2021.



Xantium Group

TUDOR QUANT SPINOUT - $5B LAUNCH (EARLY 2027)

Tudor Investment Corp's quantitative division spinning out as a standalone entity. London + New York core team, with staff in Abu Dhabi, Salt Lake City, and Stamford. The largest quant-specific launch in the pipeline.



Schonfeld Systematic Alpha

NEW FUND - $300M+ COMMITTED

Schonfeld's dedicated quant vehicle is now live and trading. Targeting $1B within 12-18 months. A traditional pod shop building a quant vertical from scratch.



Millennium Paris Commodities

NEW FUND - PARIS LAUNCH 2026

Millennium's new commodities-focused fund based in Paris. Expands the $84.2B platform's European footprint and adds a new asset class vertical.

Capital Flow Dynamics

MULTI-STRAT DOMINANCE

Multi-strategy funds reached **$428B AUM** in 2025 (Goldman Sachs), growing 175% from 2017-2023 while the broader industry grew just 13%. 86% of industry participants expect multi-strat to remain the fastest-growing segment. The hedge fund industry overall surpassed **$6.06 trillion**.

FEE PRESSURE RISING

BNP Paribas data: investors in multi-strat funds kept just **41 cents of every dollar earned** in 2023, down from 54 cents in 2021. Texas Teachers and Erlen Capital are publicly pushing back, refusing to back managers unless they can retain 60-70% of gross performance. Expect consolidation among firms unable to sustain fundraising pace.

Man Group - Single-Client Redemption

$6.1B Redemption - Q1 2026

Q1 AUM flat at $228.7B despite strong investment performance, as a single $6.1B long-only systematic equity redemption offset gains. Net outflows across the hedge fund platform totalled $1.6B. A cautionary signal: hedge funds are increasingly treated as active trading allocations, and some allocators entered 2026 overweight alternatives and chose to lock in gains.

! **Citadel capital return:** Citadel returned **$5B in 2025 profits** to investors in early 2026, bringing total capital returned since 2017 to $32B. Framed as constraining AUM to match the perceived opportunity set. At $67B post-return, it remains smaller than Millennium ($84.2B) by AUM but generates higher returns per dollar managed.

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The smartest quant teams are not just finding better signals. They are building better capital allocation engines.

Whether you are a quantitative PM exploring your next platform, a CTO building systematic infrastructure, or a fund looking to add world-class quant talent - Paragon Alpha is the specialist you need in your corner.



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