PARAGON Alpha

ALPHA WATCHTOWER

RISK EDITION

April 2026

Risk Is Now the Alpha

The talent war, the technology shift, and why risk management is the most competitive hire in hedge funds

IN THIS EDITION, READ ABOUT:

1 **Hedge Fund Performance in Q1** – Through the Lens of Risk

2 **The Risk Landscape** – What's Driving Volatility

3 **Risk Management Trends** – How the Function Is Changing

4 **Launches, Closures** & What They Signal

5 **Transfer Window** – Risk Talent Moves

6 **Robert Murphy – Your Risk Recruitment Partner**

AWT-014 | April 2026 | Risk Edition | www.paragonalpha.com

HEDGE FUND PERFORMANCE IN Q1

March 2026 delivered the **worst monthly drawdown for hedge funds in over four years**. The US–Israel strike on Iran sent Brent crude from ~$72 to $119/bbl – the IEA called it "the largest supply disruption in the history of the global oil market." The result: mass deleveraging, forced position unwinds, and a brutal stress test of every risk framework in the industry.

FUND	MARCH	Q1 YTD	RISK SIGNAL
Point72	–	Leading peers	Took Q1 performance crown. AI/tech dispersion positioning paid off.
Citadel Wellington	−1.9%	+1.0%	Flagship held. Risk infrastructure absorbed the shock.
Citadel Tactical	Positive	+5.3%	Different architecture, different outcome. Standout performer.
Citadel Global FI	−8.2%	−5.5%	Basis trade blowup. Rate shock + Iran exposure.
Millennium	−1.2%	+1.0%	Lost $1.5B in one week. Relocated Dubai staff to Jersey. Contained overall.
Balyasny	−4.3%	−3.8%	Deepest Q1 drawdown in years. European rate bets backfired.
ExodusPoint	−4.5%	−2.0%	Significant drawdown. Risk review underway.
Two Sigma	+2.5–3%	Strong	Outlier winner. AI-first mandate and systematic approach rewarded.
Schonfeld	Flat	+0.9%	Steadiest of the mid-tier platforms.
Taula Capital	−8.6%	−7.6%	Worst single week saw −4.7%. Full March: −8.6%. Building aggressively despite drawdown.

! **The risk architecture was the alpha.** Citadel Tactical (+5.3% YTD) ran a fundamentally different architecture to pods that drew down 4–8%. Two Sigma profited while peers bled. The funds that invested in genuine risk capability outperformed by double digits.

THE RISK LANDSCAPE

April 2026 – Three Simultaneous Shocks Continue to Reshape Risk

$119
BRENT CRUDE PEAK
LARGEST SUPPLY DISRUPTION IN HISTORY (IEA)

$5.16T
RECORD INDUSTRY AUM
ENTERING 2026

3.5%
FED FUNDS RATE – FROZEN
PRE-WAR: 2 CUTS PRICED. NOW: ZERO

IRAN CONFLICT FALLOUT

US–Israel strikes (28 Feb) eliminated senior Iranian leadership. Brent surged from ~$72 to $119/bbl. Iranian drone and missile retaliation struck Dubai's DIFC directly. Millennium relocated 100+ staff to Jersey. The energy supply shock triggered cascading margin calls across pod-based platforms.

TARIFF FALLOUT

Following the Supreme Court's IEEPA tariff ruling, a $100 billion
secondary market has emerged as hedge funds buy importers' tariff refund rights at a discount. Ongoing tariff uncertainty continues to weigh on cross-border M&A deal confidence and supply chain positioning.

MONETARY PARALYSIS

Fed held at 3.5–3.75%. Pre-conflict, markets priced two rate cuts in 2026. Post-conflict: collapsed to zero cuts expected. March SEP revised median PCE inflation forecast up 0.3% to 2.7%. Rising energy costs have shut the door on easing entirely.

AI HERDING RISK

95% of hedge fund managers now use generative AI in their workflows (AIMA). 70%+ expected to deploy agentic AI by end-2026. When most funds use similar ML architectures on similar data, they fire similar risk triggers simultaneously. Balyasny has publicly flagged AI as a key tail risk for 2026.

! **Private Credit:** Goldman Sachs and JPMorgan began offering synthetic shorts on private credit on 19 March 2026, creating a hedging mechanism for a risk class that was previously unhedgeable. Jamie Dimon warned of hidden private credit losses, weaker credit standards, and higher-than-expected defaults alongside Iran-driven inflation and AI unknowns as key risk factors.

RISK MANAGEMENT TRENDS

TREND ONE

01

Risk Is Now a Front-Office Function

The role has changed fundamentally. Risk managers are no longer monitoring from the sidelines – they are embedded with Portfolio Managers and directly influencing how capital is deployed.

Risk management hiring is at all-time highs, driven by market volatility and institutional scrutiny. Risk managers' responsibilities now heavily involve PM engagement. Risk teams are embedded with Portfolio Managers and are directly influencing**portfolio construction, sizing, limits, and capital allocation**

330+
MILLENNIUM PODS
EACH REQUIRING RISK COVERAGE

6,670
MILLENNIUM HEADCOUNT
+530 HIRES IN PAST YEAR

90%+
OF FUNDS REPORT
DIFFICULTY FILLING RISK ROLES

Hedge funds are no longer judged just on returns but on **drawdown control, capital preservation, and consistency**. The top-performing funds in Q1 2026 explicitly prioritised exposure control, dynamic de-risking, scenario stress testing, and liquidity awareness. The continued growth of multi-strategy platforms is pushing demand further. Each new pod requires risk coverage and portfolio construction oversight.

PM Partnership
Risk managers now sit alongside PMs, influencing position sizing and capital allocation in real time

Linear Scaling
Risk hiring is scaling 1:1 with front-office growth. More pods means more risk professionals

C-Suite Elevation
Best-in-class: CRO on Portfolio Committee with direct line to the principal

> *Citadel Tactical Trading (+5.3%) ran a fundamentally different risk architecture to pods that drew down 4–8%. Risk architecture was the alpha.*
> Q1 2026 Performance Analysis

WHAT THIS MEANS FOR CANDIDATES

Risk professionals who can demonstrate experience working alongside PMs – influencing sizing, challenging positions, contributing to capital allocation decisions – are the ones getting hired. Pure risk reporting profiles are being left behind. Be prepared to show how you have shaped investment outcomes, not just monitored them.

RISK MANAGEMENT TRENDS

02 *The Talent War*
Where are candidates coming from? And what do funds need to do to win them?

THE CANDIDATE-SHORT MARKET

Top risk management candidates are fielding **multiple offers simultaneously**. Funds need to move quickly and decisively to secure hires.

Compensation has risen materially, but the value proposition has shifted. Candidates are increasingly prioritising roles where they can directly influence portfolio construction, interact with PMs, and have a tangible impact on P&L.

Funds are selectively prioritising candidates who demonstrate **commercial judgement** and the ability to engage credibly with
PMs on positioning, capital allocation, and risk-taking. Technical capability alone is no longer sufficient.

Increasingly, funds struggling to fill roles for 12–18 months are thinking outside the box: hiring directly from bank trading desks
where candidates already have the commercial awareness and product knowledge required.

THE BANK-TO-BUYSIDE PIPELINE

Goldman Sachs, JPMorgan, Morgan Stanley
Complex product exposure, real-time risk systems, trading desk partnership

Wells Fargo, Bank of America, UBS
Broadening source pool as tier-1 banks get picked over

Hedge Fund to Hedge Fund
Platform-to-platform moves accelerating, especially post-drawdown

Destination: Multi-Strat Platforms
Citadel, Millennium, Balyasny, Point72, D.E. Shaw, Two Sigma

Funds are no longer waiting for candidates to apply. The most successful hires in Q1 2026 were proactively identified and approached through specialist networks.

WHAT THIS MEANS FOR CANDIDATES

If you are a strong risk professional in a bank, you are being actively targeted. The key differentiator is not just your technical toolkit but your ability to speak the language of PMs and contribute commercially. Prepare to articulate how you have influenced investment decisions, not just monitored them.

RISK MANAGEMENT TRENDS

TREND THREE

03

Data, AI & the Rise of Real-Time Risk Systems

The modern risk manager is evolving into a hybrid profile: combining strong market intuition with data science capabilities to translate complex model outputs into actionable risk decisions.

The integration of AI in hedge fund risk management is rapidly shifting it from a reactive monitoring function to a**predictive risk detection function**. Two Sigma implemented an "AI-First" internal mandate in early 2026, requiring all employees to integrate frontier AI models into daily workflows.

FROM REPORTING TO PREDICTION

Two Sigma is shifting from "Signal AI" to "Allocation AI" – systems that dynamically allocate capital across strategies, teams, and risk buckets in real time. AI is no longer just identifying opportunities but actively managing how capital is deployed against them. Hedge funds are leveraging machine learning to analyse vast datasets – historical trades, P&L attribution, market microstructure data – applying it to**regime identification, factor crowding, and anomaly detection** allowing risk teams to anticipate stress events rather than respond to them.

INTRA-DAY CONTROL SYSTEMS

Risk management is moving away from post-trade reporting toward real-time intra-day control. These systems handle monitoring across all asset classes and centralised risk aggregation across PMs and pods. They capture hard drawdown limits at the PM level, strategy level, and firmwide level.

MACHINE LEARNING
Regime identification, factor crowding detection, anomaly flagging

REAL-TIME MONITORING
Intra-day control replacing post-trade. Hard limits at PM, strategy, firm level

AI HERDING RISK
Balyasny flags AI as key tail risk. Similar models fire similar triggers

WHAT THIS MEANS FOR CANDIDATES

Funds are looking for a rare combination: commercially aware professionals who are also technically strong with AI/ML capabilities. Being able to sit with PMs all day is no longer enough. You need to demonstrate the ability to build, interpret, and improve risk systems. This hybrid skillset is the hardest hire in finance right now.

LAUNCHES & CLOSURES

562
NEW FUND LAUNCHES IN 2025
HIGHEST IN FOUR YEARS

287
FUND LIQUIDATIONS IN 2025
LOWEST SINCE 2004

2025 saw the highest fund launch volume in four years with only 287 liquidations – the lowest since 2004. But the closures and wind-downs in Q1 2026 tell the more important risk story. Every closure below is a lesson in risk architecture.

KEY CLOSURES & WIND-DOWNS

Millennium / Engineers Gate SMA Terminated
26 March 2026 – Liquidity Dispute
End of a 3+ year SMA partnership. Engineers Gate (down ~7% YTD) wanted quarterly redemptions and the ability to gate during stress. Millennium refused. Exposure assessed at $3.6B leveraged vs $1.5B direct capital. A case study in counterparty risk.

Brevan Howard FG Fund – Shutting to External Capital
Ceasing External Capital by End-June 2026
The $1.4B fund run by Fash Golchin will no longer accept outside investors. Brevan Howard's flagship posted just +0.8% for all of 2025 – well behind Bridgewater (+34%) and D.E. Shaw's Oculus fund (+28.2%). Meanwhile, Xantium (Tudor spinout) is building toward $5B standalone.

Split Capital – Crypto Fund Wind-Down
Announced 7 April 2026
Founder Zaheer Ebtikar joining stablecoin startup Plasma. Another crypto hedge fund exits as the strategy shifts from speculative funds
to institutional infrastructure.

LAUNCH TRENDS

! **Concentration risk:** 5% of hedge fund organisations are expected to attract 90% of net flows in 2026. 86% of allocators expect multi-strategy to remain the fastest-growing segment. The concentration of capital in mega-platforms is itself a systemic risk factor – and it drives the risk hiring boom.

TRANSFER WINDOW

The transfer window provides an overview of significant movements within the hedge fund industry, highlighting key personnel changes across prominent firms. This edition focuses on risk talent – the most competitive vertical in hedge fund hiring.

Kenneth Pregnell
CRO, Eisler Capital → Citadel Securities (London) – January 2026
The marquee risk hire of 2026 so far. Pregnell joins in a newly created role leading Citadel Securities' risk team, reporting to **Joanna Welsh**, CRO of both Citadel the hedge fund and Citadel Securities. Welsh chairs the Portfolio Committee and reports directly to Ken Griffin. This is the gold-standard CRO architecture: risk as a C-suite function with direct line to the principal.

Colin Dunne
Risk Manager, Caxton Associates → Xantium (Tudor spinout)
Xantium has added 30+ people in recent months as it builds toward a standalone entity with $5B in assets expected by early 2027. Dunne joins a platform that is investing heavily in risk infrastructure from day one – a signal that new launches are learning
from the pod model's Q1 stress test.

YOUR RISK RECRUITMENT PARTNER

PARAGON ALPHA – RISK RECRUITMENT

Robert Murphy: Dedicated Risk Recruitment Across the World's Top Hedge Funds

In the most competitive risk hiring market on record, Robert works with both the funds building risk capability and the professionals shaping their careers.

Robert Murphy
Risk Recruitment Specialist, Paragon Alpha

Robert leads Risk recruitment coverage across Paragon Alpha's hedge fund clients, partnering with Chief Risk Officers at Single-Strat Hedge Funds, Multi-Strat Hedge Funds, Quantitative Trading Firms, and Proprietary Trading Firms to build high-impact risk teams.

His coverage spans Investment Risk, Quantitative Risk, Operational Risk, and Liquidity Risk across Volatility, Equities, Fixed Income & Credit, Macro, Commodities, Event Driven & Arbitrage, High Frequency Trading, and Quant Trading strategies.

Risk is the most competitive talent vertical in hedge funds, with the vast majority of employers reporting persistent difficulty filling specialist roles. Given his deep industry expertise, outstanding network, and proactive headhunting approach, Robert provides clients with the highest calibre of talent that will not have been seen through direct applications or other agencies, and shows his network of candidates exclusive positions with the world's most exciting and dynamic firms.

Whether you are a CRO building a team or a risk professional navigating the most influential and best-compensated market in the function's history, Robert's coverage of the entire landscape means he can advise on which platforms genuinely empower their risk teams and where you will have the most impact.

The Funds That Will Outperform in the Next Drawdown Are Investing in Risk Capability Now

Whether you are building a risk team or shaping your career in risk, Paragon Alpha is the partner that understands both sides of the equation.

START A CONVERSATION

Let us help you find the risk talent that will define your next chapter

info@paragonalpha.com +44 20 3582 1407 www.paragonalpha.com

PARAGON Alpha

LONDON
34-37 Liverpool Street
London EC2M 7PP

NEW YORK
147 Prince St
Brooklyn, NY 11201