



SECOR ASSET MANAGEMENT

Q4 2023 Hedge Funds Outlook

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2023 Q3 Hedge Funds Review

- **Positive Q3, YTD for hedge funds**

- Gaining during equity selloff
- Outperforming cash
- Investors are satisfied

HFRI Index Performance Comparison		
	Q3	YTD
Equity L/S	-0.7%	4.8%
Event Driven	1.8%	4.5%
Macro/CTA	2.2%	1.6%
Relative Value	1.6%	4.2%
Composite	0.5%	3.9%

Qualitative HF Alpha Drivers (9-12m view)

Factors	Comments	Historical Range
HF Supply v. Demand	<ul style="list-style-type: none"> Multimanagers causing fee expansion, more \$ than talent Voloridge and Linden raising fees/hurdles Great time to be a large hedge fund 	
Liquidity	<ul style="list-style-type: none"> US Banking failures did not spread Reports about government bond markets lacking depth 	
Corporate Activity	<ul style="list-style-type: none"> Rates are high but deals are closing and money is flowing US Government anti-trust activity in decline Real Estate somewhat frozen 	
Government Influence	<ul style="list-style-type: none"> US Government anti-trust activity in decline SEC regulating hedge funds Louder deficit reduction chatter 	

● Current Quarter
● Previous Quarter

TAA Idea Update: Reinsurance

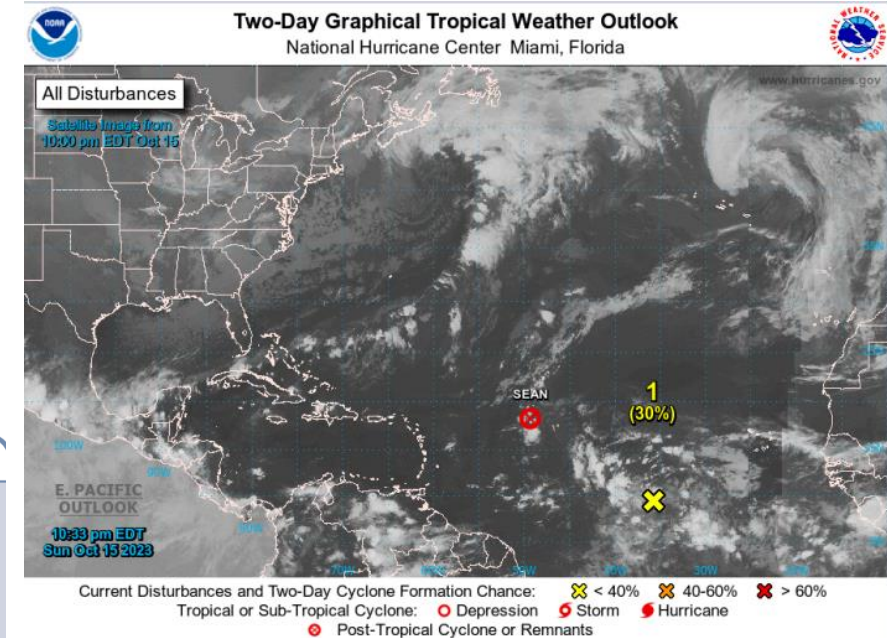
- Aeolus Keystone MY23 +17% in Q3
- MY23 returned +17% in Q3
- No impact from hurricane season
- 2024 pricing expected to be flat
- Expect to propose some version of reinsurance for Evolution for 2024

2023 Atlantic Hurricane Season Scorecard

The Atlantic Hurricane Season officially kicked off on June 1, 2023 and is currently underway with a total of 18 tropical storms and 6 hurricanes to date. The tables below summarize basin activity by individual named storm (upper table) and various seasonal basinwide metrics (lower table).

Storm Name	CAT	ACE	ACE-I	Storm Name	CAT	ACE	ACE-I	Storm Name	CAT	ACE	ACE-I
ARLENE	S0	0.88	0.00	HAROLD	S0	0.88	0.32	OPHELIA	S0	1.43	1.13
BRET	S0	4.72	0.00	IDALIA	M3	7.67	4.14	PHILIPPE	S0	9.46	0.00
CINDY	S0	2.80	0.00	JOSE	S0	1.94	0.00	RINA	S0	2.03	0.00
DON	H1	7.50	0.00	KATIA	S0	1.72	0.00	SEAN	S0	2.18	0.00
EMILY	S0	0.69	0.00	LEE	M5	36.88	0.00	<i>Tammy</i>			
FRANKLIN	M4	26.56	0.00	MARGOT	H1	12.82	0.00	<i>Vince</i>			
GERT	S0	3.32	0.00	NIGEL	H2	11.00	0.00	<i>Whitney</i>			

Activity Metric	Observed Oct 15 2023	Expected as of Oct 15	Deviation from Average	Standard Deviations	Pace by Climatology	Seasonal Average
Tropical Storms	18	11.58	+6.42	+0.56	30 Nov	13.3
Hurricanes	6	5.72	+0.28	+0.05	26 Oct	6.8
Major Hurricanes	3	2.44	+0.56	+0.23	30 Nov	2.8
Seasonal ACE	135.92	108.87	+27.05	+0.46	30 Nov	123.7
Seasonal ACE-I	5.59	11.78	-6.19	-0.71	30 Aug	12.6



Forecast

Multistrat bubble

- Plenty of liquidity and demand to fuel multistrat bust
- The key to multistrat success is technology, scale, talent and leverage
- Multiple copycat multi-managers

Credit and distressed strategies will remain popular

- Consensus economic forecasts has the US in recession in 2024
- Expect uncorrelated & distressed strategies to remain popular this year
- Public and private credit funds have been very popular this year

Carbon and power trading markets not growing

- Renewables and power are an important and growing part of national energy security everywhere
- Carbon markets not taking off

Stronger sentiment and regulatory environment will support corporate activity environment

- Merger arbitrage and capital structure strategies will remain robust

Risks

Too much government debt or Fiscal contraction

- Higher yields or recession
- Government austerity until next crisis
- Climate change or military expansion are budget items

Market deleveraging

- Broad-based, disorganized deleveraging will have a very negative impact on hedge funds
- Levered strategies, usually uncorrelated ones, will suffer outsized losses

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