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JULY 2026

HEDGEWEEK® AIMA

ALLOCATING IN A FRAGMENTED WORLD

HEDGEWEEK®-AIMA ALLOCATOR SENTIMENT REPORT H2 2026

EXECUTIVE SUMMARY

Allocators are approaching the second half of 2026 with a steady hand in an unsteady world. Against the backdrop of the US-Iran conflict, a contested Strait of Hormuz, an unresolved tariff regime and central banks pulling in different directions, many allocators in the alternatives space reach for one word to describe the environment: Fragmentation.

But their response is not retreat. In the latest H2 2026 Hedgeweek®-AIMA survey more than half (54%) of allocators say that they are confident their hedge fund portfolios will meet or exceed target returns. And while that marks a cooling from the exuberance recorded in our H1 report, deployment intentions remain firmly constructive. Some 40% plan to increase their hedge fund allocations over the next six to 12 months, 47% will hold steady and just 13% plan to trim. Not a single respondent intends to cut significantly.

What allocators want from hedge funds has settled into a clear hierarchy. Portfolio diversification (71%), uncorrelated returns (57%) and downside protection (51%) now sit well ahead of expected higher returns (43%). With stock-bond correlation moving in the same direction and the stabilising role of fixed income in question, hedge funds are being bought as the diversifying engine the traditional 60/40 portfolio has lost. Strategy preferences reflect the same instinct: multi-strategy is the most widely favoured (54% top-three), with long/short equity and global macro effectively level alongside it at 51% each.

Fees are stable rather than compressed. Some 69% expect arrangements to remain unchanged, one in five are negotiating reductions and "it depends on the strategy" (37%) has become the default fee stance. On private credit, allocators are watching rather than walking: just 14% are pausing or reducing allocations despite months of negative headlines, though 60% take a dim view of hedge fund managers drifting into the asset class.

The picture is of investors who have decided what hedge funds are for, capital preservation, genuine diversification and uncorrelated alpha in a fragmented and structurally more inflationary world, and who are paying, selectively, for exactly that.

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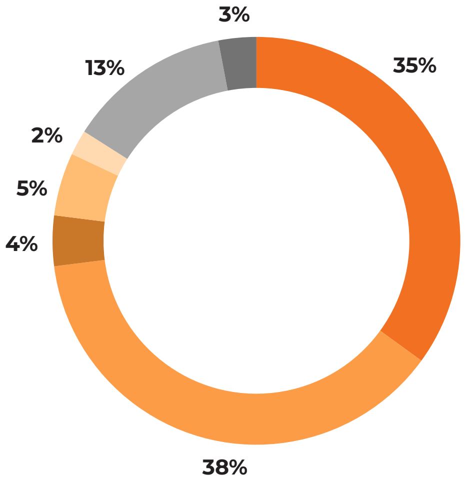
METHODOLOGY

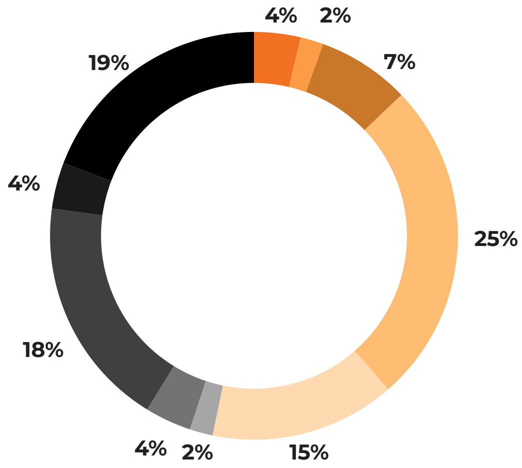
The key source of data in this report is the Hedgeweek®-AIMA H2 2026 Allocator Survey conducted in June 2026. Over 50 allocators who participated were spread across major global domiciles, AUM size categories, and mandate types. Further insights were gathered during interviews with named and unnamed allocator sources as well as additional third-party research and intelligence.

REGION



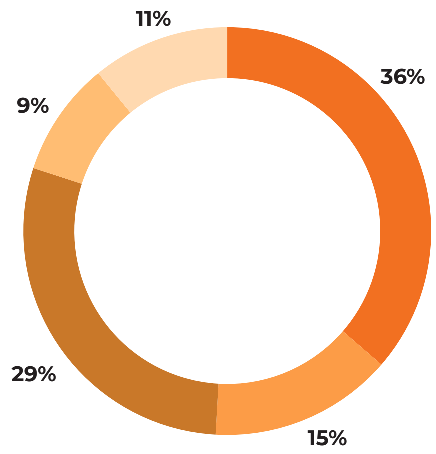
- North America
- Europe
- Asia (Singapore)
- Asia (Hong Kong)
- Asia (Saudi Arabia, UAE, Qatar and Dubai)
- Asia (Others)
- Others

TYPE OF ALLOCATOR



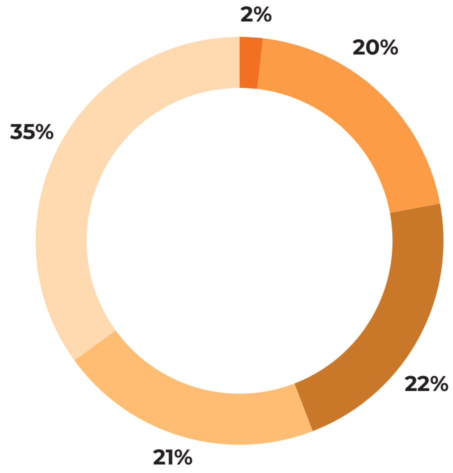
- Pension fund
- Sovereign wealth fund
- Endowment/Foundation
- Family office
- Fund of funds
- Multi-strategy hedge fund
- Insurance company
- Wealth manager
- Bank/Private bank
- Other (please specify)

ASSETS UNDER MANAGEMENT



- Under $500m
- $500m-$1bn
- $1bn-$10bn
- $10bn-$50bn
- Over $50bn

PERCENTAGE OF PORTFOLIO ALLOCATED TO ALTERNATIVE INVESTMENTS



- 0%
- 1-10%
- 11-25%
- 26-50%
- Over 50%

KEY FINDINGS

1

Confidence is steady and deployment intact

Some 54% of allocators are confident or very confident their hedge fund portfolios will meet performance targets, a measured cooling from H1's 71% peak. Yet 40% still plan to increase allocations over the next six to 12 months, 47% will hold and none intend to cut significantly.

2

The rationale revolution holds

Diversification (71%), uncorrelated returns (57%) and downside protection (51%) dominate the case for hedge funds in H2 2026, with expected higher returns trailing at 43%. Risk management, not return-chasing, remains the defining institutional frame, with downside protection now established as a clear third pillar.

3

Fees are stable, and increasingly strategy-dependent

Some 69% of allocators expect fee arrangements to remain unchanged and only 20% are actively negotiating reductions, while 37% say their preferred management fee varies significantly by strategy. Allocators are moving away from a single reference fee toward paying for what a strategy genuinely delivers.

4

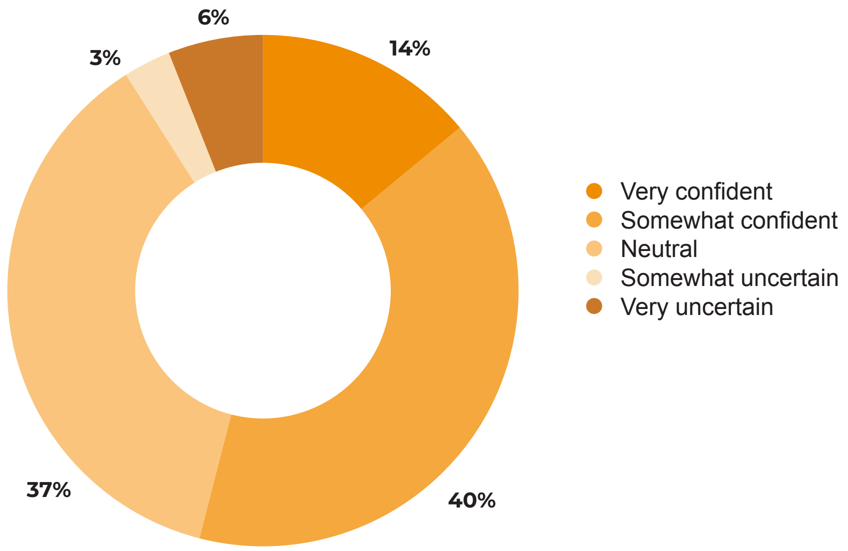
Headline risk in private credit is being monitored rather than acted on

Two-thirds (66%) say recent private credit stress is only minimally influencing their allocations and just 14% are pausing or reducing, a counterpoint to the headlines. Yet 60% view hedge fund managers expanding into private credit negatively, preferring managers stay within their core competency.

PART 1: ALLOCATING IN THE AGE OF FRAGMENTATION

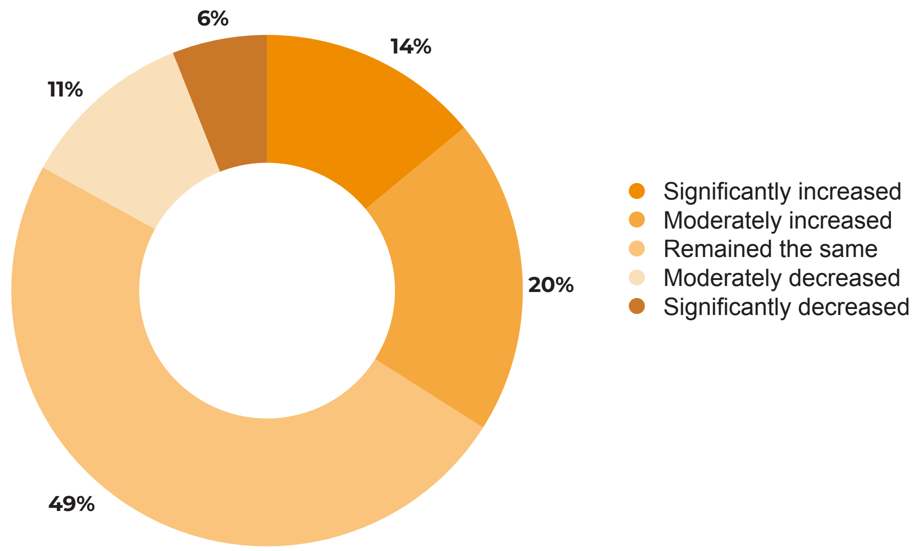
Confidence holds and the case for hedge funds hardens as allocators buy diversification, uncorrelated alpha and downside protection in a fragmenting world

Chart 1.1 Confidence in hedge fund portfolios



Source: Hedgeweek®, AIMA H2 2026 Allocator Outlook Survey

Chart 1.2 Return expectations vs 12 months ago



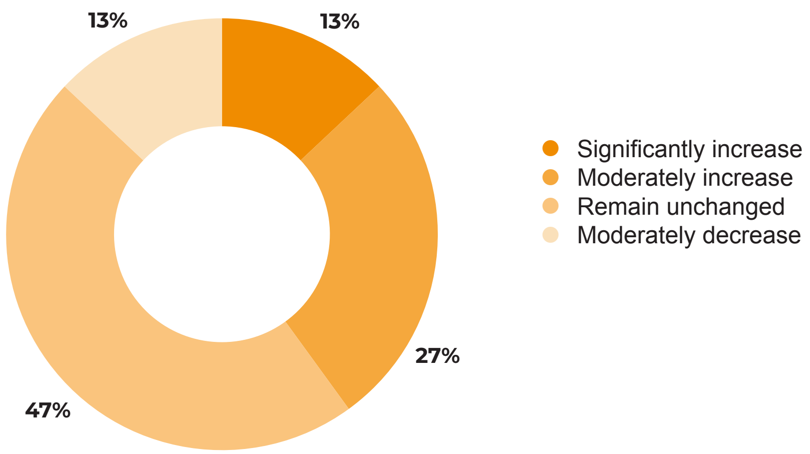
Source: Hedgeweek®, AIMA H2 2026 Allocator Outlook Survey

NAVIGATING A STRANGE NEW WORLD

Ask a room of sophisticated allocators to sum up the second half of 2026 in a single word and the answer, more often than not, is fragmentation. It is a term doing a great deal of work. At its highest level it describes a global supply chain that no longer behaves as a single system. The Strait of Hormuz, which carries roughly a fifth of the world's oil and LNG, has been effectively shut for months amid the US-Iran conflict, and even under optimistic ceasefire scenarios shipping traffic is unlikely to normalise quickly. The deliberate rewiring of US-China trade continues, and the tariff regime has not gone away so much as become part of the furniture. Layer on top of that a monetary policy divergence, with the Federal Reserve, the Bank of England and the European Central Bank each responding to a different mix of inflation, growth and political pressure, and the assumption of synchronised easing that opened the year has been abandoned.

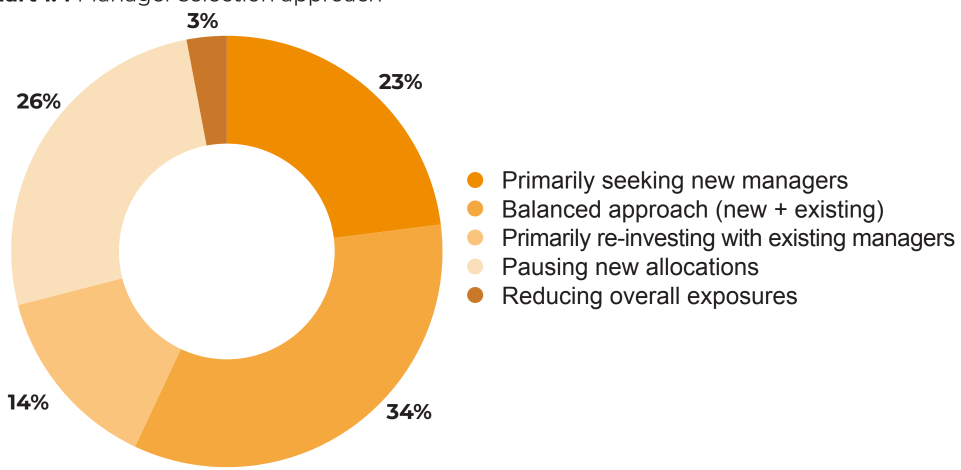
Michael Weinberg, special advisor to the Tokyo University Endowment, does not think the word is an overstatement. "We are operating in the most geopolitically fraught environment I have seen in my career," he says, pointing to two forces doing most of the damage to the old playbook. The first is the Hormuz chokepoint, which he sees driving "a structural, not transitory, repricing" of energy and fertiliser and everything derived from them, from food and plastics to shipping and packaging. The second is the slower-moving but arguably more consequential unwinding of forty years of globalised manufacturing. Put the two together, he argues, and you get "a textbook input shock to global supply curves", landing on top of an AI and data-centre buildout that is itself voraciously absorbing power, materials and skilled labour. "None of this is disinflationary. I think we are in the early stages of a structurally inflationary cycle, not a transitory spike." The consequence, in his view, is that rates stay higher for longer than consensus expects and regional outcomes diverge sharply between commodity-rich winners and import-dependent losers.

Chart 1.3 Hedge fund allocation intentions



Source: Hedgeweek®, AIMA H2 2026 Allocator Outlook Survey

Chart 1.4 Manager selection approach



Source: Hedgeweek®, AIMA H2 2026 Allocator Outlook Survey

Equity markets have a fragmentation story of their own. A narrow AI-led cohort dominates the S&P 500 and, by extension, a large share of investor portfolios, and even within that cohort the ground is shifting as capital rotates from the megacap platforms into the chipmakers supplying the buildout. For allocators who rode the long bull market of the 2010s, the lesson has landed: concentration risk on this scale cannot be carried passively, and crowding on one side of the market is precisely why protection now dominates thinking on the other.

It is against this backdrop that Hedgeweek® and AIMA surveyed the global allocator community in June 2026. The sample is a snapshot of a moment in time rather than a census of the industry, weighted toward institutional investors alongside family offices and wealth managers, and the smaller segments should be read as directional. The signal that emerges, however, is unusually consistent.

CONFIDENCE STEADY, DEPLOYMENT INTACT

Confidence in hedge fund portfolios is steady but measured. Some 54% of allocators are confident or very confident their hedge fund allocations will meet or exceed target returns, with a substantial neutral bloc (37%) and only 9% expressing uncertainty (Chart 1.1). That is a visible cooling from the 71% recorded in our H1 report, but the accompanying data points to recalibration rather than retreat. Half of allocators (49%) say their return expectations are unchanged from a year ago, with a modest positive tilt: 34% have raised expectations against 17% who have lowered them (Chart 1.2). Allocators, in other words, appear content with steady, well-managed outcomes in a year that has offered anything but steadiness.

Deployment intentions make the point more forcefully. Some 40% plan to increase their hedge fund allocations over the next six to 12 months, 27% moderately and 13% significantly, while 47% will hold allocations unchanged and just 13% plan a moderate reduction. Not a single respondent intends to cut significantly (Chart 1.3). The manager hunt has cooled without stopping: a balanced approach between new managers and existing relationships leads at 34%, while 23% are primarily seeking new managers and 26% are pausing new commitments while maintaining what they hold (Chart 1.4).

THE RATIONALE REVOLUTION DEEPENS

The hierarchy of motives explains the conviction. Portfolio diversification is cited by 71% of allocators, uncorrelated returns by 57% and downside protection by 51%, while expected higher returns trails at 43% (Chart 1.5). Risk management over return-chasing has been the defining institutional frame for several surveys running; what is new is downside protection consolidating as a clear third pillar of the case.

THE CORRELATION PROBLEM

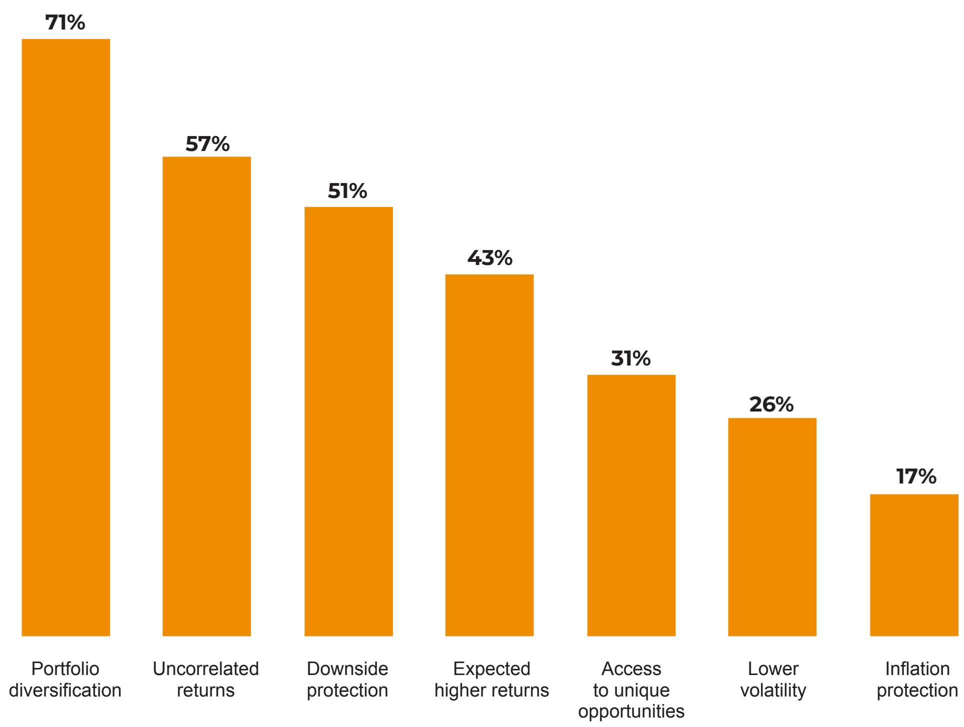
That hierarchy maps directly onto the correlation problem hanging over traditional portfolio construction. Weinberg is blunt: the historic negative correlation between equities and bonds was a disinflation-era phenomenon, and in a world where inflation surprises skew to the upside, bonds stop being the ballast they were trained to be. Paul Zummo, head of hedge fund solutions at J.P. Morgan Alternative Asset Management, reaches a similar destination from calmer premises. “Small but positive correlation between stocks and bonds is not abnormal. That’s what people should expect on a go-forward basis, especially if inflation is front and centre in people’s minds,” he says. Fixed income still plays a unique role, particularly in a flight to quality, “but it’s not enough. A lot of people saw this in 2022.” The memory of that year, when equities and bonds corrected together and 60/40 portfolios took double-digit losses, remains fresh, and a growing number of commentators ask whether a higher-for-longer environment could produce a repeat. On this evidence, allocators are answering the question before it is asked again.

Zummo also reframes what the diversification actually costs. If an uncorrelated hedge fund portfolio is funded from fixed income rather than equities, the allocator is not sacrificing return for safety at all. “It’s a diversifier, but it’s also a return enhancement,” he says, worth perhaps 3% over fixed income across the long term and paid for by accepting somewhat more tail risk than the bonds it replaces. Kier Boley, co-head of alternative investment solutions at UBP, describes the same philosophy in target form: since 2018 the firm has run its hedge fund allocation to deliver “a consistent 8 to 10% pa return but with little correlation to other asset classes”, built on underlying managers whose returns carry minimal beta. Hedge funds, he adds, are best framed as a portfolio tool like any other, substituting for asset classes whose forward return expectations have deteriorated.

A LIVE TEST THROUGH THE DRAWDOWN

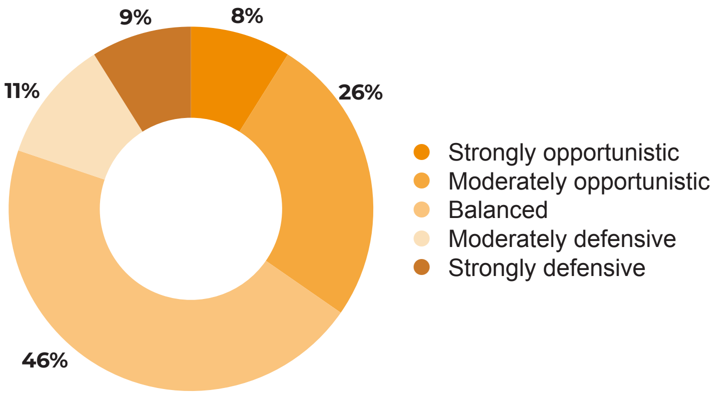
The first half of 2026 provided a live test, and allocators judged managers on the full round trip through the March drawdown and the April recovery rather than either leg in isolation (Chart 1.7). Zummo describes results “firmly within expectations”: Statistical arbitrage performed well and in orderly fashion, short-term futures benefited from the volatility, while discretionary macro sat at the epicentre of the pain, with crowding in front-end rates in the UK and Europe. “More of a reminder rather than a surprise,” he says, and the remedy is structural rather than tactical: diversify across managers, styles and approaches, and size crowded strategies appropriately. Macro is 15 to 20% of his portfolio for exactly that reason, not 50 to 60%. Positioning across the wider sample bears this out: 46% of allocators describe their post-March stance as balanced and 26% as moderately opportunistic (Chart 1.6). Allocators continue to favour hedge fund investment strategies that offer flexibility, diversification and risk management. The market environment

Chart 1.5 Why allocators choose hedge funds



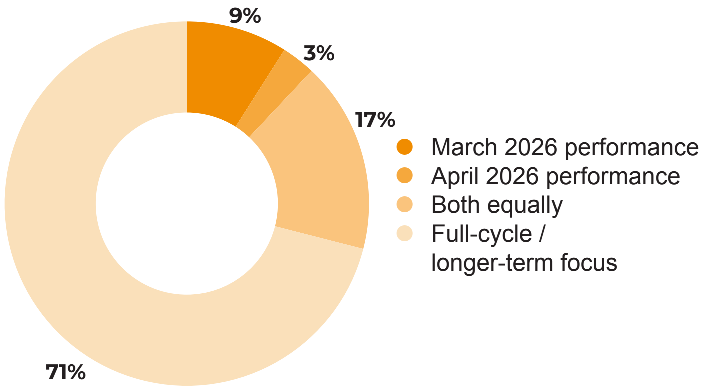
Source: Hedgeweek®, AIMA H2 2026 Allocator Outlook Survey

Chart 1.6 Positioning after March 2026 volatility



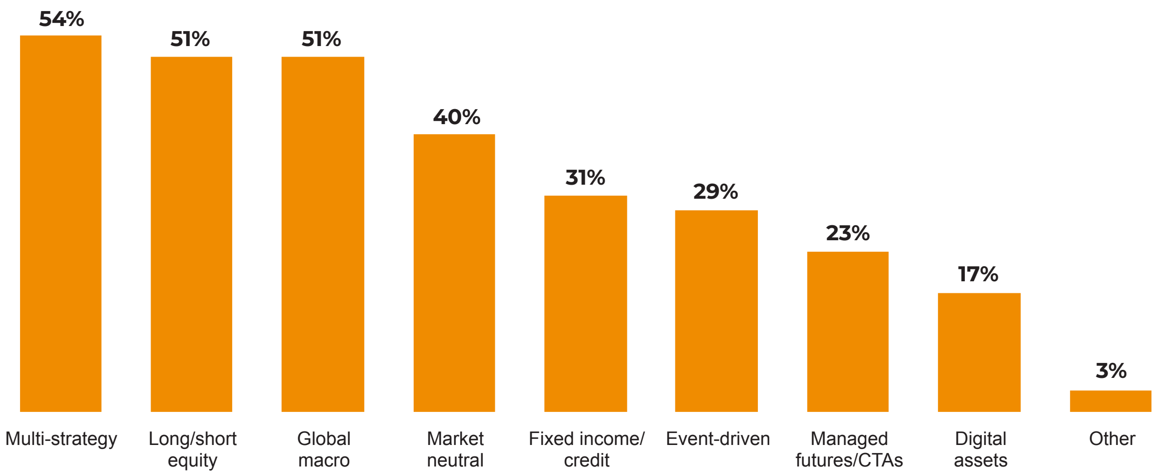
Source: Hedgeweek®, AIMA H2 2026 Allocator Outlook Survey

Chart 1.7 Manager evaluation lens



Source: Hedgeweek®, AIMA H2 2026 Allocator Outlook Survey

Chart 1.8 Strategies favoured (placed in top 3)



Source: Hedgeweek®, AIMA H2 2026 Allocator Outlook Survey

has changed, but the role expected of hedge funds in an investor portfolio has not.

STRATEGY: A THREE-WAY RACE AT THE TOP

Strategy preferences complete the picture with a tight three-way race at the top. Multi-strategy is the most widely favoured, landing in the top three for 54% of allocators; long/short equity has the strongest average ranking alongside a 51% top-three rate; and global macro matches that 51%, rising to 83% among the largest allocators (Chart 1.8).

The appeal of multi-strategy is that it is the closest thing the industry now offers to an all-weather vehicle: Risk managed at the portfolio level, diversified across styles and increasingly extending into less liquid exposures. Zummo's caution is that the label conceals more than it reveals. The mistake investors make, he says, is treating the platforms as close cousins of one another, when they differ profoundly in capital allocation, culture and risk approach and only deep diligence separates them. Boley, for his part, is leaning into convertible bond arbitrage, where heavy issuance from higher-beta technology and healthcare companies is creating opportunity on both the credit and volatility sides of the trade.

RONAN FARRELL

Ronan Farrell, Global Head of Buy Side at FIS® Cross Asset Trading and Risk

Short gamma, hard choices:
why operational agility is the new alpha

As allocators reframe what they want from hedge funds, prioritising diversification, uncorrelated alpha and downside protection over outsized returns, the pressure on managers is shifting from the front office to the whole operating model. Ronan Farrell argues that the firms thriving in 2026's volatility are not reacting faster, they are simply better prepared, having paid for flexibility long before they needed it. He spoke to Hedgeweek® about what breaks when volatility spikes, how managers can defend fees, and why data fragmentation, not people, is the quiet drag on operational alpha.

Allocators tell us they are optimistic, but they are allocating for diversification, uncorrelated alpha and downside protection rather than chasing high returns. How are your clients managing volatile environments where allocators want more protection?

It comes back to value. In the early 2010s hedge funds delivered something like 4% annualised with half a percent of alpha, because we were in a nominal market with very little excess return on offer. Now, with inflation and rates higher, there is far more opportunity for alpha, but there is also more to manage.

My recurring theme is that, to some degree, every client is short optionality in their operating model. They are short gamma. In benign conditions that is comfortable. You optimise, you squeeze out a little more return. Then volatility spikes and suddenly your hands are tied. You cannot do what you want to do, you cannot even put the trade on. The first question becomes: what can I do quickly myself? And if I cannot, who can I do it quickly with? Often a manager would rather bring in a different partner for that conversation than try to build an additional technology stack from scratch, because the time to market is simply too long.

What tends to break when volatility spikes the way it did in March this year?

When I talk about alpha, I do not just mean the trades you execute. Your operating model is an investment too, and it has asymmetric outcomes depending on how you built it. If you have sold low delta options for years, it pays off until volatility rises and that two delta option becomes a six delta. The world where you are short carry or short gamma works fine, until it does not.

The point is you cannot separate the investment decision from the operating model. You have to look at your own business through the same lens you apply to your clients' money. Honestly, we are sometimes not as good at looking after our own money as we are at looking after our clients'. That is the conversation we have had over and over for the last nine or ten months.

Fee pressure is intensifying. Allocators will pay up for differentiated strategies, but most want to pay less. How should managers keep the whole team focused on alpha, operational as well as investment, rather than carrying operational drag?

It always comes back to value, and to how much flexibility you will need but do not yet know you need. Look at where the market is going, not just where it is, and ask what convexity you will have to deal with twelve or twenty-four months out. Flexibility is only an overhead if you have no plan for it.

Some things should be outsourced and automated as fast as possible. Connectivity to markets, the OMS, the PMS, that plumbing should go to a vendor and let you express your view more cheaply and quickly. The real question is where you add genuine complexity to your process, and where you truly need optionality. You can cut costs the way clients did in past cycles and lose your agility, becoming fragile, or you can keep enough flexibility to pivot as the environment shifts. If we are in a world where volatility spikes and regresses repeatedly, that flexibility is the whole point. Every manager will draw that line differently, depending on their view of the market and their core themes.

The best-run funds have the whole organisation, not just the front office, oriented towards alpha. What does that look like operationally, and what quietly pulls a team's focus away from it?

At our recent workshop at the Hedgeweek® European Summit we asked managers to rank five issues holding their operations back. Data fragmentation came first. Most of them put people last. That was the striking part. To me it says the market has not given firms the capability to bring people together around one view. If they cannot talk to the same numbers or look at things the same way, they cannot communicate, and that is not where it needs to be. The move to total portfolio management is an acknowledgement of that. In a nominal world with little excess return, siloed allocation hardly mattered. Now, with rates and inflation where they are, everyone needs to read from the same numbers, which is why the bigger platforms offering a single source of truth are back in vogue. But fundamentally it comes back to people and finding ways to give them shared data and a shared language so they can deliver operational alpha across the whole firm.

WERNER DE WIT

Head of Specialised Sales, EMEA at AlphaSense

As allocators reframe what they want from hedge funds, prioritising diversification, uncorrelated alpha and downside protection over outsized returns, the pressure on managers is shifting from the front office to the whole operating model. Werner De Wit argues that the hedge funds best positioned for today's allocator demands are those that have strengthened their entire operating model, not just their investment process. He spoke to Hedgeweek® about why operational resilience has become a competitive advantage, how managers can credibly demonstrate diversification and downside protection, and why AI is helping firms turn information into decision-grade evidence that builds allocator confidence.

Our data shows allocators put diversification, uncorrelated alpha and downside protection well ahead of chasing higher returns. How can managers credibly demonstrate those qualities to allocators? And where is AI changing how they evidence diversification and downside management in their research and positioning?

Allocators are looking for evidence, not investment narratives. It's no longer enough to claim a strategy is differentiated or resilient. Managers need to show how they generate ideas, challenge assumptions and manage risk across different market environments.

At AlphaSense, we're seeing leading investment firms use AI to analyse a much broader set of information, from earnings calls and company filings to expert insights and market news. But simply having access to more data isn't the advantage. The real value comes from finding the right evidence quickly and being able to trace every conclusion back to its source.

That's the difference between general purpose AI and decision grade AI.

Confidence among allocators is steady but measured. In an environment where conviction is harder to come by, how is better access to research helping managers and allocators build genuine conviction rather than just adding to the noise?

The challenge today isn't information scarcity, it's information overload. Confidence comes from evidence, not volume. We often say more content isn't necessarily better content, and more context isn't necessarily better context. The firms building the strongest conviction aren't consuming more research, they're finding the right evidence faster.

That's where AI is genuinely making a difference. But access isn't intelligence. The real question is what happens between the information and the answer. Is the evidence complete? Can you verify it? Can you trust it when the stakes are high? Decision grade AI helps investment teams answer those questions, allowing them to spend less time searching and more time applying judgement.

The manager hunt has clearly cooled, with many allocators pausing new allocations and leaning on existing relationships. In your conversations with clients, what's separating the managers still raising capital from those that aren't?

Raising capital has become much more competitive, so managers need to demonstrate the strength of their investment process as much as their performance. From my conversations with AlphaSense clients, the firms still attracting allocations can clearly articulate how they generate differentiated insights, manage risk consistently and adapt to changing markets. They're also using AI to cover more information without increasing headcount, allowing analysts to spend more time validating investment theses rather than gathering data. That creates a more disciplined, repeatable process, which is exactly what allocators are looking for.

On fees, our data shows pressure on commoditised strategies, while allocators remain willing to pay for differentiated ones. As AI become more widely available, does that raise the bar for what counts as truly differentiated?

Absolutely. AI itself is rapidly becoming table stakes. The differentiator isn't access to AI, it's the quality of intelligence behind it. When every model can reason, what matters is what you give it to reason over.

The firms that combine trusted research, expert insights and proprietary thinking with AI will create a much stronger edge than those relying on generic AI outputs. That's where genuine differentiation, and ultimately pricing power, will come from.

Can managers use AI to sharpen their edge and defend higher fees, or does broad access risk levelling the playing field?

AI can absolutely strengthen an investment edge, but only if it improves research quality, not just research speed.

Generic AI will naturally level some aspects of research because everyone has access to similar models. Real differentiation comes from the quality of the intelligence behind it. At AlphaSense, we believe AI should help analysts make better decisions, not just faster ones. That means retrieving the right evidence, grounding every answer in trusted sources and making conclusions easy to verify. In high-stakes investment decisions, that's where a sustainable edge comes from.

Geopolitical tension and market volatility remain allocators' top concerns. How are the funds you work with responding, and has the way they monitor these risks changed?

We're seeing investment teams move from periodic monitoring to continuous monitoring.

Whether it's geopolitical events, policy changes or company developments, firms want to understand what's changing as it happens. AI is making that possible, but accuracy matters. During volatile markets, investment teams need AI that prioritises trusted sources and retrieves the right evidence, beyond just summarising everything available. That enables faster decisions without compromising confidence.

Where does AI genuinely change the game for managers today, and where is it still being oversold?

The biggest impact today is making investment research both faster and better. AI is helping analysts uncover opportunities, synthesise large volumes of information and spend more time applying judgement rather than gathering data.

PART II: SELECTIVE, NOT SQUEEZED

Fees hold rather than compress, structure preferences tilt back to simplicity, and allocators draw a firm line on private credit

If the first half of this report describes what allocators want from hedge funds, the second describes what they are prepared to pay for it, how they want it structured and where they draw the line. The common thread is selectivity.

FEES: STABLE, AND STRATEGY-DEPENDENT

Start with fees, where the data undercuts the blanket compression narrative. Some 69% of allocators expect their fee arrangements to remain largely unchanged over the next six to 12 months. Only 20% are actively negotiating lower fees across their portfolios, while 9% say they will accept moderately higher fees for certain strategies or managers (Chart 2.1). Read plainly: in one of the most demanding market environments in years, four in five allocators are not pushing back on price. That is hard to square with an industry supposedly under siege on fees, and much easier to square with investors who feel they are getting what they pay for.

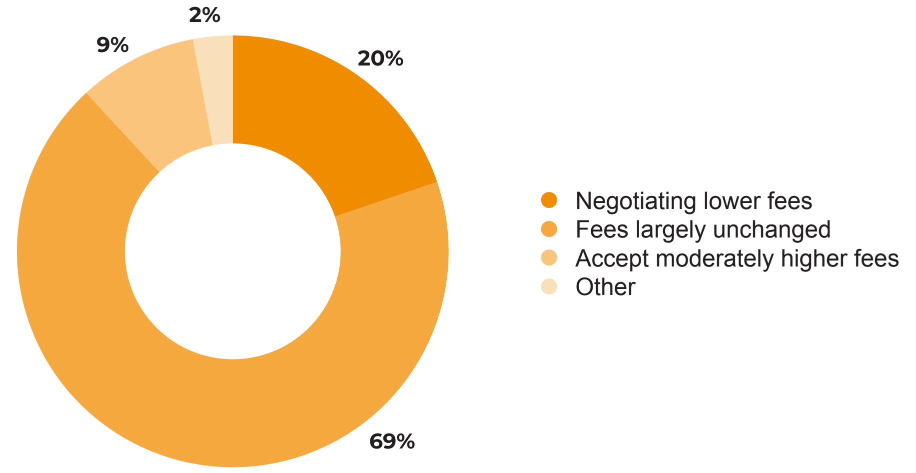
What has changed is the reference point. Asked what management fee they typically negotiate, the largest single group (37%) says the answer varies significantly by strategy, ahead of any fixed band, with the 1.5% to 1.99% range next at 26% and the standard 2% or higher down at 11% (Chart 2.2). The single headline fee is quietly retiring. Allocators are pricing what a strategy actually delivers, with something in the region of 1.5 and 15 emerging as a plausible anchor for conventional structures even as genuinely differentiated strategies command more.

Boley's account of how UBP prices managers captures the logic. "There is no one standard fee within the hedge fund industry as it still remains a fragmented industry without a benchmark reference point for fees," he says, with ranges varying widely by tenure, size, track record and capacity, from quasi-long-only fee levels up to the expensive pass-through models. The firm's discipline is to interrogate the source of return: where returns are driven by passive beta, fees should be low; where they are driven by unique alpha, a premium is warranted. Weinberg closes the loop with the macro case for that premium: fragmentation, almost by definition, creates dispersion, and "dispersion is where active, uncorrelated strategies earn their fees".

A TALE OF TWO ALLOCATORS

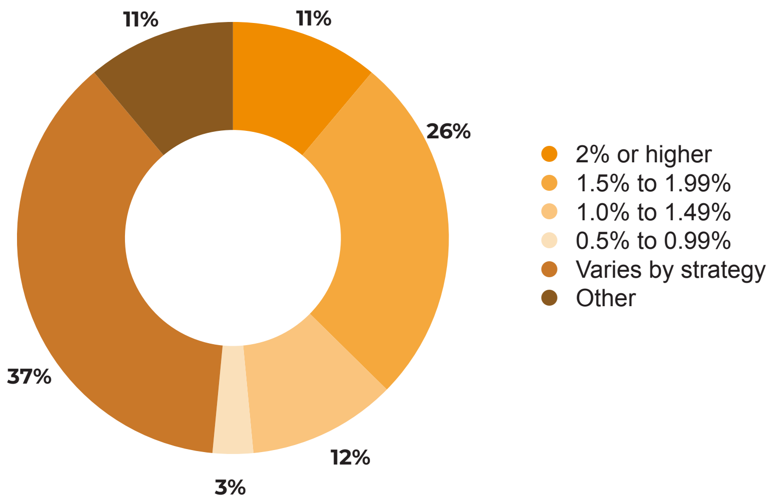
The sharpest lines in the data, however, run between allocator types. Institutional investors occupy the confident, still-deploying end of the spectrum: 56% are confident or very confident, half plan to increase allocations, a third are actively seeking new managers and 22% are negotiating fees down, consistent with the leverage their scale provides (Chart 2.4). Wealth managers sit at the other end: just 33% are confident, only 20% plan to increase and, strikingly, not one is actively seeking new managers, with half pausing new allocations while maintaining existing holdings. Family offices sit in between on almost every measure. None of this reads as wealth managers abandoning hedge funds, but it does read as a channel in wait-and-see mode, and given that wealth platforms are the conduit through which much private capital reaches

Chart 2.1 Fee negotiation intentions



Source: Hedgeweek®, AIMA H2 2026 Allocator Outlook Survey

Chart 2.2 Management fee preference



Source: Hedgeweek®, AIMA H2 2026 Allocator Outlook Survey

alternatives, their caution is worth watching as a leading indicator for the broader retailisation story.

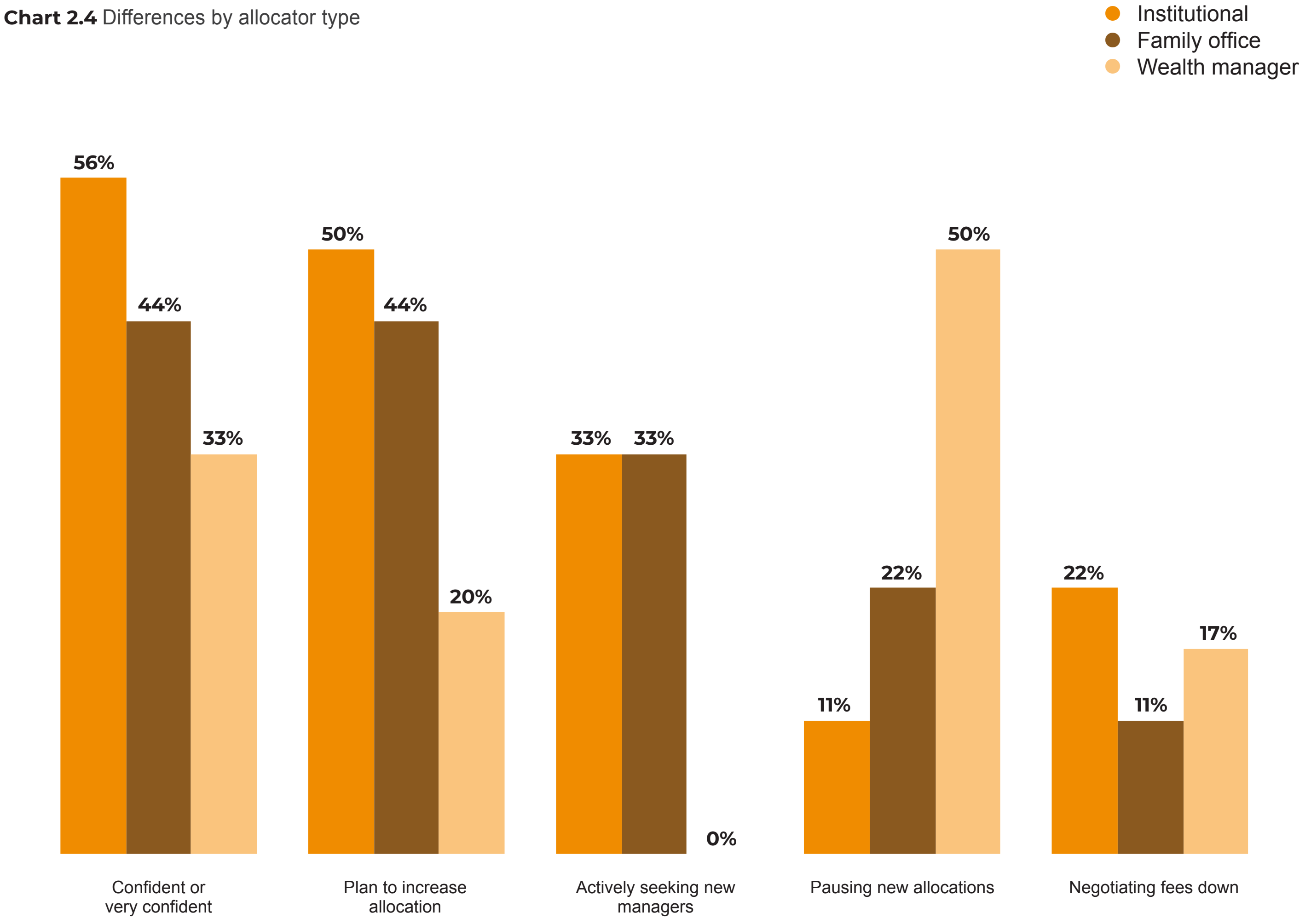
PRIVATE CREDIT: WATCHING, NOT WALKING

Which brings us to private credit, the asset class that has dominated the alternatives conversation, and much of the financial press, for the better part of a year. Allocators want private credit exposure but only with asset managers with demonstrable expertise and a strategy that avoids style drift.

Our survey asked the question directly: is the recent stress in private credit influencing your allocation to the asset class? The answer is a counterpoint to the headlines. Two-thirds of allocators (66%) say the headline risk is influencing them minimally or not at all, and just 14% are actively pausing or reducing allocations (Chart 2.5). The modal behaviour is greater scrutiny within maintained allocations: caution without capitulation. Private credit also retains its place among the most attractive non-hedge-fund alternatives, with distressed strategies (26%) and direct lending (23%) both featuring prominently in allocators' top picks alongside digital infrastructure (29%) (Chart 2.6).

The finding deserves careful handling rather than triumphalism. The institutional wing of the market was always expected to be sticky, whether by temperament or by the simple mechanics of unwinding illiquid commitments, and our sample skews institutional. The more telling signal may come from the middle of the

Chart 2.4 Differences by allocator type

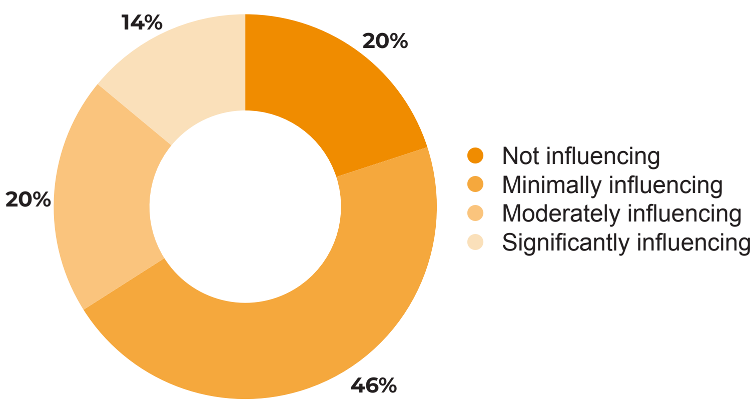


Source: Hedgeweek®, AIMA H2 2026 Allocator Outlook Survey

market: the family offices and, in particular, the wealth managers whose client base sits closest to the retail flows that have driven the negative headlines. Even here, the data suggests staying the course rather than heading for the exits. This is a moment-in-time reading from a survey fielded in June 2026, the better part of a year into private credit's public reckoning, which makes the resilience more notable, not less. If sentiment were going to crack, it has had ample opportunity to do so.

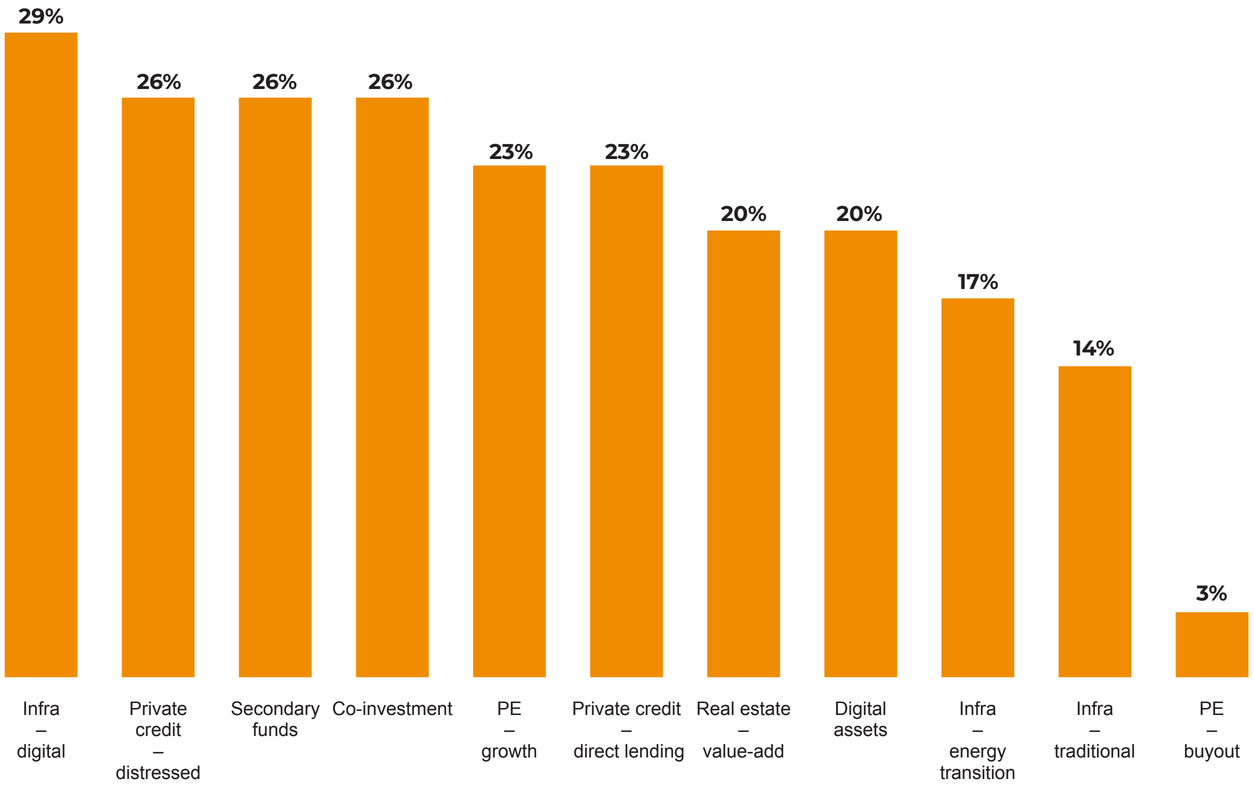
The through-line of this report is an allocator base that has stopped asking whether hedge funds deserve a place in the portfolio and started specifying, with some precision, what that place is: what the allocation is for, what it should cost and where its boundaries lie. In a fragmenting world, that clarity may be the most valuable finding of all.

Chart 2.5 Private credit headline-risk influence



Source: Hedgeweek®, AIMA H2 2026 Allocator Outlook Survey

Chart 2.6 Most attractive non-HF alternatives



Source: Hedgeweek®, AIMA H2 2026 Allocator Outlook Survey

CONCLUSION

The market volatility of early 2026 presented the first meaningful test of institutional allocator sentiment since the publication of Beyond the Hunt. This report set out to examine whether that period of uncertainty had fundamentally changed the way institutional investors think about hedge funds and alternative investments.

The findings suggest that it has not.

Instead, they point to an institutional market that is becoming more disciplined rather than more defensive. Confidence has moderated from the exceptionally high levels recorded in the January survey, reflecting a more measured assessment of today's investment environment. Yet that moderation has not translated into a retreat from hedge funds. Allocation intentions remain constructive, diversification continues to dominate investment decision-making, and institutions remain committed to the long-term role that hedge funds play within resilient portfolios.

Perhaps the most significant development is not what has changed, but what has endured. Allocators continue to prioritise diversification over return maximisation, governance over expansion, and specialist expertise over broad product proliferation. They are refining portfolios, strengthening manager selection and applying greater discipline to capital deployment—not redefining their investment philosophy.

For hedge fund managers, the message is equally clear. The opportunity to win institutional capital remains, but expectations are rising. Investment performance remains essential, yet increasingly it must be supported by organisational quality, transparent communication and a clearly articulated role within clients' portfolios.

The picture is equally instructive in private credit. While recent defaults and concerns surrounding parts of the market—including heightened scrutiny of software lending and borrower leverage—have generated considerable headlines, they have not materially weakened institutional conviction.

Rather than abandoning the asset class, investors appear to be distinguishing between cyclical market stresses, manager-specific issues and the long-term structural investment case for private credit.

Taken together, these findings point to an allocator community that is responding to uncertainty with greater discipline rather than greater caution. Capital continues to flow towards managers that demonstrate specialist expertise, robust governance and a clearly defined role within a diversified portfolio. At the same time, investors are raising the bar for manager selection, demanding greater transparency, stronger organisational capabilities and compelling evidence of long-term value creation.

Institutional investors are staying the course—not because the journey has become easier, but because they believe disciplined portfolio construction, selective manager choice and thoughtful diversification remain the best way to navigate the road ahead.

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