



HFR Newsletter

March-
April
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Manager Views	HFR Indices & Data	HFR Media
<ul style="list-style-type: none"> ▪ Investing in the Energy Transition ▪ AI & US-Iran War: Opportunities for Italian Stock Pickers ▪ From Flickers to Fortunes: Europe's Energy Transition ▪ When Winter Comes: Unique Dynamics of Power & Gas Markets 	<ul style="list-style-type: none"> ▪ New Launch: HFR Co-Investment Index ▪ Performance Contribution Report ▪ Hedge Fund Indices: Benchmarks Trusted by Leading Institutions ▪ Watch: HFRX Indices Performance Snapshot 	<ul style="list-style-type: none"> ▪ HFR Podcast: Oil and Gas in the Time of War ▪ Market Outlook: Volta Fund ▪ Market Outlook: Lemanik High Growth

HFR Co-Investment Index: Q&A

Index Performance

HFR's new Co-Investment Index (HFRCINV) is one of HFR's highest performing indices on a five-year annualized basis. As of March 16th, 2026, the Index has posted a 5-year return of 18.47% with a 5-year Sharpe Ratio of 1.04. To see index data, visit our website [here](#)

What is the gap this index fills and how does it differ from existing offerings?

Co-investments are usually offered to investors when a manager is constrained by internal limits on what projects to pursue. Managers offer a percentage stake in the project directly to an investor, thereby becoming a co-investor rather than an agent of the investing partner.

The Co-Investment index offers investors and allocators a chance to monitor the performance of the best co-investment opportunities out there and gauge pricing. Licensed users can also obtain constituent manager names.

How is the new index constructed and weighted?

The index contains over 100 positions contributed by 20 managers to date. It follows a two-step roll up methodology, where all positions are equal weighted to begin and are rebalanced annually. Between rebalancings, weights evolve according to position performance. Managers must meet HFR's rigorous eligibility requirements and report data monthly.

Compared to a broad industry index like the HFRI FWC, what is the significance of this new offering?

The hedge fund ecosystem as a whole offers investors a wealth of strategic approaches. On the one hand, an investor looking for an indicator of the overall hedge fund industry will rely on the HFRI FWC which is the industry bellwether. As investors seek out more nuanced exposures, specialty indices become more important because they allow asset managers to price unique portfolio combinations. The Co-Investment Index provides valuable data for all institutional and high net worth investors.

How do you see this index evolving?

There's no upper limit on the number of opportunities or managers to include. We expect that as managers and investors appreciate the information value of this index family, this space will continue to grow. We anticipate adding in more eligible positions and managers, maintaining the high standard of reporting and data integrity that is quintessentially to HFR.

Is this an investable index?

Yes, it is an investable index in that the positions are currently available for investment at the manager level. To learn more, please contact IndexData@hfr.com

HFR Podcast: Oil & Gas in the Time of War

The HFR Podcast's latest episode offers a strategic analysis of energy markets and prices in the current geopolitical landscape.

Energy market expert Jeff Krimmel discusses the recent widening Brent-WTI price differential, the impact of geopolitical conflicts on oil markets, and the implications for energy investments and global security.

The episode offers our listeners

an understanding of why an end to the war in Iran today may not imply immediate easing in energy prices, with discussion of supply chains and cushioning potential of renewables. Investors and decision makers will gain a deeper understanding of the impact on prices, futures, and energy equities. Listen to the Podcast [here](#)

[Catch the Podcast playlist here](#)



Jeff Krimmel

*Upcoming in April:
Austin Guy
(Northern Trust) on
indexing for asset
management today*

Investing in the Energy Transition



MANAGER VIEW
by Will Smith

The Energy Transition is an attempt to decarbonise our energy system and recent events in the Gulf will focus investors' attention on both our continued reliance on fossil fuels alongside the need for energy security.

Last year, the incredible power demands of AI data centers became apparent, and the requirements of the energy system changed from not just decarbonised power but to *more* power, and as clean as possible. The renewable energy indices (ICLN & PBW) responded by having their first positive year in five.

Fossil fuels will still be required, but we believe that the next unit of GDP will be powered by an electron as opposed to a molecule. Nuclear will have an important role to play in the provision of decarbonised baseload electricity and here our focus has been throughout the value chain from the generators and the reactor builders through the fuel cycle to the uranium miners and the developers of the much-

needed new projects. Nowhere in our universe do we see a supply deficit quite as concerning as the physical uranium market where, according to the World Nuclear Association, demand last year was around 182m lbs and supply around 165m lbs, and the former is now forecast to grow much faster than supply given the significant political support.

The energy transition is a very material intensive trend - think of all the material required for around 100 offshore wind turbines to replace a 1.2GW onshore gas power station - and the provision of these materials offers a range of investment opportunities in primary mining but also downstream processing.

The critical metals necessary for the energy transition have become a hot political topic recently as the world's reliance on China to be the dominant processor of such metals as graphite, lithium, rare earths, cobalt, polysilicon and nickel has been questioned. China's weaponisation of rare earths in particular has resulted in a massive Government led attempt to develop domestic supply chains and this has produced great trading opportunities on both the long and short side.

China is also the pre-eminent mid-stream operator of all the battery materials and currently produces 85% of the world's rechargeable batteries with only Korea at around 12% of the market offering an alternative.

Investing in the Energy Transition

CONTINUED FROM PAGE 2

The essential electric metal of copper provides another example of the unequal situation as China currently operates around 60 copper smelters and the US just three. Such concentration of supply is unsustainable in the long term, and alternatives will have to be financed and supported.

Electricity provides around 30% of our useful energy requirements and the biggest barrier to growing that number is the grid. The difficulty of permitting power lines in the US and Europe, along with shortages of equipment such as transformers and also trained labour have combined to make this a key constraint which will take a multi-year investment commitment to solve. This is a global problem and power electronic and cabling companies based in South Korea, China and Europe often offer better value than their North American peers.

The electrification of energy is a multi-year investment theme, but the AI capex boom and the current Gulf conflict have both focused a spotlight on the urgency to decarbonise and while global markets have no clarity as to the duration of the current energy shock, it is probable that the Energy Transition will only be accelerated as a result.







Will Smith - Co-Founder & CIO, Westbeck Capital Management Volta Fund - has received several industry awards, including the 2011 Investment Week Best Specialist Investment Trust, the 2012 Investors Chronicle Best Commodity Trust, and the 2012 Investment Week Best Commodity and Resources Trust. The Westbeck Volta Fund is a long/short global equity Fund investing across the Energy Transition with a low net approach, focused on listed companies. Accredited investors can view Will Smith discussing his expectations and investment approach in 2026 in our latest Market Outlook interview. Click on image to access interview.

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Learn more about HFR Index Constituents



HFR IndexScope Features

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HFR IndexScopeSM offers advanced filtering of HFRI index constituents by key indicators, including strategy, region, and asset size. Live dashboards follow over 1000 current constituents of the HFRI index family, with over 30 strategy and sub-strategy area data updated continuously. Request a demo at database@hfr.com



HFR Market Outlook

Will Smith
Westbeck Volta Fund

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Market Outlook: Volta Fund Creates Alpha in the Energy Transition

HFR Media interviews Will Smith to understand Volta Fund's medium to long term expectations. [This video is available for viewing only to accredited investors with a web registration at hfr.com or HFR Database license. Please contact \[hfrmedia@hfr.com\]\(mailto:hfrmedia@hfr.com\) with enquiries.](#)

HFR CO-INVESTMENT INDEX: CONSTITUENT MANAGER INSIGHTS

AI Fears & US-Iran War: Opportunities Aplenty for Italian Stock Pickers

By *Andrea Scauri*

The military escalation between the US, Israel, and Iran, which began on Saturday, February 28th, 2026, triggered a risk-off reaction in global markets, which so far has remained relatively orderly. The situation clearly favors the defense and energy sectors, while industrial and consumer sectors are more vulnerable, both due to rising energy/logistics costs and the impact on disposable income, as well as potential macro repercussions.

Much will depend on the duration, scale, and intensity of the conflict, the heightened risk of energy supply disruptions through the Strait of Hormuz, the broader economic impacts of the conflict, and the uncertainties surrounding the succession of Iranian leadership. Early reactions suggest a selective repricing of risk rather than an indiscriminate flight from risky assets.

We see plenty of opportunities in Italy in this contest. As always, when things change rapidly, there are losers and winners, reading under the surface. Who are the winners? We believe a sharp rotation into renewable names is the name of the game in Europe, and in Italy in particular. Indeed, after years of de-rating, it is clear that the sector will return under the spotlight. This imperative arises from the need of the European Union to be less dependent on oil and gas imported from the U.S. (via LNG), as well as imports from Russia and the Middle East. It is therefore reasonable to expect that new investments will be rewarded via higher allowed returns and favorable regulations.

While Italy is not the main market in Europe, it offers several high reward propositions against this broader picture. It may be true that France, Spain or Germany impose greater weight on the European index, but Italy offers very strong opportunities that can outperform the main European index. This moment is ripe for the informed investor in the Italian market, underscoring the need to pick up the best ideas. Our best ideas approach is designed to identify the most promising opportunities, and we see the catalysts coming clearly from renewables and defense over the medium term.

More than 20 years of experience in equity markets, developed both within Asset Management firms and at leading investment banks both domestically and globally. In these contexts, lived between Milan and London before joining Lemanik Invest SA in 2019, Andrea has been directly involved in IPO processes of several companies.

His in-depth knowledge of different economic sectors, with a particular focus on the Oil, Capital Goods and Consumer Goods sectors, combined with his strong financial analysis skills, which have led him to be consistently ranked among the top 10 financial analysts in the Italian market, represent the main components of his stock picking activity.

Andrea Scauri has more than 20 years of experience in domestic and global equity markets. At Lemanik Invest SA, he has lead the High Growth fund since 2019. With direct experience in IPO processes of several companies, Andrea has deep knowledge of several sectors, with a particular focus on oil, capital goods, and consumer goods. He is consistently ranked among the top 10 financial analysts in the Italian market.

Which hedge fund strategies are driving industry performance?

Access the Performance Contribution Report to take advantage of market intelligence from HFR. Create a website account at hfr.com to access monthly reports.

HFR

Performance Contribution Report

HFRI Index Family
HFRI Fund Weighted Composite Index

HFR CO-INVESTMENT INDEX: CONSTITUENT MANAGER INSIGHTS

From Flickers to Fortunes: Europe's Energy Transition



By Gene Salamon

On April 28, 2025, a voltage oscillation cascaded through Spain's power grid and plunged more than 50 million people across the Iberian Peninsula into darkness for approximately ten hours. Spain's main business lobby, CEOE, estimated the economic cost at approximately €1.6 billion. It was not a freak accident. It was a foreseeable consequence of decades of underinvestment in infrastructure that was never designed for today's decentralized, renewable-heavy energy system, and a striking illustration of a challenge playing out at scale across the European continent.

Europe's energy infrastructure is failing to keep pace with the demands being placed on it. Annual EU grid investment now exceeds \$70 billion, double the level of a decade ago, yet connection queues are growing, not shrinking. The European Commission has identified approximately €1.2 trillion of total grid investment requirements by 2040, including €730 billion for electricity distribution networks and approximately €477 billion for transmission, much of which exceeds 40 years in age.

The Demand Picture Has Changed

For roughly 15 years, European electricity consumption was flat or declining. Utilities modeled their businesses around stable-to-shrinking volumes. That era has ended decisively. EU power demand grew approximately 1% in 2025 and is expected to accelerate modestly in 2026, with annualized growth of around 2.3% projected through 2030. The IEA estimates the EU will add approximately 300 terawatt-hours of consumption over the next five years, equivalent to the entire electricity demand of a mid-sized European country. The drivers are structural rather than cyclical. EV

adoption, industrial electrification, heat pump deployment, and the rapid growth of AI-driven data centers are collectively creating electricity demand of a type and scale that European grids were not built to accommodate. The EIB's 2025/2026 Investment Report identified coordinated pan-European investment in energy and digital infrastructure as a strategic priority, recognizing that the two cannot be decoupled.

This demand inflection changes the operating context for every asset in the energy value chain. Grid operators who were running at capacity utilization with limited room for growth are now being asked to double cross-border transmission capacity by 2030. The pressure on infrastructure is physical, not merely financial.

The Scale of Capital Deployment

The top 40 European utilities are expected to invest approximately €173 billion in 2026 alone, a 6% increase over 2025. Pure network utilities are increasing capital expenditure by 12%. French TSO Réseau des Transport d'Electricité has disclosed transmission network investment requirements of €100 billion between 2025 and 2040. European grid operators' association ENTSOE counted 180 new transmission and 51 storage projected projects. The energy security dimension adds a further layer of urgency. The EU formally adopted a phased ban on Russian gas imports in January 2026, with LNG phase-out completing by 2027, permanently displacing a significant share of Europe's historical gas supply and requiring sustained investment in import terminals, storage, and pipeline redistribution infrastructure. Global energy transition investment reached a record \$2.3 trillion in 2025, with grid investment alone accounting for \$483 billion of that total.

Perhaps most significantly, the industrial supply chain required to support this buildout is severely constrained. EU component prices for grid equipment, transformers, cables, switchgear, have more than doubled over the past decade. China accounts for approximately 60% of EU transformer imports, a concentration that introduces both procurement and geopolitical complexity into an already pressured supply environment.

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HFR CO-INVESTMENT INDEX: CONSTITUENT MANAGER INSIGHTS

From Flickers to Fortunes: Investing in Europe's Energy Transition

CONTINUED FROM PAGE 5

A Sector in Transition With Diverging Outcomes

The scale of capital deployment does not translate uniformly into improved outcomes across the sector. Different parts of the European energy landscape are navigating the transition from very different positions, and the divergence in their operating and financial trajectories is increasingly pronounced. Network utilities with regulated asset bases occupy a structurally different position than those with merchant generation or international renewables exposure. Cost-plus regulatory frameworks in several key markets, including the UK, Germany, the Netherlands, and Belgium, link permitted returns to capital invested, meaning expansion programs translate directly into future earnings visibility. This makes regulated network infrastructure one of the more predictable earnings growth stories in the European equity market today.

Elsewhere, the picture is more complex. Offshore wind developers have faced mounting cost pressures as equipment prices have risen and zero-

subsidy auction economics have tightened, leading to project cancellations and margin compression across several of the sector's prominent names. Utilities with significant exposure to the US renewables market face a distinct set of regulatory and policy uncertainties that have introduced meaningful earnings risk. Heavily leveraged operators face balance sheet constraints at a time when capital requirements are intensifying. The result is a sector that, while broadly expanding its asset base and capital program, is producing increasingly dispersed outcomes at the company level, reflecting differences in geography, regulatory exposure, financial structure, and strategic positioning. Understanding those distinctions, rather than treating European energy infrastructure as a monolithic theme, is where analytical value lies.

Gene Salamon is the Managing Partner and Portfolio Manager of Three Bridges Capital. He has over 31 years of experience investing in international equities and hedge fund management in senior investment roles and as partner. He holds a B.A. in Mathematics and Economics from NYU Courant School of Mathematical Sciences.

EMERGING MANAGER VIEW

When Winter Comes: The Unique Dynamics of Power & Gas Markets

By *Zulfiqar Ali*


Not dissimilar to *Game of Thrones*, the impending return of winter is a perpetual rallying cry for power and gas desks, particularly those with a European focus. Winter demand in Europe is a time of elevated opportunity, risk and volatility, being the season with the most electricity and gas usage. Idiosyncratic features of power and gas markets differentiate them from traditional asset classes, such as bonds and equities.

Firstly, individual instruments themselves have high volatility. Weekly electricity futures can have annualised volatility of up to 300%, which makes Bitcoin look boring in comparison. This is due to the increasing dominance of renewables in the generation stack. Renewables are acutely sensitive to changes in weather patterns. The impact of the variability is exacerbated by the lack of effective storage options for electricity. The reliance on LNG has also meant that storage does not get filled for natural gas, leading to similar effects in those markets.

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When Winter Comes: The Unique Dynamics of Power & Gas Markets

CONTINUED FROM PAGE 6

Secondly, the underlying demand and supply characteristics are not static. Demand shocks may come from de-industrialisation due to wars e.g. the Russia-Ukraine war, or from increased energy usage based on technological advances such as AI. Supply shocks are driven by the green transition where each year coal, lignite and sometimes nuclear plants are retired, as renewable penetration increases.

Thirdly, power and gas markets are orthogonal to traditional asset classes and often also to many commodity indices. While this is a desirable feature for investors, it also means that hedging must be done thoughtfully. Fundamental expertise is needed.

Winter of 2026 has clarified the challenges of successfully navigating the energy landscape. Protecting capital while monetising dislocations clearly requires a blend of discretionary and systematic strategies”

Fourthly, these markets enjoy high cash efficiency. Often 10% or less margin to AUM is needed to deploy 10% annualised vol for a portfolio. Again, an attractive feature if used correctly, but it also emboldens less sophisticated players to over-leverage leading to painful unwinds and positional volatility. A multi-dimensional risk approach is mandatory to monetise these markets effectively.

Lastly, there is a cornucopia of diverse participants in these markets reacting to varied incentives. There are consumption portfolios and market makers who are short gamma. There are power plant and storage owners who are long gamma. There are systematic players including trend followers and factor investors. There are discretionary speculators trading on fundamental forecasts and there are macro funds trying to capture thematic plays. Understanding the market positioning is a precursor to capturing alpha.

Perhaps an assumption of mild weather due to global warming had made markets sanguine about the true

risks of winter. That illusion was shattered in January 2026, as the weather flipped from the forecasted warm to extreme cold. A cold snap in the U.S. meant that LNG disruptions were possible. Henry Hub subsequently recorded its highest ever cash prices and European gas markets reacted strongly. Coupled with aggressive short positioning by speculators, this led to monthly spreads trading at levels not seen in years.

Power was similarly affected. Initially the weather shift moved German power higher. When weather conditions caused French nuclear plant shutdowns to follow, it also moved the French power curve up sharply.

Winter of 2026 has clarified the challenges of successfully navigating the energy landscape. Protecting capital while monetising dislocations clearly requires a blend of discretionary and systematic strategies, backed by a comprehensive risk framework that is probabilistic and adaptable to changing input dynamics.

Comprehensive systematic strategies require models to incorporate weather-based signals (including AI weather models), positioning analysis and fundamental factors. A robust framework must also model historical volatility alongside forward-looking risk. This provides the bedrock for intelligent sizing while accounting for tail events and provides access to orthogonal alpha. Thus, even on the cusp of spring, we can be ready for the winter to come.

Zulfiqar Ali, CFA, is the founder, CEO and CIO of ZAMS Asset Management. He has previously worked at multiple hedge funds and commodities trading firms, including Balyasny Asset Management, Energi Danmark, Priogen, Doxa Partners, Ferox Capital and Espirito Santo Investment Bank. He holds an MA in Law from the University of Cambridge, a degree in Mathematics from London School of Economics and an MSc in Analytics from Georgia Institute of Technology.



Market Outlook: Best Ideas with Lemanik High Growth

Andrea Scauri shares his expectations for the Italian market as part of Lemanik High Growth's best ideas approach.

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