Crossbow Partners
Experience & Discipline

CROSSBOW STRESS ABSORBING PORTFOLIO

Protecting portfolios when traditional diversification fails

June 2026

Executive summary

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The traditional equity-bond diversification framework has become structurally more vulnerable, with inflationary and geopolitical shocks increasingly driving simultaneous losses across asset classes. We developed a liquid alternatives solution, the Crossbow Stress Absorbing Portfolio (SAP), specifically designed to provide portfolio protection during periods of severe market stress.

- SAP is designed to preserve capital during normal market environments while generating strong positive returns during periods of market stress, hence providing protection to broader portfolios
- Portfolio exclusively focused on Trading strategies, incl. Macro, CTA, Long Volatility, Tail Risk
- Highly convex return profile with the potential for negative correlation during periods of market stress
- Access to highly specialized managers with differentiated and uncorrelated return sources
- Portfolio diversified across sub-strategies, investment styles, asset classes, regions and time horizons
- Benefits at all stages of the investment process from Crossbow's experience and expertise in hedge funds
- SAP's building block and manager allocation can be adapted to clients' specific targets and overall portfolio

Crossbow Stress Absorbing Portfolio (SAP)

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Objective

- **Provide protection** during equity, fixed income, and broader market dislocations
- **Ability to protect** during stress scenarios of various magnitude and time horizon
- **Maintain an efficient cost of protection** during benign market environments

Concept

- SAP construction based on stress scenarios specific building blocks
- Each building block allocates to specific stress absorbing strategies
- These strategies are managed by seasoned managers with proven track records
- SAP designed to preserve capital during normal market conditions while monetizing stress events

SAP Construction – Building blocks

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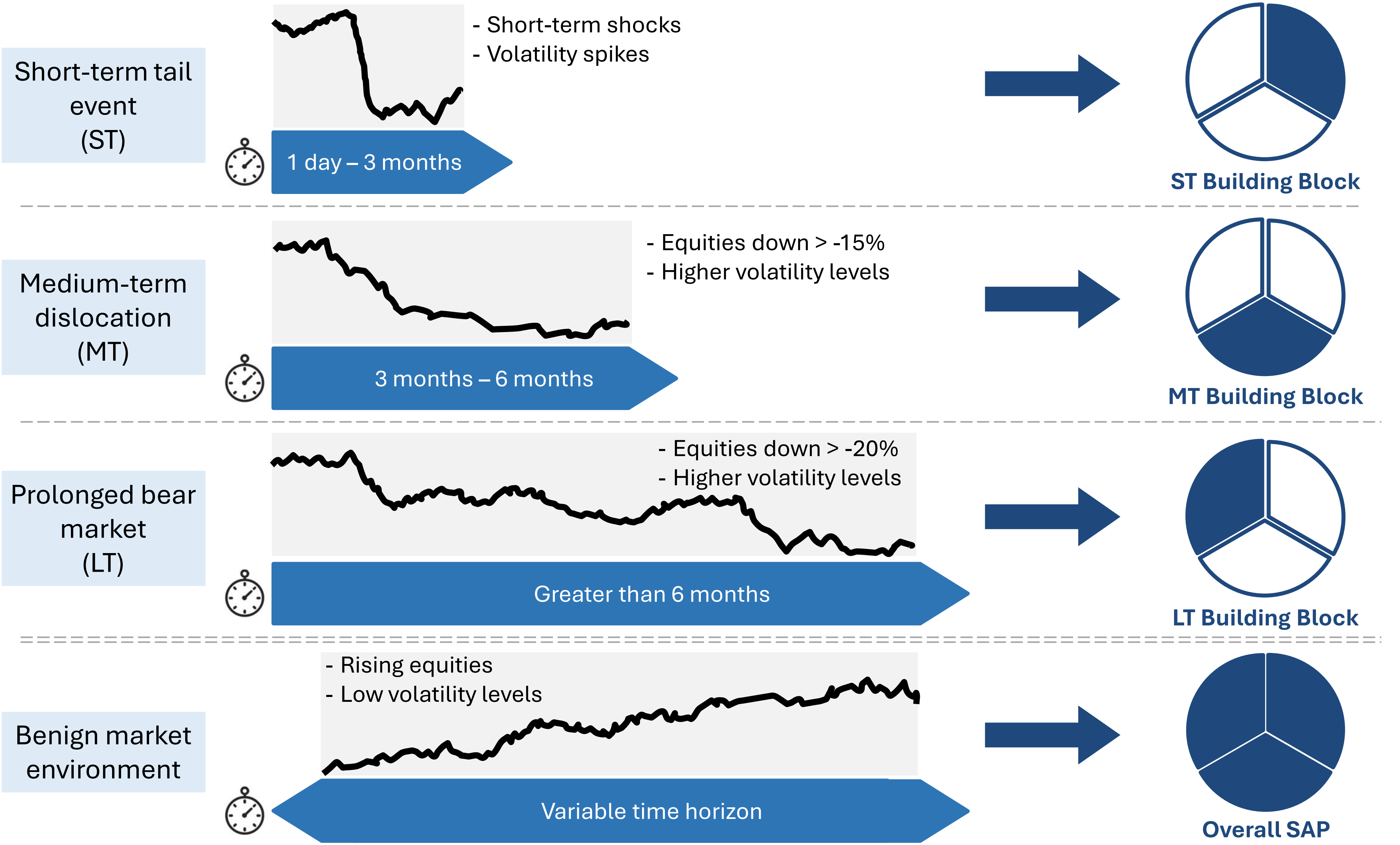

Source: Crossbow Partners.

Top-Down – Building block construction

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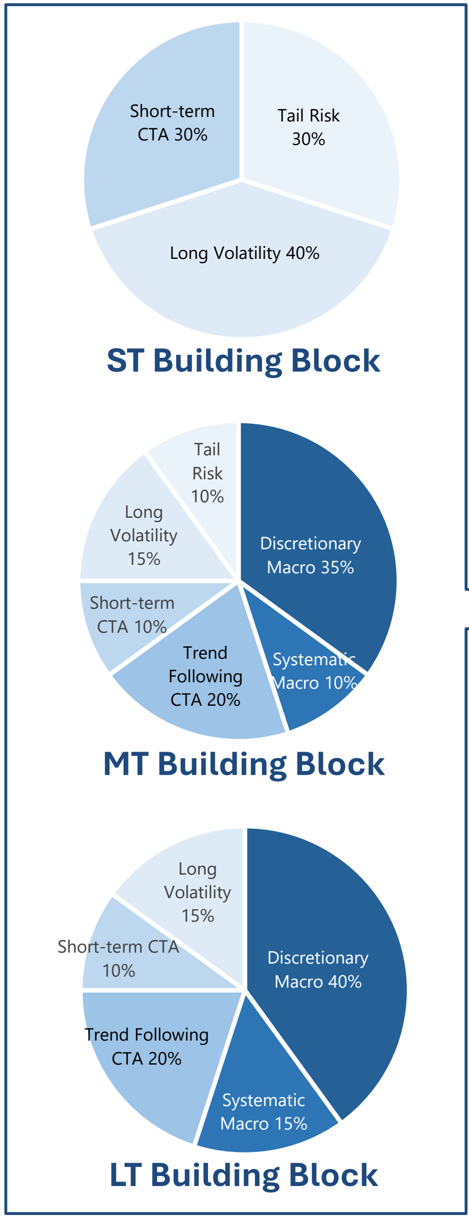
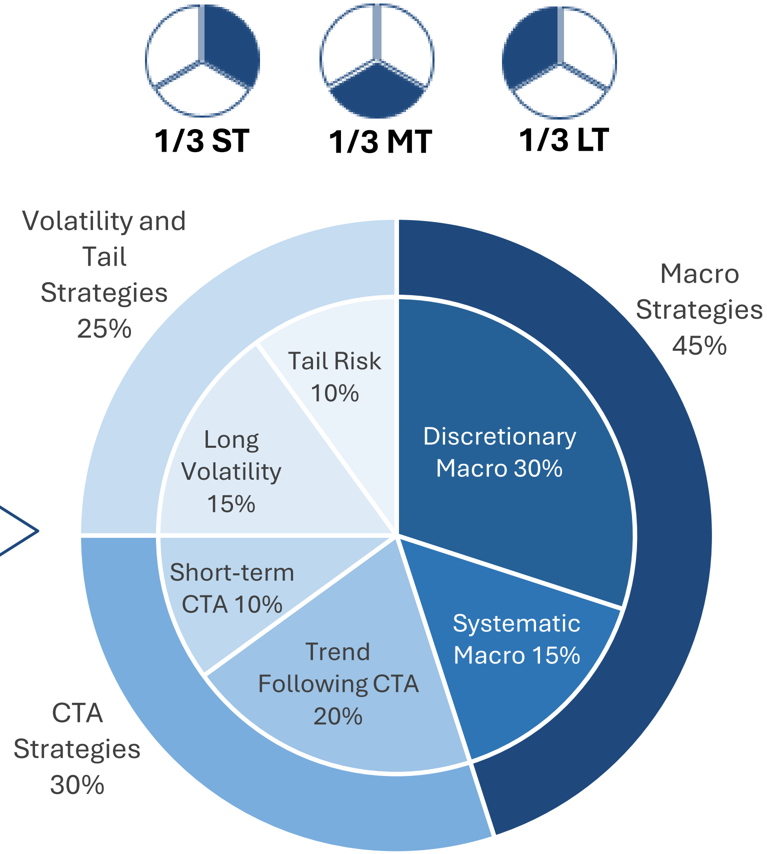
Strategy selection criteria:

- Demonstrated ability to perform during market stress
- Clearly identifiable return drivers
- Active exposure management
- Highly liquid underlying instruments
- Positive asymmetric payoff structure
- Ability to benefit from elevated volatility regimes
- Efficient carry cost during benign markets
- Robust historical crisis performance





Source: Crossbow Partners.

Bottom-Up – Manager selection

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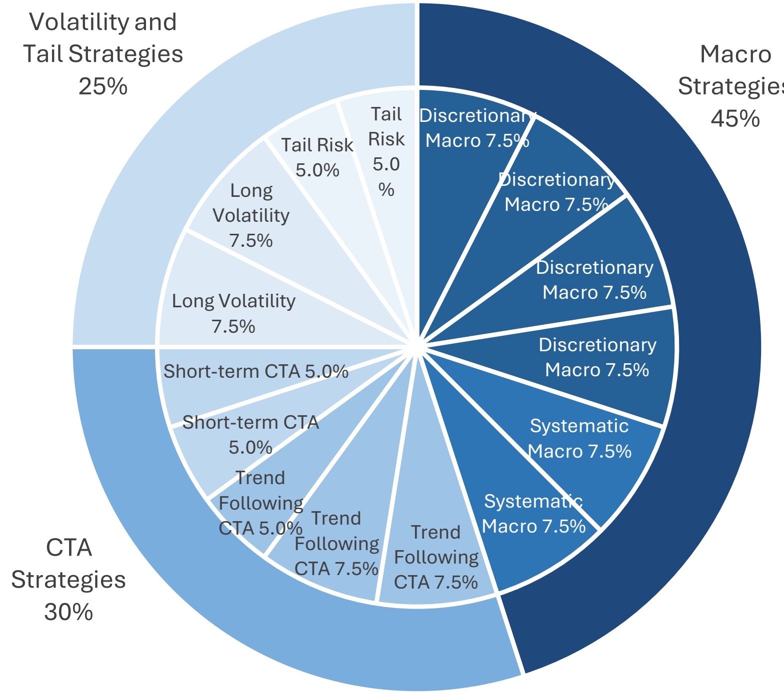
Manager selection and sizing:

- Understanding of manager's specific strategy
- Historical risk/return, Skewness, Sortino
- Historical performance across multiple market stress episodes
- Cross-manager correlation analysis and diversification benefits
- Liquidity profiles

	1	2	3	4	5	6	7	8	9	10	11	12	13	14	15
Discretionary Macro	1.00	-0.06	0.08	0.00	-0.10	-0.05	0.16	0.08	0.10	-0.04	0.12	0.07	0.03	0.15	-0.01
Discretionary Macro	-0.06	1.00	0.16	-0.03	0.11	-0.14	-0.13	0.28	0.04	0.36	0.02	0.45	0.44	0.48	0.38
Discretionary Macro	0.08	0.16	1.00	-0.17	0.10	-0.01	0.27	0.25	0.37	0.25	0.29	0.40	0.30	0.39	0.34
Discretionary Macro	0.00	-0.03	-0.17	1.00	0.04	0.32	-0.24	-0.65	-0.57	0.59	-0.34	-0.27	0.17	-0.21	0.27
Systematic Macro	-0.10	0.11	0.10	0.04	1.00	0.32	0.24	0.43	0.22	0.20	0.17	0.25	0.26	0.33	0.31
Systematic Macro	-0.05	-0.14	-0.01	0.32	0.32	1.00	0.24	0.23	0.25	0.21	0.26	0.30	-0.01	0.10	-0.04
Trend Following CTA	0.16	-0.13	0.27	-0.24	0.24	0.24	1.00	0.62	0.63	0.16	0.53	0.03	0.02	0.10	-0.01
Trend Following CTA	0.08	0.28	0.25	-0.65	0.43	0.23	0.62	1.00	0.61	0.24	0.41	0.30	0.43	0.51	0.44
Trend Following CTA	0.10	0.04	0.37	-0.57	0.22	0.25	0.63	0.61	1.00	0.17	0.44	0.22	0.15	0.24	0.17
Short-term CTA	-0.04	0.36	0.25	0.59	0.20	0.21	0.16	0.24	0.17	1.00	0.26	0.41	0.31	0.40	0.30
Short-term CTA	0.12	0.02	0.29	-0.34	0.17	0.26	0.53	0.41	0.44	0.26	1.00	0.18	0.00	0.18	0.02
Long Volatility	0.07	0.45	0.40	-0.27	0.25	0.30	0.03	0.30	0.22	0.41	0.18	1.00	0.58	0.79	0.63
Long Volatility	0.03	0.44	0.30	0.17	0.26	-0.01	0.02	0.43	0.15	0.31	0.00	0.58	1.00	0.80	0.85
Tail Risk	0.15	0.48	0.39	-0.21	0.33	0.10	0.10	0.51	0.24	0.40	0.18	0.79	0.80	1.00	0.81
Tail Risk	-0.01	0.38	0.34	0.27	0.31	-0.04	-0.01	0.44	0.17	0.30	0.02	0.63	0.85	0.81	1.00



A high conviction SAP diversified across:

- Strategies and stress absorbing properties
- Investment styles
- Asset classes
- Regions
- Time horizons

Source: Crossbow Partners.

SAP unique risk/return profile

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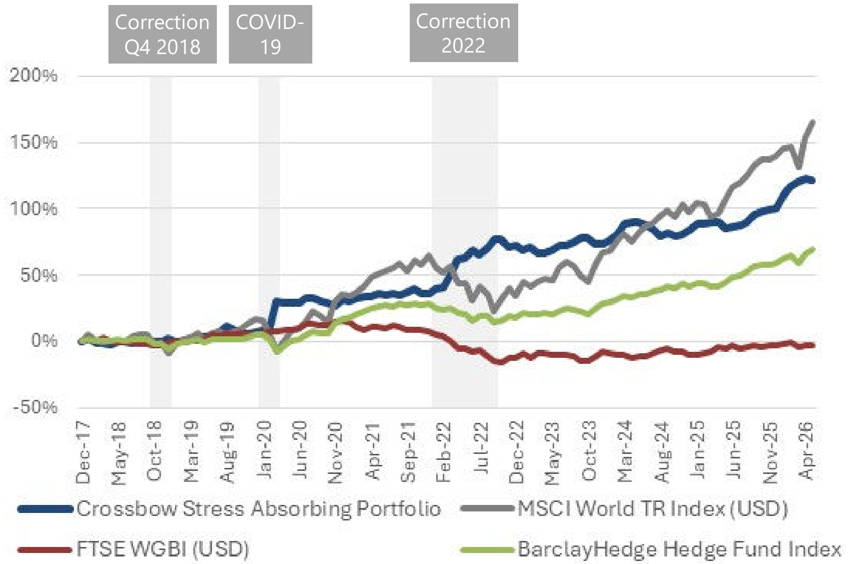
Resilient performance during major equity and fixed income drawdowns (grey), moderate downside, positive Skewness. SAP was particularly effective in 2022 when both equities and bonds declined simultaneously.



	ann. return	ann. volatility	Sharpe ratio	max DD	Skewness
Crossbow Stress Absorbing Portfolio	9.9%	9.0%	1.08	-6.4%	2.38
MSCI World TR Index (USD)	12.3%	16.1%	0.75	-25.4%	-0.42
FTSE WGBI (USD)	-0.4%	6.9%	-0.09	-27.1%	-0.18
BarclayHedge Hedge Fund Index	6.4%	7.3%	0.84	-11.9%	-0.94

	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec	YTD
2026	5.36%	2.57%	1.46%	1.17%	-0.44%								**10.44%**
2025	2.25%	-0.18%	0.89%	-0.43%	-2.33%	0.81%	0.34%	1.61%	2.78%	1.60%	0.37%	0.75%	**8.69%**
2024	1.76%	2.51%	4.45%	0.82%	-0.45%	-1.12%	-1.63%	-2.79%	1.13%	-1.21%	1.16%	1.97%	**6.55%**
2023	-1.60%	1.44%	-3.05%	0.37%	1.36%	2.16%	-0.35%	1.13%	2.50%	0.07%	-2.70%	-0.30%	**0.85%**
2022	2.81%	0.97%	6.93%	7.18%	0.77%	3.70%	-2.14%	2.82%	4.41%	-0.19%	-3.21%	0.14%	**26.35%**
2021	-0.69%	2.03%	0.72%	-0.20%	2.16%	-0.82%	0.53%	-0.54%	1.75%	1.38%	-2.69%	0.25%	**3.85%**
2020	1.12%	3.76%	16.47%	-0.28%	-0.49%	0.02%	3.04%	-0.13%	-2.11%	-0.83%	-1.59%	3.24%	**23.09%**
2019	-2.46%	-0.17%	2.67%	0.60%	-0.05%	1.79%	1.85%	4.25%	-2.49%	-2.40%	-0.46%	0.68%	**3.62%**
2018	1.99%	-3.67%	0.92%	-1.39%	2.08%	0.52%	-1.18%	0.66%	-0.35%	0.62%	0.10%	2.45%	**2.61%**

Strong protection and diversification

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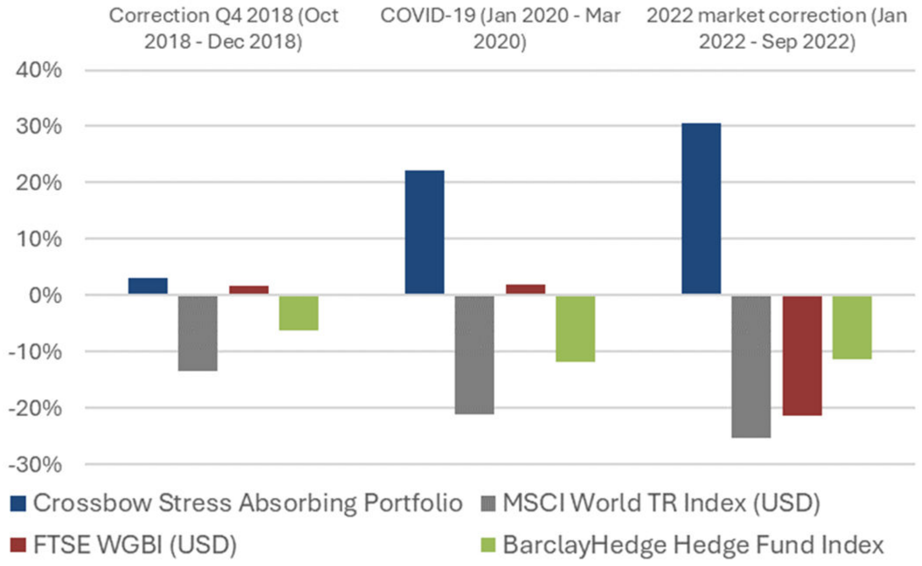
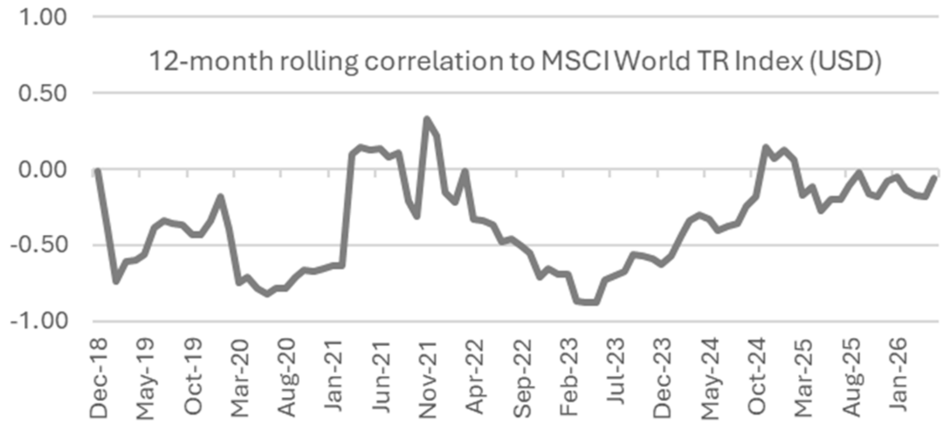
SAP achieved strong downside protection and outperformance during recent equity and fixed income market downturns:



SAP has very low correlation to equities, fixed income, and hedge funds:

	1	2	3	4
1 Crossbow Stress Absorbing Portfolio	1.00	-0.46	-0.44	-0.31
2 BarclayHedge Hedge Fund Index	-0.46	1.00	0.94	0.45
3 MSCI World TR Index (USD)	-0.44	0.94	1.00	0.49
4 FTSE WGBI (USD)	-0.31	0.45	0.49	1.00

Rolling correlation to global equities has remained consistently low and predominantly negative:



Highly convex return profile and limited DD

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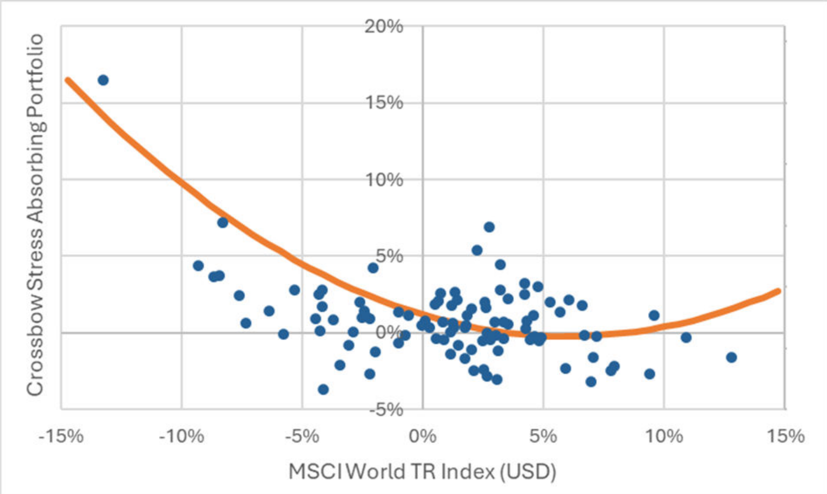
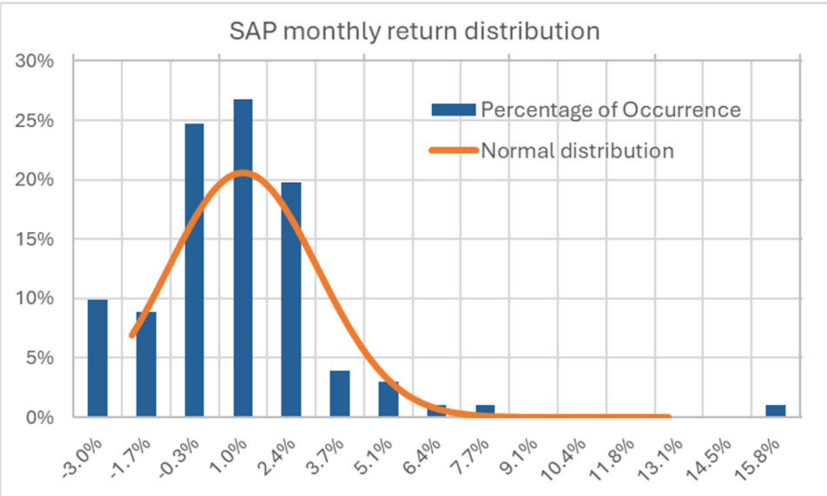
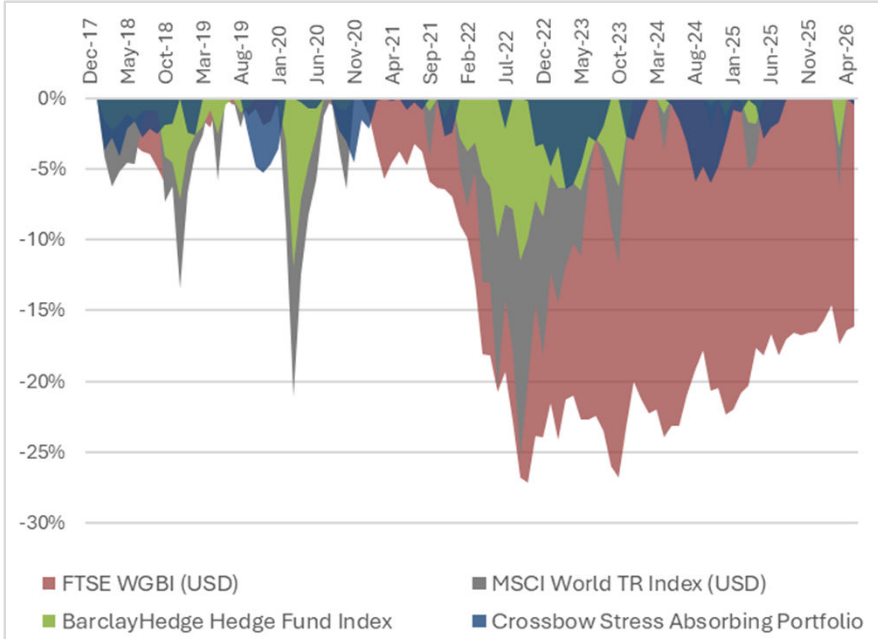
Highly convex return profile with asymmetric upside during periods of market stress, return distribution skewed to the right (positive returns):



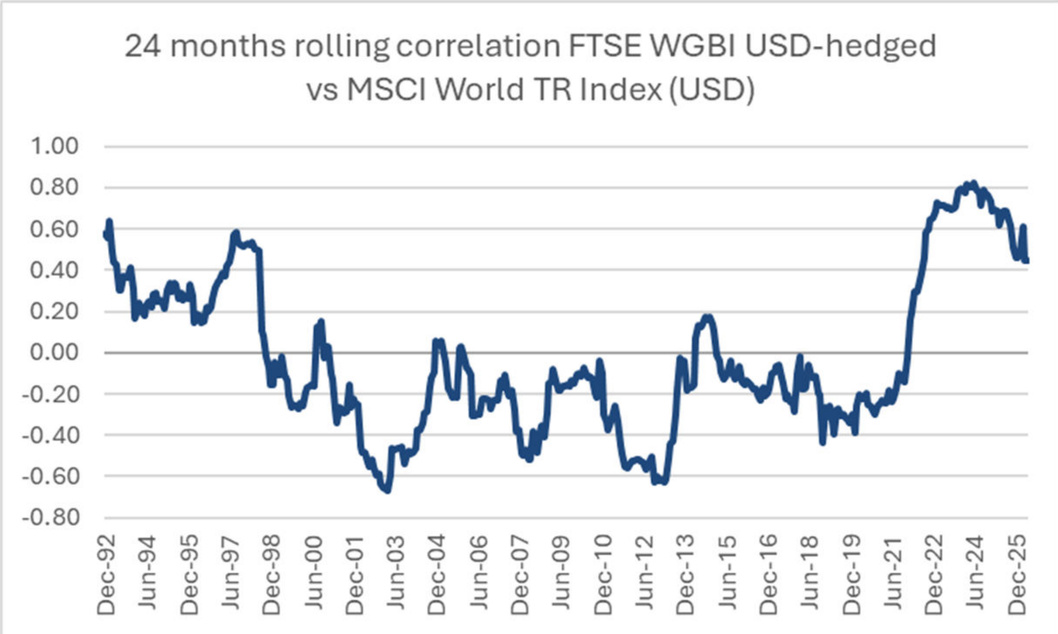


Limited downside compared to equities, bonds, and hedge funds:



Appendix: Structural Weakening of Traditional Diversification

- Traditional 60/40 portfolios benefited during 2000-2020 from a reduced portfolio volatility, thanks to the persistent negative correlation between equities and bonds. Bonds generally rose during equity market downturns, providing diversification that reduced volatility and mitigated portfolio losses.
- This bond-equity relationship reversed in 2022 due to rising inflation and higher interest rates, which also means that bonds provide less or no diversification within traditional portfolios.
- Given ongoing uncertainties in monetary policy, economic growth, and geopolitics, it remains difficult to predict if and when the equity-bond correlation will revert to negative values.



Source: Crossbow Partners, Bloomberg.

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