

Investor Letter: ART Strategy March 2026

Japanese Yen PnL Breakdown March 2026

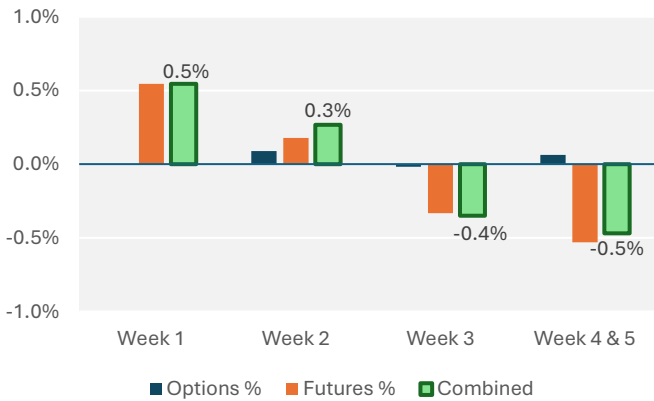


Figure 1: Japanese Yen Futures Price March

Total Japanese Yen Gross Pnl March: -0.0%

The USD pushed higher in the first two weeks of March resulting in a sustained trend lower for the Yen which presented profitable trading opportunities for the trend following futures strategy. However, as the USD/JPY pair reached 160, which is considered an intervention threshold, the path slowed and the price action became choppy. This ultimately eroded the profits from the first two weeks resulting in a flat month overall. We sold very few Yen options in March due to risks around the Iran war and fresh concerns around currency intervention.

Nasdaq 100 PnL Breakdown March 2026

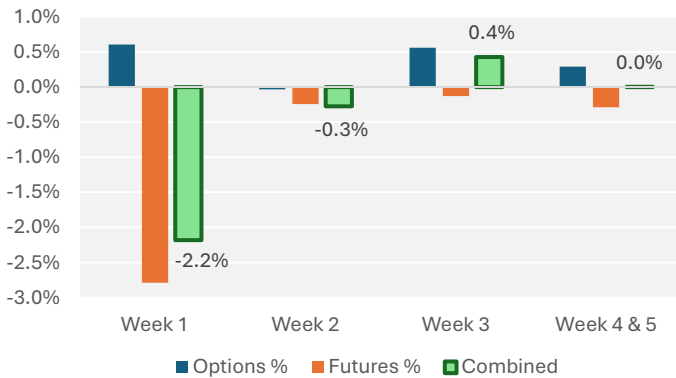


Figure 2: Nasdaq 100 Futures Price March

Total Nasdaq 100 Gross Pnl March: -2.0%

The options portion of the Nasdaq strategy generated a profit in March driven by the choppy and mean-reverting price action and helped by the fact that we avoided weekend gap risk by selling most of the options at the Sunday open, thereby avoiding some of the big weekend moves. For the futures, the headline-driven price swings caused losses in the first week and forced us to significantly de-lever the strategy over the rest of the month while this risk persisted.

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This Month

Trading in March was not for the faint hearted. Headlines linked to the Iran war resulted in dramatic price swings in both directions across many asset classes. In anticipation of this we de-levered the ART Strategy increasingly throughout the month due to the heightened risk of extreme tail events.

For the Japanese Yen, while the price swings were not as severe, there was the additional risk of currency intervention to consider as the USD/JPY pair weakened back to 160, which is considered a hard line for the Japanese Government.

The risk of intervention forced us to pause the option selling strategy and remain on the sidelines. We did however, continue the Yen trend following strategy but with reduced size and with the occasional options hedge. As the Yen fell compared to the stronger USD, driven by higher oil prices, this approach yielded some profits in the first few weeks, however the choppy price action around the Iran war in the second half of the month eroded these profits away.

For US equities the month was characterized by severe and sudden price swings linked to the evolving narrative around the Iran war. Many of the biggest announcements occurred over the weekend, which is a common feature of Trump's presidency. In anticipation of this we reduced the options exposure during the first weekend and then maintained low to flat exposure for all subsequent weekends. This helped us to avoid weekend gap risk and delivered a profit for the Nasdaq options strategy overall.

The futures however struggled with the highly choppy and unpredictable price action. The daily onslaught of mostly contradictory announcements created a sawtooth price path which is challenging for the trend following strategy. After it became clear that this was likely to continue, we decided to significantly de-lever the entire strategy, including the futures portion, which helped to minimize additional losses during the rest of the month.

Looking Forward

Generally periods of heightened volatility are positive for the strategy. However, when that volatility is caused by a binary event that appears to come and go with each new headline, it becomes harder to navigate those price paths and generate a profit.

Looking forward, we hope for a speedy resolution to the war, most importantly for everyone impacted by it in the region and around the world. With regard to the strategy, we need to see headline risk reduce significantly before we can fully re-lever and resume normal trading.

If there is a resolution we would expect it to be accompanied by a strong appreciation in the Japanese Yen. The fall in oil prices should take pressure off the USD/JPY pair and may also be seen as a good intervention opportunity by the Japanese Treasury. We generally aim to maintain a low to flat options exposure while the currency pair is close to the intervention threshold. However if there is intervention while we have an options position open, the recent changes made to the delta hedging algorithm should help protect the overall position from the more extreme price movements. If the intervention is sustained, and especially if it is supported by the US Federal Reserve, then it could present a profitable trading opportunity for the trend following futures strategy. We maintain heightened vigilance regarding this risk.

Looking further ahead, if there is a settlement in Iran it will remove one of the three main sources of headline-driven volatility over the past year. With regard to the other two sources, there is reason to believe that they may also present less of a risk going forward.

Firstly tariffs. We recently sent out a note on the second iteration of the US tariff rollout using the Section 301 authority. This iteration, in our opinion, will be smoother than the first round due to the need to clearly define the scope of the tariffs in advance and because many of the bilateral trade deals are already in place.

The other source of volatility came from threats to the independence of the Federal Reserve and attempts to fire Chairman Jerome Powell. Given that Powell's term is ending in May and a Trump-selected replacement is due to take his place, we would expect fewer comparable threats going forward. Ironically, Powell's term is likely to last longer than scheduled due to separate legal challenges originating from a Trump-appointed DA. However, given that the new Chairman is due to start soon, we believe explicit attempts to influence policy will become more infrequent.

For the ART Strategy to resume its previous profit trajectory it would likely need a period of relative calm, with fewer severe, headline-driven price swings. If this war is the last item on Trump's maximalist, global-restructuring agenda then it's conclusion should mark the start of a more positive era for the strategy, similar to the second half of last year. Although, of course, nothing is certain.

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