Investor Letter: ART Strategy April 2026

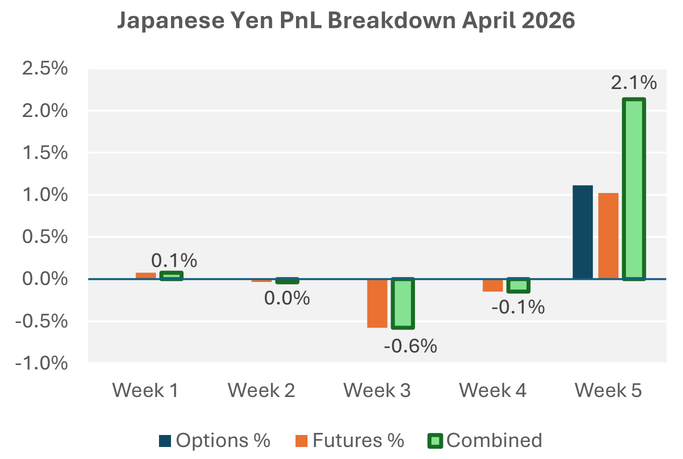

Figure 1: Japanese Yen Futures Price April

Total Japanese Yen Gross Pnl April: 1.4%

In April the USD / JPY chopped back and forth around the unofficial intervention barrier of 160 while markets waited for the Japanese Treasury to step back in. We did not sell any options in April in expectation of the intervention but instead tried to manage the risk around the trend following strategy. Intervention finally came on the 30th April, which we successfully predicted. We bought options in advance and were able to profit from the move.

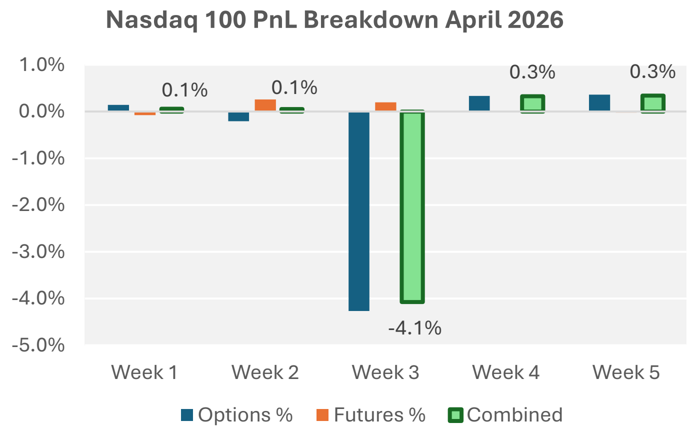

Figure 2: Nasdaq 100 Futures Price April

Total Nasdaq 100 Gross Pnl April: -3.3%

Markets moved relentlessly higher in April, driven by a range of factors. The trend following futures strategy was able to profit from the move, however choppy price action at the start and end of the month and several large counter-trend weekend gaps limited the profitability. For the options, the strategy took a large loss when markets breached through the short call strike in Week 3. The size of the breach was equivalent to the tariff turmoil from last April, however by keeping exposure low and carefully managing the risk we were able to limit the size of the overall loss.

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This Month

Since the start of the Iran War markets have been moving in usual and erratic ways. Some traders have been able to successfully navigate these price paths, but for the ART Strategy, which prefers conventional, orderly markets, that has not been possible.

We have seen rare edge cases in both of our traded markets. For the Japanese Yen, the price again reached 160 / USD, which is understood to be the Japanese Treasury's hard barrier for intervention. It then remained stuck at that level for two months, longer than on any previous occasion.

This presented a challenge for the trend following futures strategy as the price chopped backwards and forwards, caught between the competing forces of a strengthening USD and the ever-present threat of intervention. In order to navigate these choppy conditions we decided to reduce exposure and manually trade out of risky positions.

Under normal circumstances, when the markets are choppy, any loss from the trend following strategy tends to be offset by profits from the short options. However, in this case we were prevented from selling options due to the intervention risk which meant that an important source of hedging was unavailable. On the positive side, we did correctly predict that the intervention would happen on the 30th April and this allowed us to not only avoid a loss but generate a profit from the large directional move.

For Nasdaq, the story of this war has been violent dislocations, weekend gaps and a historic, seemingly endless rally starting in early April.

The ART Strategy uses components that profit from either mean-reverting or trending price patterns. Generally markets fit into one of these two categories, however, there are occasions when markets don't fit into either. Take for example the third week of April.

At the close of the second week markets had rallied with our trend following signals pointing higher. By the time markets opened again on Sunday night, the news around the war had turned negative causing the market to gap lower and forcing our futures strategy to switch to net short. Following that, the market decided to ignore the news and continued to move higher once again. These reversals caused a loss for the trend following strategy.

Generally, in these cases the loss from the futures would be offset by a profit from the options. However, the Nasdaq continued to move up and by Friday it had peaked at nearly 8% above the Sunday open, which is one of the largest weekly gains in the Nasdaq ever, outside of a major crisis. This relentless rally forced us to move our call strikes, which resulted in a loss for the options strategy. By the end of the week the futures, now net long, had returned to profit after the persistent rally, until Sunday night when the market once again gapped lower.

I mention this to highlight just how unusual these conditions are. An 8% intraweek rally, with large weekend gaps either side, is not impossible, but it is rare. Typically you would only see such events during a major crisis, but on those occasions volatility is high and the options are priced appropriately. We have never seen behaviour like this before with the VIX at 18.

Throughout this period we have tried to manage the risk as best as we can. We have kept leverage low, hedged wherever possible and reacted to each situation as it developed. In markets one man's trash is often another man's treasure. For us, conditions have been unfavourable, but I believe it has been a good demonstration of our risk management abilities.

Looking Forward

The ART Strategy is trained on 10-15 years' of historical data. Although we take great pains to avoid overfitting there is an expectation that the future will in some ways resemble the past, at least in terms of the fundamental forces that drive price action. Lately that has not been the case as geopolitics has come to dominate markets more than in previous years.

In any system, exogenous factors are generally harder to model than endogenous ones and so markets dominated by headline risk are more difficult for us to trade. In markets led by exogenous factors, the emphasis changes to risk management and adapting to the new environment rather than aggressively seeking profits. Once these periods have passed, the ART Strategy has repeatedly demonstrated that it is able to perform well as conditions return to normal.

Of course, there is the question of whether this unusual behaviour is part of a fundamental shift or whether this is just a short term aberration. There is no way of knowing for sure. On the subject of politics, the tempo has certainly changed, but in our opinion, keeping up this level of chaos is unsustainable. On the subject of technology, there have been new developments which will almost certainly impact markets, but financial technology is always changing. Markets have been in a technological arms race ever since the age of sail! It's 2026 and sands could well be shifting under our feet, however, in my opinion, the strange behaviour we have seen over the past few months can be best explained through the lens of traditional economic factors, i.e. corporate earnings, interest rates and energy prices.

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