CIBC GLOBAL
ASSET MANAGEMENT

Rethinking liquid alternatives

The strategic role of Multi-Strategy solutions in investment portfolios

October 2026

Giuseppe Pietrantonio, Director & VP, Currency and Multi-Asset Solutions

Michael Sager, MD & CIO, Multi-Asset and Currency Management



Executive summary

Investment portfolios have become increasingly sophisticated over the past two decades. In an effort to diversify—and enhance—sources of expected return and risk, many portfolios now combine core allocations to public equities and fixed income with meaningful allocations to private market alternatives, including private equity, infrastructure, real estate, and private credit. While these investments have expanded the opportunity set, they can also accentuate illiquidity risk. And as many of these allocation choices share similarities in terms of inherent risk factor loadings, a need to further pursue true diversification at the total portfolio level remains important. This need is underscored by changing market dynamics—including higher interest and inflation rates, a shift in the stock/bond correlation into positive territory, increased macroeconomic uncertainty, elevated equity concentration, and more frequent geopolitical shocks—that have challenged traditional sources of diversification.

Against this backdrop, many institutional investors continue to assess the portfolio fit of absolute return strategies. These strategies span a broad spectrum. At one end are traditional hedge funds, which can provide access to non-traditional and potentially diversifying sources of return, but may involve reduced portfolio liquidity and higher fee structures. At the other end are liquid alternatives, which may pursue objectives similar to hedge funds with greater liquidity, operational flexibility and, typically, low fees. This paper focuses on the attributes and merits of liquid alternatives, with a focus on multi-strategy approaches, and the questions investors may wish to evaluate when assessing liquid multi-strategy approaches.

Investment portfolios are evolving

Institutional investment portfolios today look very different than they did fifteen years ago. Public markets remain the foundational core of most portfolios. But the opportunity is evolving. The cyclical outlook for equities remains supportive, and artificial intelligence (AI) likely represents a broad tailwind, although annualized returns are unlikely to be as strong over the next 10 years than they have been in the past decade. In addition, equity market returns have become increasingly concentrated in a small number of companies. Higher interest rates have improved expected returns from traditional fixed income allocations relative to the post-financial crisis period. But they have also increased uncertainty around duration and inflation risks. And with the move higher in average inflation rates in major economies, the correlation between public equities and bonds—negative for much of the past two decades—has turned positive, reducing the diversification benefits historically embedded in traditional public market portfolios.

Chart 1: Diversification benefits of traditional fixed income have waned



The information was prepared by CIBC Global Asset Management using the following third-party service provider's data: Bloomberg. As at June 30, 2026. Equity returns defined as S&P 500 Index, bond returns defined as Bloomberg U.S. Bond Aggregate Index. Date range: January 2002 to August 2026.

These developments have increased the importance of identifying reliable sources of portfolio diversification—measured as the covariance between a broad set of rewarded risk factors that transcend the limits of narrowly defined asset classes—particularly during periods of equity market drawdown.

Many pension plans, endowments, and foundations have steadily increased allocations to alternatives. These offer a range of private and public market opportunities that may augment expected portfolio outcomes. Private market opportunities, whether in equity or credit, may provide the potential for enhanced returns, smoother outcomes, and diversification relative to public market equivalents, but outcomes can vary. These investments often provide attractive long-term characteristics but also introduce longer investment horizons, less frequent valuation updates, and reduced liquidity.

Absolute return solutions

Absolute return strategies are another component of the alternatives mosaic. This segment sub-divides into hedge funds and liquid absolute return strategies. There is significant overlap between the two, in terms of their ability to enhance total portfolio outcomes. A key differentiating characteristic of many liquid alternative absolute return strategies is the potential to offer daily liquidity while seeking returns comparable to long-term public equity outcomes. These strategies typically exhibit minimal market beta on average and maintain a volatility profile similar to traditional fixed income. Liquid alternatives are designed to align with the preferences of many investors, and their drawdown characteristics can differ across strategies and investment vehicles. Some liquid alternatives also employ explicit systematic drawdown rules and risk controls to help limit the extent of periodic capital drawdowns and enhance the consistency of returns, supporting more stable outcomes.

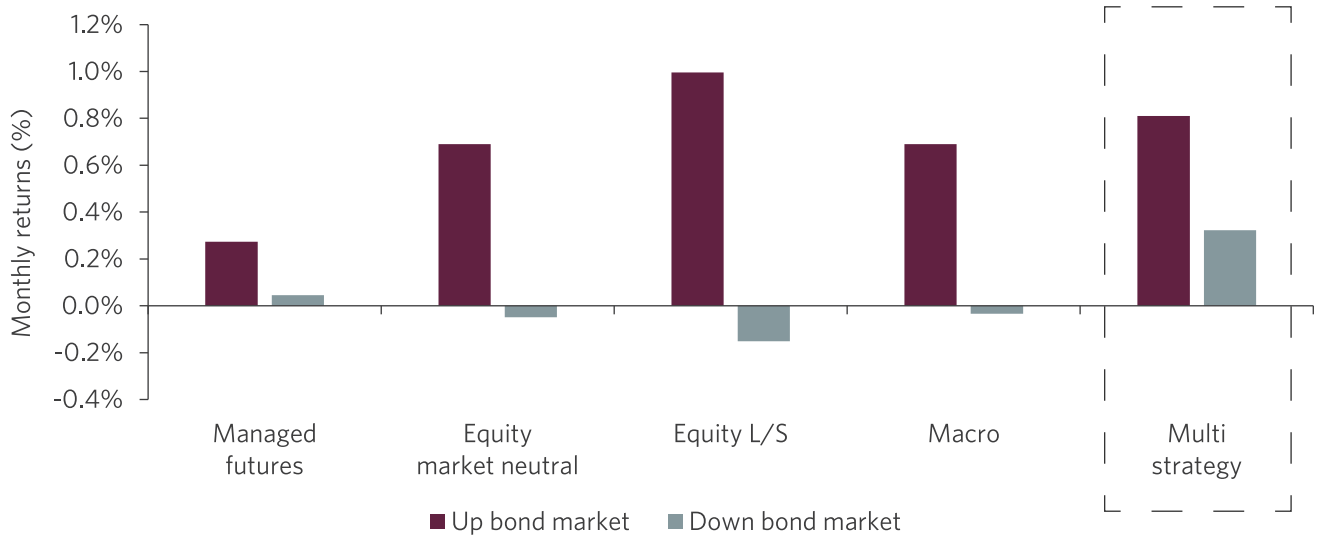
Liquid alternatives span a broad set of absolute return strategies including:

- Active currency
- Global macro
- Sovereign bonds
- Equity market neutral and long/short
- Credit opportunities across corporate, high yield and emerging markets
- Fixed income rates arbitrage
- Corporate event arbitrage
- Commodity relative value
- Volatility harvesting strategies

These strategies can be combined within a single fee multi-strategy platform solution whose return drivers are diversified across multiple investment processes and risk factors, offering consistent performance with low volatility, short and shallow episodic drawdowns, and an absence of exposure to market betas. Under this structure, each component, or pod, of the investment engine is typically managed by a separate independent portfolio team with specific expertise in their allocated opportunity. To ensure comprehensive risk management and transparent look through to each risk exposure in the platform, pod investment activities are usually overseen by a single oversight team. This team is also responsible for dynamic capital allocation between existing pods and the ideation of new investment pods.

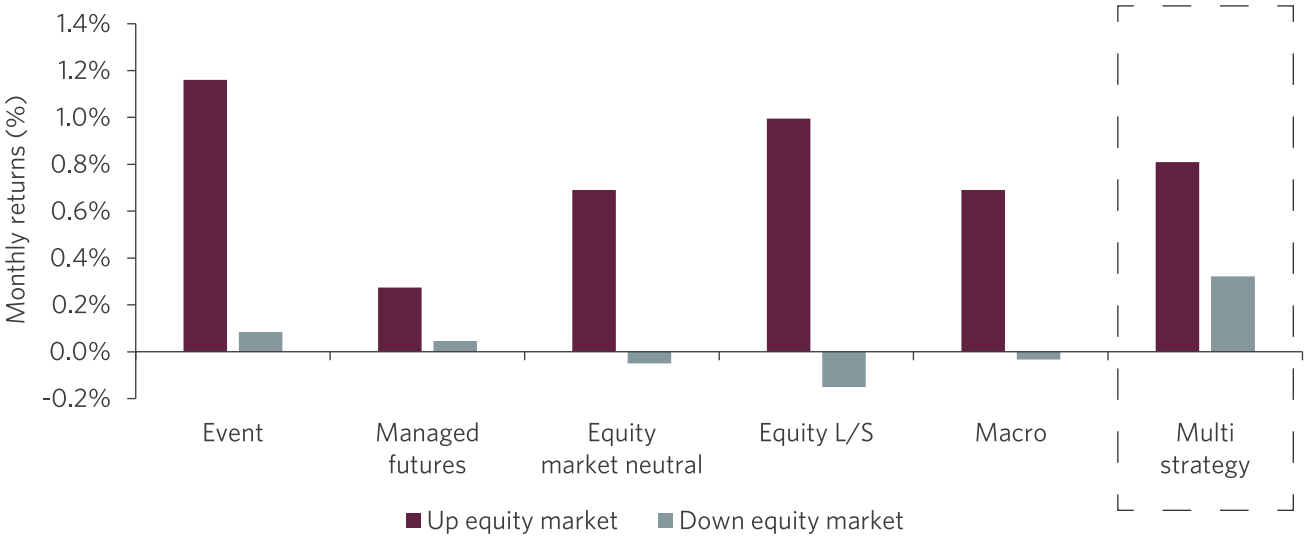
Importantly, multi-strategy solutions are designed to deliver attractive risk-adjusted returns across a broad range of market environments while maintaining relatively low correlation to traditional asset classes. As the performance of underlying pod strategies is differentiated under different macroeconomic conditions, the strategy may diversify risk across economic regimes and potentially support more resilient and consistent long-term outcomes.

Chart 2: Performance in up & down bond markets



The information was prepared by CIBC Global Asset Management using the following third-party service provider's data: Bloomberg. As at June 30, 2026. Volatility of individual strategies is measured as standard deviation and is standardized to equal the annualized sample average of the multi-strategy solution, which is represented by CIBC Multi-Asset Absolute Return Strategy (MAARS). Up bond market and down bond market refer to periods when the Canadian 10-year Bond Index generated positive and negative returns, respectively. For purposes of this chart, the bond market is represented by the Canadian 10-year Bond Index.

Chart 3: Performance in up & down equity markets



The information was prepared by CIBC Global Asset Management using the following third-party service provider's data: Bloomberg. As at June 30, 2026. Volatility of individual strategies is measured as standard deviation and is standardized to equal the annualized sample average of the multi-strategy solution, which is represented by CIBC Multi-Asset Absolute Return Strategy (MAARS). Up equity market and down equity market refer to periods when the MSCI ACWI Index generated positive and negative returns, respectively. For purposes of this chart, the equity market is represented by the MSCI ACWI Index.

Why liquidity matters

Liquidity is often discussed only during periods of market stress. Yet for investors, liquidity is an important strategic portfolio characteristic. Daily liquid assets have portfolio utility to:

- Fund capital calls
- Meet benefit payments
- Rebalance portfolios following market dislocations
- Provide collateral for derivative exposures
- Opportunistically redeploy capital

As allocations to private markets increase, maintaining sufficient portfolio liquidity becomes increasingly important. Rather than relying primarily on cash or shorter-term investments to meet liquidity needs—which can introduce an important source of performance drag—many institutions are seeking solutions that preserve liquidity while also contributing additive sources of return.

Liquidity spectrum

Highly liquid

- Short-term bonds
- Government bonds
- Public equity
- Liquid alternatives

Less liquid

- Private credit
- Private equity
- Private real estate
- Private infrastructure
- Hedge funds

High liquidity provides flexibility that can complement allocations to private market opportunities, as well as relatively illiquid hedge fund strategies. During periods of market stress, investors may use liquid alternative allocations to rebalance portfolios without disrupting longer-term private investments, and without the need to liquidate public market holdings at discounted prices. Similarly, liquid strategies can help fund private market capital calls or provide collateral while remaining invested in diversified return streams. Daily pricing also provides transparency into realized portfolio risk and correlations.

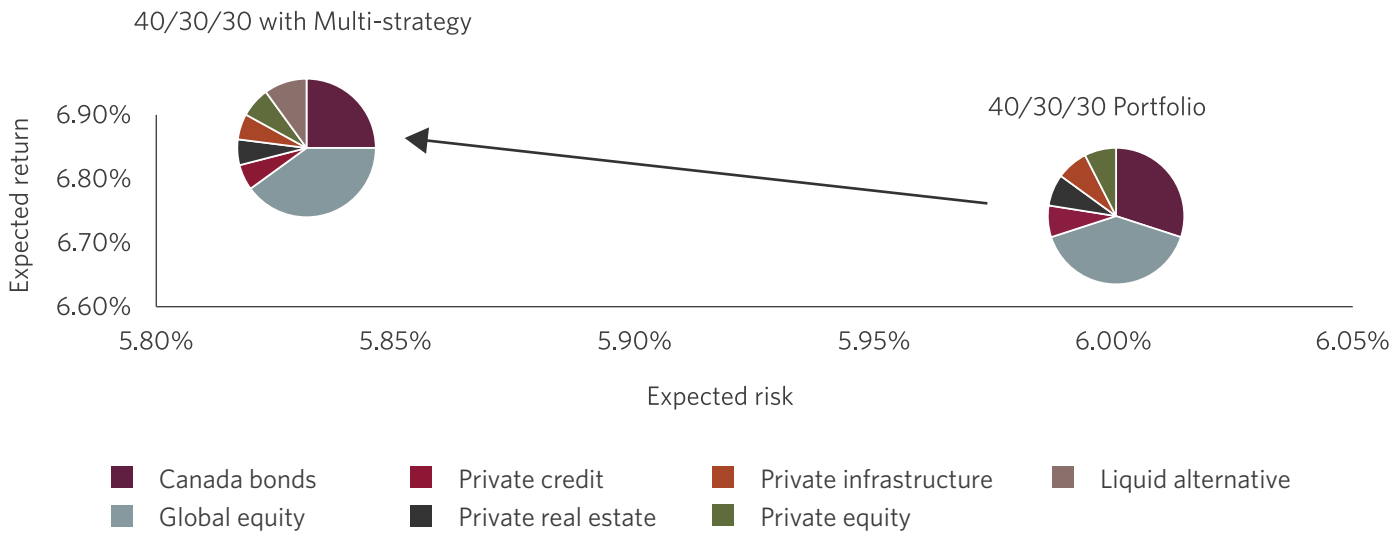
Where multi-strategy portfolios may fit

Liquid alternatives, including multi-strategy solutions, are generally best understood as complementary building blocks within a broader portfolio. Their value lies in their ability to combine diversified return drivers into a single source that exhibits relatively low correlations and betas to traditional and non-traditional markets offer daily liquidity without risk of gates or lockups, and are overseen by comprehensive look-through risk management. As a result, they can serve a variety of functions depending on an institution's objectives, constraints, and existing portfolio structure. Potential applications include:

- Diversifying alternatives allocation
- Providing a liquidity sleeve
- Supporting an absolute return allocation, as a standalone or as a complement to existing hedge fund allocations
- Serving as a risk mitigation allocation
- Portable alpha implementation

Ultimately, the appropriate role for a liquid multi-strategy portfolio will vary from one institution to another. Implementation should reflect the investor's governance framework, liquidity requirements, spending or liability profile, operational capabilities, and return and risk objectives. For some, the strategy may function as a diversifier within alternatives; for others, it may represent a core component of an absolute return, liquidity management, or portfolio resilience framework. In all cases, the key consideration is not whether liquid multi-strategy portfolios replace existing allocations, but how they can be used to improve the overall efficiency, diversification, and durability of the total portfolio.

Chart 4: Allocating to a Multi-Strategy solution can improve portfolio outcomes



The information was prepared by CIBC Global Asset Management using the following third-party service provider's data: Bloomberg. As at August 31, 2026. For illustrative purposes only.

CIBC Global Asset Management's approach

CIBC Global Asset Management's Multi-Strategy Absolute Return platform combines multiple internally managed investment capabilities within a disciplined risk budgeting and oversight framework. The investment process emphasizes:

- Independent alpha sources
- Market neutrality and low correlations to core portfolio allocations
- Dynamic capital allocation
- Portfolio transparency
- Robust risk management
- Daily liquidity

CIBC Multi-Strategy

Market neutral portable alpha

- Purposeful portfolio construction to achieve specific portfolio outcomes
- Targeted outcomes can include consistent performance, efficient risk usage, and an absence of loading on market betas

Diversification

- Each pod designed for specific role in platform
- Enables precise risk/return targeting and effective portfolio diversification
- Result is highly additive fit within Total Portfolio framework

Internal management & cost efficiency

- In-house management allows for efficient risk oversight
- Low fee structure enables more compelling after-fee returns

High liquidity

- Liquidity profile provides flexible access to capital
- No lock-ups or limited redemption windows
- Depending upon funding source, Multi-Strategy can improve Total Portfolio liquidity profile

By relying exclusively on internally developed investment capabilities, portfolio construction and pod manager oversight is assured to be transparent, continuous and comprehensive while allowing capital allocations to evolve as opportunities change.

Conclusion

Institutional investing increasingly requires balancing return generation, diversification, and liquidity. As private market allocations continue to grow and market uncertainty remains elevated, liquid alternative strategies can provide an additional source of portfolio resilience. Multi-strategy absolute return solutions seek to diversify return sources across independent investment processes while maintaining daily liquidity and disciplined risk management. For institutions looking to complement traditional asset classes and private market allocations, these strategies may represent an important component of a modern total portfolio.



About CIBC Global Asset Management

CIBC Global Asset Management (CIBC GAM), the asset management subsidiary of CIBC, is one of Canada's largest asset managers. Established in 1972[1], CIBC GAM offers a broad range of investment solutions, including mutual funds, ETFs, portfolio solutions, alternative investments, discretionary investment management services for high-net-worth individuals, and institutional portfolio management. With teams across Canada and the US, CIBC GAM serves retail, high-net-worth and institutional clients in North America and institutional clients worldwide.

Contact us anytime

To learn how CIBC Global Asset Management can help you power meaningful investment outcomes, please contact your advisor or CIBC representative. For more insights, connect with us on LinkedIn and YouTube.

Explore more at cibc.com/gam.

[1] CIBC Global Asset Management (previously known as TAL Global Asset Management Inc.) was founded in 1972 as a privately-owned investment manager. CIBC took an ownership stake in 1994, eventually assuming 100% in 2001.

The views expressed in this material are the views of CIBC Global Asset Management, as of 2 September 2026 unless otherwise indicated, and are subject to change at any time. CIBC Global Asset Management does not undertake any obligation or responsibility to update such opinions.

This material is provided for general informational purposes only and does not constitute financial, investment, tax, legal or accounting advice, it should not be relied upon in that regard or be considered predictive of any future market performance, nor does it constitute an offer or solicitation to buy or sell any securities referred to. Individual circumstances and current events are critical to sound investment planning; anyone wishing to act on this material should consult with their advisor.

The CIBC Multi Asset Absolute Return Strategy fund is permitted to invest in certain assets and employ alternative investment strategies generally prohibited by conventional mutual funds. The CIBC Multi Asset Absolute Return Strategy fund may use leverage through the use of derivatives, short sales, and/or borrowing within prescribed limits. The fund may also use derivatives for currency management purposes. The fund's use of derivatives may introduce leverage into the fund. Leverage occurs when the fund's notional exposure to underlying assets is greater than the amount invested and is an investment technique that can magnify gains and losses. The information does not constitute legal or tax advice.

"Bloomberg®" is a service mark of Bloomberg Finance L.P. and its affiliates, including Bloomberg Index Services Limited ("BISL"), the administrator of the indices (collectively, "Bloomberg") and have been licensed for use for certain purposes by CIBC Global Asset Management. Bloomberg is not affiliated with CIBC Global Asset Management, and Bloomberg does not approve, endorse, review, or recommend any CIBC Global Asset Management products.

The MSCI information may only be used for your internal use, may not be reproduced or redisseminated in any form and may not be used as a basis for or a component of any financial instruments or products or indices. None of the MSCI information is intended to constitute investment advice or a recommendation to make (or refrain from making) any kind of investment decision and may not be relied on as such. Historical data and analysis should not be taken as an indication or guarantee of any future performance analysis, forecast or prediction. The MSCI information is provided on an "as is" basis and the user of this information assumes the entire risk of any use made of this information. MSCI, each of its affiliates and each other person involved in or related to compiling, computing or creating any MSCI information (collectively, the "MSCI Parties") expressly disclaims all warranties (including, without limitation, any warranties of originality, accuracy, completeness, timeliness, non-infringement, merchantability and fitness for a particular purpose) with respect to this information. Without limiting any of the foregoing, in no event shall any MSCI Party have any liability for any direct, indirect, special, incidental, punitive, consequential (including, without limitation, lost profits) or any other damages.

Forward-looking statements include statements that are predictive in nature, that depend upon or refer to future events or conditions, or that include words such as "expects", "anticipates", "intends", "plans", "believes", "estimates", or other similar wording. In addition, any statements that may be made concerning future performance, strategies, or prospects and possible future actions taken by the fund, are also forward-looking statements. Forward-looking statements are not guarantees of future performance. These statements involve known and unknown risks, uncertainties, and other factors that may cause the actual results and achievements of the fund to differ materially from those expressed or implied by such statements. Such factors include, but are not limited to: general economic, market, and business conditions; fluctuations in securities prices, interest rates, and foreign currency exchange rates; changes in government regulations; and catastrophic events.

The above list of important factors that may affect future results is not exhaustive. Before making any investment decisions, we encourage you to consider these and other factors carefully. CIBC Global Asset Management does not undertake, and specifically disclaims, any obligation to update or revise any forward-looking statements, whether as a result of new information, future developments, or otherwise prior to the release of the next management report of fund performance.

The material and/or its contents may not be reproduced without the express written consent of CIBC Global Asset Management.
®/™The CIBC logo and "CIBC Global Asset Management" are trademarks of CIBC, used under license. CIBC Global Asset Management is a brand name under which CIBC Asset Management Inc. operates.

09/26 - 1911