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The New Alpha Playbook for 2026: Precision, Structure, and Outperformance

Insights Engine | Investment
Research



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Executive Summary

2026 alpha will be driven by research-led precision where selective thematic exposure, active alternatives, disciplined capital allocation, and AI infrastructure dominance replace broad market beta as the primary return engine.

“With rising market dispersion and elevated volatility, nearly two-thirds of U.S. institutional investors expect active strategies to be favoured in 2026, as they provide the discipline and insight needed to identify durable opportunities beyond passive exposure.”

Liana Magner

Head of Institutional Strategy, U.S. Natixis Center for Investor Insight.

The 2026 investment landscape marks a structural shift in return generation, with evidence from 2025 confirming that alpha is increasingly concentrated in selective, research-driven exposures rather than broad market beta. Thematic strategies linked to innovation and sustainability materially outperformed traditional equity benchmarks, yet widening dispersion across themes underscores that fundamental adoption, earnings durability, and valuation discipline now outweigh narrative momentum. This transition is unfolding alongside stable global growth and easing financial conditions, elevating the importance of capital efficiency and strategic positioning.

Portfolio construction is simultaneously evolving as alternative investments and capital-intensive growth enablers become central to return outcomes. Active strategies delivered durable, low-correlation performance, while capital flows favored diversified, non-benchmark exposures. Artificial intelligence is further concentrating returns among infrastructure and adoption leaders, reinforcing that 2026 alpha will be driven by precision allocation, cross-asset integration, and high-conviction investment research.



600bps

Thematic strategies outperformed border equity benchmark

\$174b

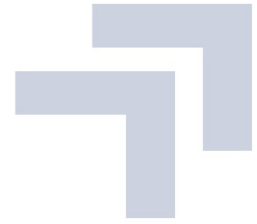
billion in ETF inflows in January 2026

\$5t

Alternative asset exceeding

\$300b

Global AI-related capex surpassed



Thematic and Innovation-Led Strategies Driving 2026 Alpha

Select thematic strategies outperformed broad equity benchmarks by over 600 basis points in 2025, confirming disciplined theme selection as a primary alpha driver for 2026.

Thematic and innovation-led strategies generated strong alpha in 2025, with theme-based ETFs returning 24% and outperforming broad equities by 6.1 percentage points the largest gap since 2020. Space exploration led with +55.5%, followed by Sustainable Environment at +32%, confirming the return potential of capital aligned with long-duration disruptive megatrends.

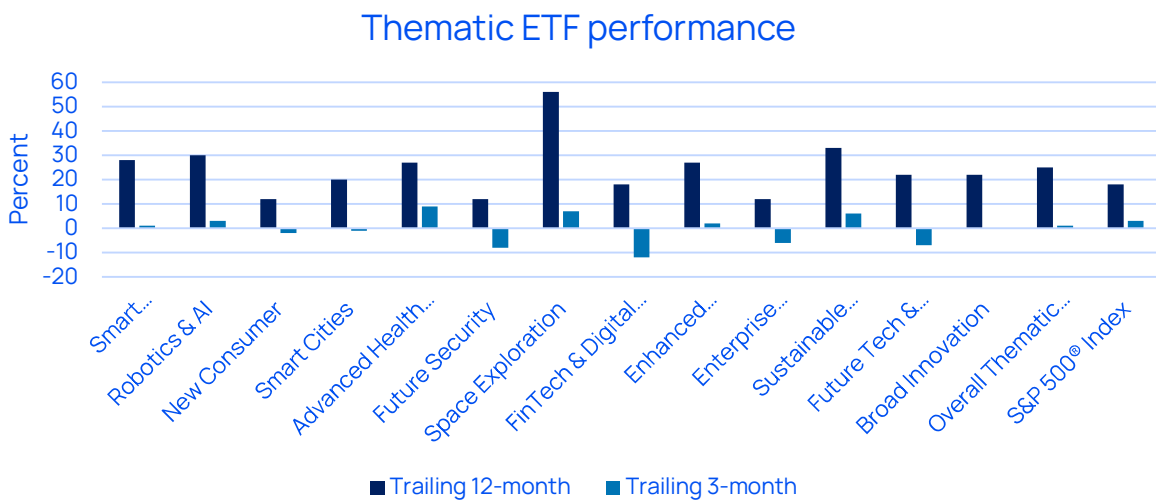
Performance remained highly selective. Nanotechnology and healthcare innovation delivered double digit gains, including an 18.2% rise for nanotech in Q4,

while lagging themes such as virtual interaction and remote work underscored that thematic returns are driven by adoption depth and earnings traction, not narrative appeal.

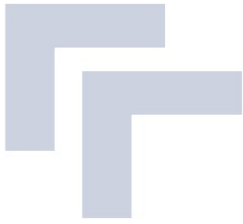
Heading into 2026, moderating inflation and global growth near 3% support continued innovation led opportunities. However, sustained alpha will depend on disciplined research, valuation selectivity, and alignment with structural demand rather than broad thematic exposure.

Thematic ETF saw an average return of 24% in 2025

Space Exploration led in 2025 with a 55.5% return, followed by Sustainable Environment at 32%.



Source: State Street Investment Management



Alternative Investments as Core Return Engines in a Diversified Landscape

Alternative investment strategies delivered double-digit returns and lower correlation in 2025, reinforcing their role as core portfolio return engines in volatile markets.

Alternative asset classes continued to demonstrate differentiated return streams throughout 2025, with the global hedge fund complex delivering an average industry return of +11.8%, marking the second consecutive year of double-digit performance. Traditional active strategies, especially long/short equity and multi-strategy frameworks that capitalize on market dispersion and volatility, outpaced passive return sources in environments where valuation dispersion and macro uncertainty were elevated.

Specific hedge fund exposures tied to region-specific thematic rotations including emerging Asia and cyclical health care amplified return profiles early in 2026, with tactical exposures pivoting from software to semiconductors and biotech.

The 2025 hedge fund ecosystem expanded to over USD 5 trillion in assets, with allocators increasing average allocations per strategy, signaling renewed confidence in diversified alpha generation.

Real asset-linked strategies such as gold recorded exceptional performance, nearly +61% in 2025, while equity market neutral approaches consistently delivered positive returns exceeding fixed income benchmarks.

Additionally, the continued expansion of capital into hedge funds, with many allocators planning net increases in exposure in 2026, underscores a broader investment orientation toward return streams that are less correlated with broad equity markets and more attuned to volatility, structural shifts, and active risk capture.

Alternative strategies are therefore positioned as core engines of return generation and portfolio resilience in an environment of rapid thematic evolution and uneven macro growth.

ETF Market Flows and Strategic Positioning Informing Capital Allocation

Builders monetizing AI internally retain margin advantages, while compute renters face commoditization and rising fixed-cost drag.

ETF market dynamics in early 2026 highlight pronounced capital rotation and strategic positioning as investors allocate for durable returns across markets and themes. Thematic ETF categories exhibited strong relative performance in 2025, with certain high-innovation themes significantly outperforming traditional benchmarks, while quarter-end underperformance in some segments signals ongoing rotation risks.

ETF flows in January 2026 reached USD 174 billion, with equity ETFs capturing the majority and alternatives ETF experiencing notable flow share increases, indicating broader investor appetite for diversified, non-benchmark-centric exposures that can deliver differentiated returns over market beta.

This flow pattern reflects a strategic shift toward investment exposures that blend thematic innovation with risk-adjusted discipline, particularly as stretched valuations in certain mega cap segments elevate correlation risk.



Broader macro positioning anticipates resilient global growth, with projected U.S. GDP near 2.4% in 2026 and ongoing monetary easing that could support earnings momentum in both equities and credit-oriented ETFs.

The divergent behavior of thematic flows underscores that valuation timing, theme sustainability, and structural tailwinds, not just narrative appeal, will determine capital allocation efficiency and potential performance capture through 2026. Investors who integrate macro context, valuation sensitivity, and diversified theme exposures into strategic ETF allocation frameworks stand to benefit from volatility-normalized environments and sectoral rotation opportunities.

AI, Capital Intensity, and Structural Market Drivers Reshaping Return Profiles

AI-driven returns in 2026 are increasingly concentrated among capital-intensive infrastructure and adoption leaders rather than broad technology exposure.

Artificial intelligence is reshaping return dynamics by concentrating capital in infrastructure scale, compute capacity, and AI-enabled operating models, displacing incremental software-led growth. Evidence shows that AI leaders are delivering materially superior returns across ROIC, revenue growth, and innovation intensity creating a widening AI value gap likely to persist as compute and data economics mature.

Elevated global capex for AI infrastructure indicates that returns will accrue to firms embedding AI into core operations or enabling the ecosystem through semiconductors, networks, and power assets.

Market rotation toward these segments reflects superior monetization potential through sustained revenue growth and margin durability, despite episodic volatility in headline technology stocks. As AI increasingly converges with energy and physical infrastructure, growth opportunities now span multiple industries, requiring investment frameworks that capture the intersection of technology, electrification, and real assets.

Looking ahead to 2026, AI-driven returns will favor active, precision-led allocations grounded in adoption depth and fundamentals, rather than broad, undifferentiated technology exposure.

The evidence heading into 2026 is clear: sustainable outperformance will not be driven by broad market exposure, but by research-led precision across themes, alternatives, and capital-intensive growth enablers. As dispersion widens and return concentration deepens, investors that combine disciplined theme selection, active risk capture, and fundamental conviction will be best positioned to generate durable alpha. In a post-beta market environment, investment research is no longer a support function it is the primary determinant of return outcomes.

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