

MEMORANDUM

TO: Rhode Island State Investment Commission
FROM: Marketable Alternatives Team, Meketa Investment Group
DATE: October 8, 2026
RE: Concurrence – Addition of Ionic Volatility Arbitrage Fund to the Crisis Protection Class

Summary and Recommendation

In July 2026, Staff requested Meketa Investment Group (“Meketa”) conduct an independent investment and operational due diligence process on Ionic Volatility Arbitrage Fund. **After conducting independent IDD and ODD on Ionic and evaluating the fit within the Crisis Protection Class, Meketa concurs with Staff’s decision to allocate to Ionic Volatility Arbitrage Fund.** The proposed allocation supports the Crisis Protection Class’s objective of delivering convex payoffs during sharp market sell-offs. Ionic adds a multi-asset long volatility strategy that sources convexity in rates, currencies, commodities, credit, and equities, which should diversify the portfolio’s existing sources of protection.

Discussion

Ionic has delivered strong convexity when equity markets sell off quickly. During the February–March 2020 sell-off, the Fund returned +58.1% versus +44.3% for the HFR Long Volatility Index and -20.4% for the MSCI ACWI. Over January–September 2022, it returned +51.7% versus +15.1% for the HFR Long Volatility Index and -25.3% for the MSCI ACWI. Since 2014, the Fund has exhibited a beta of -0.94 and a correlation of -0.66 to the MSCI ACWI. Ionic also pairs well with the current Systematic Trend Following portfolio in the Crisis Protection Class, as the two strategies source convexity differently. Ionic aims to pay almost immediately as option prices reprice in a rapid sell-off, whereas trend following builds protection as trends establish and can lag, or give back gains, in sharp and sudden reversals. Together, they provide protection across drawdowns of different speed and duration, with Ionic acting as the first responder and trend following as the sustained source of protection. Meketa also considered the costs and risks of the strategy and believes they are appropriate for the role Ionic would play. Ionic bears a persistent cost of carry in benign markets. This cost is the price of convexity: the Fund does not sell volatility to offset it, which preserves the payoff in sell-offs, and a single episode may more than recover several years of carry.

In summary, ***Meketa’s conclusions are aligned with Staff’s proposal, and we believe it is appropriate to allocate to Ionic Volatility Arbitrage Fund within the Crisis Protection Class.***

If you have any questions, please feel free to contact us at 781.471.3500.

Marketable Alternatives Team, Meketa Investment Group